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Application Proof of



CSPC Innovation Pharmaceutical Co., Ltd.

石藥創新製藥股份有限公司

(the “Company”)

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

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CSPC Innovation Pharmaceutical Co., Ltd.

石藥創新製藥股份有限公司

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

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to
the [REDACTED] the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share plus
[REDACTED] ([REDACTED] in Hong
Kong dollars and subject to refund)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



CITIC SECURITIES

[REDACTED]



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Applicants for [REDACTED] may be required to pay, on [REDACTED] (subject to [REDACTED] channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with [REDACTED].

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Who We Are

We are an innovation-driven researcher, developer, and manufacturer of a diverse offering of caffeine and other functional ingredients, nutritional products, and biopharmaceuticals. We pride ourselves on our commitment to health and wellness:



Since our inception in 2006, we have dedicated ourselves to the research and production of high-quality caffeine. From 2020 to 2025, we have been the world’s largest producer of chemically synthesized caffeine, both in terms of revenue and shipment volume, according to Frost & Sullivan. We primarily produce caffeine for use as a food additive in functional beverages. We have been a global caffeine supplier to industry giants such as The Coca-Cola Company since 2006, PepsiCo since 2007 and Red Bull GmbH since 2008.

In 2016, we expanded our business into nutritional products. Our nutritional products are formulated to meet diverse consumer needs for essential nutrients. Today, Guoweikang (果维康®) has been recognized as a well-known trademark (馳名商標) in China and our sales network of nutritional products has covered over 270 chain pharmacies nationwide.

In 2022, we acquired a 100% equity interest in CSPC Shengxue. Since then, we have broadened our product portfolio to include other functional ingredients, such as acarbose and anhydrous glucose. From 2020 to 2025, we have been one of the largest domestic companies in China certified for manufacturing acarbose as an active pharmaceutical ingredient (“API”), both in terms of revenue and shipment volume, according to Frost & Sullivan.

In 2024, we acquired a controlling equity interest in Megalith Biopharmaceutical, and established ourselves as a new force in the biopharmaceutical industry. We primarily focus on developing novel therapies against differentiated targets with versatile modalities. We strategically target therapeutic areas with unmet medical needs and significant growth potential, such as oncology, autoimmune diseases, and infectious diseases. Today, we have built our extensive expertise in the fields of antibody drugs, antibody drug conjugates (“ADCs”), and mRNA vaccines.

SUMMARY

Our Product Portfolio

Functional Ingredients and Nutritional Products

We primarily produce caffeine for use as a food additive and other functional ingredients for use as APIs or food additives. The following diagram sets forth the functional ingredients we offer and their major applications.

Functional Ingredients		Key Applications
Caffeine Products	Caffeine	Food and beverage additive or API. It is used to refresh and awaken the mind, enhance physical agility, and provide benefits such as relieving depression, supporting weight control, improving digestion, diuresis, and constipation, as well as alleviating pain.
	Theophylline, Aminophylline, Doxofylline, and Diprophylline	APIs. They are primarily used to promote cardiac stimulation, diuresis, coronary artery dilation, relaxation of bronchial smooth muscle, and central nervous system stimulation.
	Theobromine, Pentoxifylline	APIs. They are primarily used to promote diuresis, myocardial stimulation, vasodilation, and smooth muscle relaxation.
	Acarbose	API. It is used to prevent sharp postprandial blood glucose spikes and promote effective blood glucose management for individuals with diabetes or those at risk of developing diabetes.
Anhydrous Glucose		Food additive or API. It is used in the pharmaceutical industry to be prepared into oral liquid or intravenous injection as a nutritional supplement. In addition, it is used in the food industry as a sweetener in the form of edible sugar, or as a reducing agent or component for biological culture medium preparation.

We offer a comprehensive range of nutritional products. As illustrated in the diagram below, they are formulated in direct response to diverse consumers’ health needs, such as enhancing immunity, strengthening bones, providing antioxidant support, supplementing minerals, and promoting eye health.



SUMMARY

Biopharmaceuticals

As of the Latest Practicable Date, we had commercialized three antibody drugs, namely Enshuxing (恩舒馨®) (an anti-PD-1 mAb), a Category 1 innovative drug, Enyitan (恩益坦®), the first omalizumab biosimilar in China, and Enyike (恩益克®), a ustekinumab biosimilar. Our two mRNA vaccines, namely Duentai (度恩泰®), the first domestically developed mRNA COVID-19 vaccine, and Duentai 2, our bivalent mRNA COVID-19 vaccine targeting the then-dominant variants represented by XBB.1.5, were included for emergency use in China in 2023. In addition, we had a strong pipeline of over 15 drug candidates in clinical or later stages of development, including nine ADC drug candidates and one mRNA vaccine candidate.

Drug Name/ Code	Target(s)	Indication (Line of Treatment)	Mono/ Combo	Preclinical	IND	Phase I	Phase II	Phase III	NDA/BLA	Approval	Current Status/Next Milestone	Commercialization Regions
Antibody Drugs												
Enhytane® ¹ (SYS1802)	PD-1	Advanced cervical cancer (2L+) Recurrent or metastatic cervical cancer (1L)	Mono +Chemo +Bevacizumab								Phase III trial initiated in January 2023; expected BLA submission in 2028	Greater China Region ^(a)
Omalizumab ¹ (SYS1903)	IgE	Chronic spontaneous urticaria Moderate-to-severe persistent allergic asthma	Mono								NMPA approval obtained in September 2024 NMPA approval obtained in February 2025	Chinese Mainland ^(b)
Lixiviunab (SYS1902)	IL-2/IL-23p40	Moderate-to-severe psoriasis	Mono								NMPA approval obtained in May 2026	Global
Perizumab (SYS1901)	HER2	HER2 positive early or locally advanced breast cancer	+Trastuzumab and docetaxel								BLA accepted in November 2025; expected approval in 2027	Global
Scatkinumab (SYS6012)	IL-17A	Moderate-to-severe plaque psoriasis	Mono								Phase III trial initiated in June 2024; completed in January 2026; expected approval in 2027	Global
SYS6090	PD-1/IL15	Advanced malignant neoplasm	Mono								Phase II trial initiated in March 2026; expected completion in 2028	Global
Dupilumab (SYS6033)	IL-4Ra	Moderate to severe atopic dermatitis	Mono								Phase I trial initiated in October 2025; expected completion in 2026	Global
ADC Drugs												
SYS6010 ^(c) 	EGFR	EGFR mutated advanced NSCLC (2L)	Mono								Phase III trial initiated in March 2025; expected completion in 2026	Global
		EGFR mutated advanced NSCLC (1L)	+Osimertinib								Phase III trial initiated in March 2026; expected completion in 2029	
		Esophageal squamous cell carcinoma (2L)	Mono								Phase III trial initiated in March 2026; expected completion in 2028	
		HER2 negative, EGFR positive breast cancer	Mono								Phase III trial initiated in March 2026; expected completion in 2028	
		EGFR wild-type msc-NSCLC (2L)	Mono								Phase III trial initiated in March 2026; expected completion in 2029	
		EGFR wild-type advanced NSCLC (1L) and advanced solid tumors	+PD-1								Phase II trial initiated in September 2024; expected completion in 2027	
		Esophageal squamous cell carcinoma (1L)	+PD-1+Chemo								Phase II trial initiated in November 2025; expected completion in 2028	
		HNSCC (1L)	+PD-1								Phase II trial initiated in November 2025; expected completion in 2027	
		Neoadjuvant treatment of EGFR mutated msc-NSCLC	+Osimertinib								Phase II trial initiated in November 2025; expected completion in 2027	
		Advanced solid tumors (gastric cancer, lung cancer, breast cancer, etc.)	Mono or +SYH2051 (a selective ATM inhibitor)								Phase II trial initiated in November 2025; expected completion in 2027	
SYS6002	Nectin-4	Multiple advanced solid tumors	Mono								Phase II trial initiated in November 2024; expected completion in 2026	Excluding the U.S., the EU, and seven other countries and regions ^(d)
		Cervical cancer (2L+)	Mono vs. Chemo								Phase I trial initiated in May 2023; expected completion in 2028	
		Advanced urothelial carcinoma (1L) and other solid tumors	+PD-1								Phase III trial initiated in December 2025; expected completion in 2027	
		Multiple advanced solid tumors	Mono								Phase II trial initiated in July 2024; expected completion in 2028	
		HER2 positive advanced breast cancer (2L+)	Mono								Phase I trial initiated in November 2022; expected completion in 2026	
		Multiple advanced solid tumors	Mono								Phase III trial initiated in January 2024; expected completion in 2026	
		Multiple advanced solid tumors	Mono								Phase II trial initiated in August 2025; expected completion in 2027	
		SCLC and other advanced solid tumors	+PD-(L)1, +Chemo								Phase II trial initiated in March 2026; expected completion in 2028	
		Advanced breast cancer	+Arbortinab								Phase II trial initiated in May 2026; expected completion in 2028	
		Multiple advanced solid tumors	Mono								Phase I trial initiated in August 2024; expected completion in 2028	
mRNA Vaccines	Duetai (SYS6051) 	Multiple advanced solid tumors	Mono								Phase I trial initiated in February 2025; expected completion in 2026	Global [Excluding the U.S., the EU, and 11 other countries and regions]
		Multiple advanced malignancies	Mono								Phase I trial initiated in February 2025; expected completion in 2027	
		Multiple advanced solid tumors	Mono								Phase I trial initiated in April 2025; expected completion in 2027	
		Multiple advanced solid tumors	Mono								Phase I trial initiated in May 2026; Phase II trial: expected initiation in 2027	
		BA.5 variant strain of COVID-19	Mono								Phase I trial initiated in May 2026; Phase II trial: expected initiation in 2027	
		XBB.1.5/BQ.1 variant strain of COVID-19	Mono								NMPA approval obtained in March 2023	
		varicella zoster virus	Mono								NMPA approval obtained in December 2023	
											Phase II trial initiated in January 2026; expected completion in 2027	

 NMPA Breakthrough Therapy Designation  U.S. FDA Fast Track ¹ In-licensed products

SUMMARY

Notes:

† The list is non-exhaustive

- (1) In June 2024, enlonstobart was approved by the NMPA for the treatment of recurrent or metastatic cervical cancer, conditioned upon confirmatory randomized controlled clinical trial results demonstrating its clinical benefit.
- (2) In 2018, CSPC Ouyi entered into an exclusive agreement with Sumgen to develop and commercialize enlonstobart (then known as SYSA1802) in the Greater China Region. In May 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Ouyi, pursuant to which we obtained all of CSPC Ouyi’s rights to enlonstobart. For details, see “Business—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Enlonstobart.”
- (3) In 2019, CSPC Baike entered into an exclusive agreement with Synermore to develop and commercialize omalizumab (then known as SYSA1903) in Chinese Mainland. In April 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Baike, pursuant to which we obtained all of CSPC Baike’s rights to omalizumab. For details, see “Business—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Omalizumab.”
- (4) The NMPA has granted two breakthrough therapy designations to SYS6010 for its intended indication as a monotherapy for (i) the treatment of EGFR mutation-positive advanced NSCLC after failure of EGFR TKIs and platinum-based chemotherapy, and (ii) the treatment of patients with unresectable locally advanced or metastatic ESCC who have experienced treatment failure after receiving first-line platinum-containing chemotherapy and immune checkpoint inhibitors. The U.S. FDA has granted three fast track designations to SYS6010 for the treatment of (i) metastatic NSCLC patients with EGFR mutations who are relapsed/refractory to or ineligible for EGFR targeting therapy such as third generation EGFR inhibitors including osimertinib; (ii) patients with recurrent or metastatic squamous NSCLC with EGFR over-expression that has progressed on or after treatment with platinum-based chemotherapy and anti-PD-(L)1 therapy; and (iii) adult patients with advanced or metastatic nsq-NSCLC without EGFR mutations or other actionable genomic alterations, with prior disease progression on platinum-based chemotherapy and an anti-PD-(L)1 antibody.
- (5) In February 2023, we entered into an out-licensing agreement with Corbus Pharmaceuticals, pursuant to which we agreed to grant Corbus Pharmaceuticals the exclusive rights to develop and commercialize SYS6002 in the United States, the European Union, United Kingdom, Canada, Australia, Iceland, Liechtenstein, Norway, and Switzerland. For details, see “Business—Material Collaboration and Licensing Arrangements—Exclusive License Agreement with Corbus Pharmaceuticals.”

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors: (i) our established leadership in caffeine; (ii) advanced ADC platform demonstrated by diverse pipeline products; (iii) strong mRNA vaccine development capability; (iv) strong manufacturing capability supported by global-standard quality management; (v) effective global sales and distribution network to unlock full commercial potential; and (vi) visionary management and talent to fuel our long-term growth. For details, see “Business—Our Competitive Strengths.”

OUR STRATEGIES

We intend to further grow our business by implementing the following strategies: (i) solidifying our leadership in functional ingredients business; (ii) advancing biopharmaceutical R&D with a focus on frontier technologies; (iii) accelerating drug development to address indications in areas of high unmet medical need; (iv) establishing world-class manufacturing system; (v) accelerating our expansion into the global biopharmaceutical market; and (vi) enhancing commercialization capabilities and strengthen our brand recognition. For details, see “Business—Our Strategies.”

COMPETITIVE LANDSCAPE

We are confronted by considerable competition in the market for our products, and our key competitors vary by product category.

The global chemically synthesized caffeine market is highly concentrated, dominated by a limited number of players with strong brand recognition, extensive networks, and long-term customer loyalty. China is the most important producer of caffeine, with production mainly concentrated in several enterprises with designated caffeine production qualifications. In 2025, the top three players in China’s chemically synthesized caffeine market, in aggregate, accounted for over 90% of the market share in terms of revenue, with us leading the market by capturing a 50.7% share, according to Frost & Sullivan. Key factors for competition include product quality, price and

SUMMARY

production capabilities. With stable product quality, cost advantages brought by large-scale production and a comprehensive supply chain system, we expect to stay competitive and sustain our market leadership in China and globally.

China’s pharmaceutical market is highly competitive, characterized by a number of well-known multinational companies, regionally-strong players and companies, as well as some smaller emerging pharmaceutical and biotechnology companies. Our biopharmaceutical products face, and will continue to face, significant competition from existing therapies, as well as biologics products that are currently commercialized or are under development, on the basis of efficacy, safety, price, and general market acceptance.

For details, see “Industry Overview” and “Business—Competition.”

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of customers who purchase functional ingredients directly from us and distributors through which we sell our pharmaceutical products and nutritional products. In 2023, 2024, and 2025, we generated revenue of RMB1,009.0 million, RMB678.8 million, and RMB602.3 million from our five largest customers in each period, respectively, representing 39.7%, 34.3%, and 27.9% of our total revenue for these respective periods.

Our suppliers primarily consist of suppliers of raw materials and providers of technical, construction and engineering services. In 2023, 2024, and 2025, our aggregate purchases from our five largest suppliers in each period amounted to RMB883.1 million, RMB496.5 million, and RMB490.5 million, respectively, representing 39.5%, 25.3%, and 9.7% of our total purchase for these respective periods.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary financial data set forth below are derived from and should be read together with our financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”).

Summary of Consolidated Statement of Profit or Loss

The following table sets forth our selected consolidated statements of profit or loss for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0
Cost of sales	(1,380,949)	(54.4)	(1,152,170)	(58.2)	(1,333,038)	(61.8)
Gross profit	1,157,764	45.6	828,583	41.8	824,642	38.2
Other income	91,890	3.6	55,651	2.8	92,042	4.3
Other gains or losses, net . .	25,759	1.0	12,166	0.6	22,302	1.0
Research and development expenses	(671,397)	(26.4)	(842,701)	(42.5)	(1,061,011)	(49.2)
Selling and distribution expenses	(210,503)	(8.3)	(154,245)	(7.8)	(281,252)	(13.0)
Administrative expenses . .	(131,718)	(5.2)	(115,186)	(5.8)	(128,866)	(6.0)
Impairment losses under ECL model, net of reversal	5,622	0.2	2,925	0.1	(7,937)	(0.4)

SUMMARY

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Share of result of an associate	12,580	0.5	(2,297)	(0.1)	(13,783)	(0.6)
Share of result of a joint venture	—	—	(324)	(0.0)	(331)	(0.0)
Finance costs	(17,859)	(0.7)	(6,373)	(0.3)	(21,817)	(1.0)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit/(loss) before tax . . .	262,138	10.3	(221,801)	(11.2)	(576,538)	(26.7)
Income tax expense	(136,470)	(5.4)	(81,912)	(4.1)	(57,799)	(2.7)
Profit/(loss) for the year . .	125,668	5.0	(303,713)	(15.3)	(634,337)	(29.4)
Attributable to:						
Owners of the Company . . .	434,436	17.1	53,471	2.7	(255,084)	(11.8)
Non-controlling interests . .	(308,768)	(12.2)	(357,184)	(18.0)	(379,253)	(17.6)
	125,668	5.0	(303,713)	(15.3)	(634,337)	(29.4)

Revenue

During the Track Record Period, we generated our revenue from (i) sales of functional ingredients and nutritional products, including caffeine products, acarbose, anhydrous glucose, and vitamin C buccal tablets, (ii) sales of biopharmaceuticals, out-licensing transactions and research services, and (iii) others, including sales of leftover materials, such as dilute acetic acid, ammonia, and other by-products from the production of our caffeine products.

The following table sets forth a breakdown of our total revenue by offering category, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Functional ingredients and nutritional products	2,450,350	96.5	1,840,312	92.9	1,857,415	86.1
Biopharmaceuticals	34,702	1.4	87,797	4.4	256,933	11.9
Others	53,661	2.1	52,644	2.7	43,332	2.0
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

The following table sets forth a breakdown of our total revenue by source, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sale of goods ⁽¹⁾	2,504,013	98.6	1,961,224	99.0	2,154,884	99.9
License fee income	34,700	1.4	17,831	0.9	—	—
Provision of service ⁽²⁾	—	—	1,698	0.1	2,796	0.1
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

SUMMARY

Notes:

- (1) Our revenue generated from the sales of biopharmaceuticals was RMB2 thousand, RMB68.3 million, and RMB254.1 million in 2023, 2024 and 2025, respectively. For details, see Note 7 to the Accountants’ Report in Appendix I to this document.
- (2) Represents income generated from R&D services we provided to our related parties. For details, see Note 51(b) to the Accountants’ Report in Appendix I to this document.

The following table sets forth a breakdown of our total revenue by geographical market based on the place of delivery of our customers, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese Mainland	1,283,087	50.5	1,027,423	51.9	1,127,681	52.3
Europe	419,320	16.5	336,444	17.0	333,704	15.5
North America	400,830	15.8	271,249	13.7	251,455	11.7
Rest of World	435,476	17.2	345,637	17.4	444,840	20.5
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by offering category for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Functional ingredients and nutritional products	1,114,446	45.5	729,086	39.6	644,667	34.7
Biopharmaceuticals	22,542	65.0	82,900	94.4	166,052	64.6
Others	20,776	38.7	16,597	31.5	13,923	32.1
Total	1,157,764	45.6	828,583	41.8	824,642	38.2

Profit/(Loss) for the Year

Our loss for the year increased from RMB303.7 million in 2024 to RMB634.3 million in 2025, primarily due to (i) an RMB218.3 million increase in research and development expenses, (ii) an RMB180.9 million increase in our cost of sales, and (iii) an RMB127.0 million increase in selling and distribution expenses, partially offset by an RMB176.9 million increase in our revenue.

We recorded a loss for the year of RMB303.7 million in 2024, compared to a profit for the year of RMB125.7 million in 2023. This change was primarily due to (i) an RMB558.0 million decrease in our revenue, and (ii) an RMB171.3 million increase in research and development expenses, partially offset by an RMB228.8 million decrease in our cost of sales.

SUMMARY

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:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total current assets	4,617,624	2,802,404	2,853,148
Total non-current assets	2,969,584	3,334,213	3,512,664
Total assets	7,587,208	6,136,617	6,365,812
Total current liabilities	1,903,914	1,434,296	2,709,139
Total non-current liabilities	85,023	91,891	771,906
Total liabilities	1,988,937	1,526,187	3,481,045
Net current assets	2,713,710	1,368,108	144,009
Net assets	5,598,271	4,610,430	2,884,767
Share capital	1,170,742	1,404,593	1,404,593
Reserves	4,168,732	2,384,346	1,334,351
Equity attributable to owners of the Company	5,339,474	3,788,939	2,738,944
Non-controlling interests	258,797	821,491	145,823
Total equity	5,598,271	4,610,430	2,884,767

Net Current Assets

Our net current assets decreased from RMB1,368.1 million as of December 31, 2024 to RMB144.0 million as of December 31, 2025, primarily due to (i) an RMB550.0 million increase in loans from the immediate holding company, (ii) an RMB415.4 million increase in other payables, (iii) an RMB300.8 million increase in trade payables, and (iv) an RMB231.9 million decrease in financial assets at FVTPL. The decrease was partially offset by (i) an RMB149.7 million increase in prepayments and other receivables, and (ii) an RMB127.2 million increase in trade receivables.

Our net current assets decreased from RMB2,713.7 million as of December 31, 2023 to RMB1,368.1 million as of December 31, 2024, primarily due to an RMB2,911.2 million decrease in bank balances and cash. This decrease was partially offset by (i) an RMB804.3 million decrease in trade payables, (ii) financial assets at FVTPL of RMB825.6 million, and (iii) an RMB300.0 million increase in loans from the immediate holding company.

For further details, see “Financial Information—Net Current Assets.”

Net Assets

Our net assets, being the total equity, decreased from RMB4,610.4 million as of December 31, 2024 to RMB2,884.8 million as of December 31, 2025, primarily due to acquisition of additional interests in a subsidiary of RMB1,075.8 million and loss for the year of RMB634.3 million, partially offset by interest waived by the immediate holding company and discount on interest free loans from the immediate holding company of RMB19.0 million.

Our net assets, being the total equity, decreased from RMB5,598.3 million as of December 31, 2023 to RMB4,610.4 million as of December 31, 2024, primarily due to (i) dividends recognized as distribution of RMB374.2 million, (ii) repurchase of shares of RMB316.8 million, and (iii) loss for the year of RMB303.7 million in 2024.

For further details, see consolidated statements of changes in equity in the Accountants’ Report in Appendix I to this document.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	660,956	(1,140,405)	(296,013)
Net cash used in investing activities	(479,664)	(1,386,808)	(238,192)
Net cash from/(used in) financing activities	1,358,551	(391,819)	424,193
Net increase/(decrease) in cash and cash equivalents	1,539,843	(2,919,032)	(110,012)
Cash and cash equivalents at the beginning of year	2,203,586	3,770,190	858,983
Effects of foreign exchange rate changes	26,761	7,825	20,266
Cash and cash equivalents at the end of the year	3,770,190	858,983	769,237

We recorded net operating cash outflow of RMB1,140.4 million and RMB296.0 million in 2024 and 2025, respectively, primarily due to increased inventories and R&D expenses associated with the business growth of our biopharmaceutical business. For further details, see “Financial Information—Liquidity and Capital Resources—Cash Flows.”

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the periods or as of the dates indicated:

	For the Year Ended/As of December 31,		
	2023	2024	2025
Current ratio	2.4	2.0	1.1
Quick ratio	2.3	1.7	0.9
Gross profit margin	45.6%	41.8%	38.2%

For details of calculation, see “Financial Information—Key Financial Ratios.”

SUMMARY OF MATERIAL RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in our [REDACTED]. The principal risks we face include: (i) we had net losses in 2024 and 2025, and our historical operational and financial performance may not be indicative of our future performance; (ii) we recorded net operating cash outflow in the past, which may continue in the future; (iii) failure to achieve or maintain market acceptance for our products could have an adverse impact on our profitability and business prospects; (iv) decreases in our products’ sales volume and price levels, and changes in the cost structures may adversely affect our revenue and profitability; (v) we operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability; and (vi) all material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.

SUMMARY

OUR CONTROLLING SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), NBP Pharmaceutical, directly and indirectly through its wholly owned subsidiary, CSPC Ouyi, will be interested in and control [REDACTED] A Shares, representing approximately [REDACTED]% of our total issued share capital (excluding 12,000,225 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares as of the Latest Practicable Date). As of the Latest Practicable Date, NBP Pharmaceutical was owned as to 45.94% and 54.06% by Dragon Merit and CSPC Pharmaceutical, respectively. Dragon Merit was wholly owned by Robust Sun which was in turn wholly owned by CSPC Pharmaceutical. As such, NBP Pharmaceutical, CSPC Ouyi, Robust Sun, Dragon Merit and CSPC Pharmaceutical will constitute a group of Controlling Shareholders upon [REDACTED]. For further details about our Controlling Shareholders, please refer to the sections headed “History and Corporate Structure”, “Relationship with Our Controlling Shareholders” and “Substantial Shareholders” in this document.

In addition, certain transactions between us and certain subsidiaries of each of CSPC Pharmaceutical and CSPC Holdings Company Limited will constitute continuing connected transactions upon [REDACTED], details of which are set out in the section headed “Connected Transactions” in this document.

RECENT DEVELOPMENTS

Strategic Collaboration and License Agreement with AstraZeneca

In January 2026, Megalith Biopharmaceutical, a subsidiary of our Company, together with CSPC Pharmaceutical Group Limited and CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (together, the “**Licensors Group**”), entered into a strategic collaboration and license agreement with AstraZeneca. Under this agreement, the Licensors Group agreed to grant AstraZeneca an exclusive license to develop, manufacture and commercialize its once-monthly injectable weight management portfolio in the territories outside of the Greater China Region. Both parties will also collaborate on four new programs leveraging the Licensors Group’s proprietary technologies. AstraZeneca agreed to make (i) upfront payment of US\$1.2 billion to the Licensors Group (including US\$420 million payable to Megalith Biopharmaceutical), (ii) development and regulatory milestone payments of up to US\$3.5 billion, (iii) sales milestone payments of up to US\$13.8 billion, and (iv) sales royalties. For details, see “Business—Material Collaboration and Licensing Arrangements—Strategic Collaboration and License Agreement with AstraZeneca.”

NMPA Approval of Enyike

In May 2026, Enyike, our ustekinumab biosimilar, was approved by the NMPA for the treatment of adult patients with moderate-to-severe plaque psoriasis who have not responded to, have contraindications to, or are intolerant of other systemic therapies, including cyclosporine, methotrexate, or PUVA treatment, as well as pediatric patients aged 6 years and older (weighing 60 kg to 100 kg) with moderate-to-severe plaque psoriasis who have had an inadequate response to or are intolerant of other systemic therapies or phototherapy.

ADC Clinical Developments

In March 2026, we initiated four Phase III clinical trials of SYS6010, our lead ADC drug candidate, in China. These include (i) a Phase Ib/III clinical trial to evaluate SYS6010 in combination with osimertinib for the first-line treatment of EGFR-mutated advanced NSCLC; (ii) a Phase III clinical trial to evaluate SYS6010 as monotherapy for the second-line treatment of esophageal squamous cell carcinoma; (iii) a Phase III clinical trial to evaluate SYS6010 as monotherapy for the second-line and later treatment of HER2-negative, EGFR-positive breast cancer; and (iv) a Phase III clinical trial to evaluate SYS6010 as monotherapy for the second-line treatment of EGFR wild-type nsq-NSCLC.

SUMMARY

In May 2026, we initiated the Phase I clinical trial of SYS6051, a TF ADC, as a monotherapy for the treatment of multiple advanced solid tumors in China. We had also obtained IND approval for the clinical trial of SYS6051 from the U.S. FDA in April 2026.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, other than as described above, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

OUR LISTING ON THE SZSE CHINEXT MARKET

Since March 2019, our A Shares have been listed on the SZSE ChiNext Market. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shenzhen Stock Exchange. Our PRC Legal Adviser is of the view that the confirmation of our Directors above with regard to our compliance record is accurate and reasonable.

[REDACTED]

SUMMARY

[REDACTED]

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million (after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the [REDACTED] stated in this document, and assuming the [REDACTED] is not exercised. We intend to use the [REDACTED] of the [REDACTED] for the following purposes: approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund our R&D of biopharmaceuticals; approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund acquisitions of companies or drug assets that align with our strategic areas of focus, to expand our product portfolio and further enhance our technological capabilities; approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the commercialization of approved products and late-stage product candidates that are close to market launch, as well as the improvement of our brand recognition; and approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED]. See “Future Plans and [REDACTED]” for further details.

DIVIDENDS

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions. Apart from the principles for profit distribution set out in our Articles of Association, we had not adopted any formal dividend policy or specified dividend pay-out ratio as of the Latest Practicable Date. In 2023, 2024 and 2025, we declared a final dividend of RMB97.6 million, RMB374.2 million and RMB27.9 million in respect of the years ended December 31, 2022, 2023 and 2024, respectively. As of the Latest Practicable Date, we had paid these dividends in full. See “Financial Information—Dividends” for more information on factors affecting our dividend distribution.

[REDACTED]

DEFINITIONS

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

“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
“Accountants’ Report”	the report of our Company’s reporting accountant, Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on October 16, 2025 with effect from the [REDACTED], a summary of which is set out in Appendix V to this document
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

“China”, “Chinese Mainland” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this document only, except where the context requires otherwise, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “CSPC Innovation”	CSPC Innovation Pharmaceutical Co., Ltd. (石藥創新製藥股份有限公司), a joint stock company with limited liability established in the PRC on April 5, 2006, the A Shares of which have been listed on the Shenzhen Stock Exchange (stock code: 300765)
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to NBP Pharmaceutical, CSPC Ouyi, Robust Sun, Dragon Merit and CSPC Pharmaceutical

DEFINITIONS

“CSPC Ouyi”	CSPC Ouyi Pharmaceutical Co., Ltd. (石藥集團歐意藥業有限公司) a company established in the PRC with limited liability on March 29, 2001 and a wholly-owned subsidiary of CSPC Pharmaceutical and one of the Controlling Shareholders
“CSPC Pharmaceutical”	CSPC Pharmaceutical Group Limited (石藥集團有限公司), a company incorporated in Hong Kong with limited liability on June 16, 1992, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1093) and one of the Controlling Shareholders
“CSPC Pharmaceutical Group”	CSPC Pharmaceutical and its subsidiaries
“CSPC Shengxue”	CSPC Shengxue Glucose Co., Ltd. (石藥集團聖雪葡萄糖有限公司) (formerly known as Hebei Shengxue Glucose Limited Liability Company (河北聖雪葡萄糖有限公司)), a company established in the PRC with limited liability on March 30, 2002 and a wholly-owned subsidiary of our Company
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Dragon Merit”	Dragon Merit Holdings Limited (佳曦控股有限公司), a company incorporated under the laws of Hong Kong on January 26, 2012 and a indirectly wholly owned subsidiary of CSPC Pharmaceutical, and is one of the Controlling Shareholders
“EIT”	the enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“ESG”	environmental, social and governance
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by the government of Hong Kong in the case of occurrence of a super typhoon or other natural disasters of a substantial scale that seriously affects the working public’s ability to resume work or bring safety concern for a prolonged period

[REDACTED]

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan

[REDACTED]

“Greater China Region”	Chinese mainland, Hong Kong, Macau, and Taiwan

DEFINITIONS

“Group”, “our Group”, “the Group”, “we”, “our” or “us”	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, and as amended, supplemented or otherwise modified from time to time
	[REDACTED]
“H Share(s)”	overseas [REDACTED] foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are [REDACTED] in Hong Kong dollars and are to be [REDACTED] on the Stock Exchange
“Hebei GWK”	Hebei Zhongnuo GWK Medicines & Health Products Co., Ltd (河北中諾果維康保健品有限公司), a company established in the PRC with limited liability on October 12, 2015 and a wholly-owned subsidiary of our Company
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Takeovers Code” or “Takeover Codes”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Latest Practicable Date” June 10, 2026, being the latest practicable date for ascertaining certain information contained in this document before its publication

[REDACTED]

“Listing Committee” the listing committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

“Megalith Biopharmaceutical” CSPC Megalith Biopharmaceutical Co., Ltd (石藥集團巨石生物製藥有限公司), a company incorporated in the PRC on April 16, 2019, and a non-wholly owned subsidiary of our Company

“MIIT” the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“Ministry of Finance” or “MOF” Ministry of Finance of the PRC (中華人民共和國財政部)

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

“NBP Pharmaceutical” CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司), a foreign investment enterprise with limited liability established under the laws of the PRC on April 23, 2003, a wholly-owned subsidiary of CSPC Pharmaceutical and one of the Controlling Shareholders

“NDRC” National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

“Nomination Committee” the nomination committee of the Board

DEFINITIONS

“NPC of the PRC” National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

“Overseas Listing Trial Measures” the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time

“PBOC” the People’s Bank of China (中國人民銀行), the central bank of the PRC

“PCT” The Patent Cooperation Treaty

“PRC Company Law” the Company Law of the PRC (《中華人民共和國公司法》), as amended, modified and/or otherwise supplemented from time to time

“PRC GAAP” generally accepted accounting principles in Chinese Mainland

“PRC Government” or “State” the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them

“PRC Legal Adviser” Hai Run Law Firm, our legal adviser as to PRC laws

“PRC Securities Law” the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

[REDACTED]

“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
“QIBs” or “Qualified Institutional Buyers”	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Robust Sun”	Robust Sun Holdings Limited (康日控股有限公司), a company incorporated in the British Virgin Islands on May 23, 2012 and a wholly owned subsidiary of CSPC Pharmaceutical, and is one of the Controlling Shareholders
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
“Megalith Shanghai”	CSPC Megalith Biopharmaceutical (Shanghai) Co., Ltd. (石藥巨石生物製藥(上海)有限公司), a company established in the PRC with limited liability on October 10, 2024 and a non-wholly owned subsidiary of our Company
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and upon [REDACTED], our H Shares
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
“Shenzhen Stock Exchange” or “SZSE”	the Shenzhen Stock Exchange (深圳證券交易所)
“Shijiazhuang Henglu”	Shijiazhuang Henglu Biotechnology Co., Ltd. (石家莊恆魯生物科技有限公司), a company established in the PRC with limited liability on September 20, 2023 and a non-wholly owned subsidiary of our Company
“Sole Sponsor”	the sole sponsor as named in the “Directors and Parties Involved in the [REDACTED]” section of this document
	[REDACTED]
“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
“Strategy and ESG Committee”	the strategy and ESG committee of the Board
“Taizhou GWK”	CSPC Taizhou GWK Medicines & Health Products Co., Ltd. (石藥集團泰州果維康保健品有限公司), a company established in the PRC with limited liability on December 22, 2015 and a wholly-owned subsidiary of our Company
“Track Record Period”	the financial years ended December 31, 2023, 2024 and 2025
	[REDACTED]
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. FDA” or “FDA”	the Food and Drug Administration of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“Zhongnuo Taizhou”	CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd. (石藥集團中諾藥業(泰州)有限公司), a company established in the PRC with limited liability on August 22, 2011 and a wholly-owned subsidiary of our Company
“%”	per cent

In this document, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“antibody-drug conjugate” or “ADC”	a class of biopharmaceutical drugs that comprise an antibody conjugated to a payload molecule, typically a cytotoxic agent, via a chemical linker
“API”	active pharmaceutical ingredient, the biologically active component in a pharmaceutical drug that produces the intended therapeutic effects
“B7-H3”	B7 homolog 3 protein
“BLA”	biologics license application
“caffeine products”	broadly defined in this document to include caffeine and other xanthine derivatives that we produce, including pentoxifylline, doxofylline, theophylline, aminophylline, and diprophylline
“Category 1 innovative drug”	innovative drugs that have not been marketed in any jurisdiction worldwide and that feature a novel structure or mechanism of action, proprietary intellectual property protection, and clear clinical value
“Class 3.3 therapeutic biological products”	biosimilars, which are therapeutic biological products that are highly similar in terms of quality, safety, and efficacy to a reference original biological product that has been approved for marketing in China or abroad
“Class III Grade A hospitals”	top-tier hospitals in China. Hospitals in China are divided into three classes by the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會). Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are subdivided into A, B, and C grades, among which Grade A is the highest in terms of size, technology, medical equipment and technique, management and service quality
“CPS”	combined positive score
“CRO”	contract research organization
“DAR”	drug-to-antibody ratio, the average number of drug molecules that are attached to each antibody molecule
“DCR”	disease control rate

GLOSSARY OF TECHNICAL TERMS

“DLL3”	delta-like ligand 3, an inhibitory Notch ligand that is highly expressed in SCLC and other neuroendocrine tumors but minimally expressed in normal tissues
“DoR”	duration of response, the length of time that a tumor continues to respond to treatment without cancer growing or spreading
“EGFR”	epidermal growth factor receptor
“ESCC”	esophageal squamous cell carcinoma
“Fc”	crystallizable fragment, which is the tail region of an antibody that interacts with cell surface receptors called Fc receptors and some proteins of the complement system
“first-in-human”	the initial clinical trials conducted in human subjects after preclinical research and animal testing
“FR α ”	folate receptor alpha, a cell surface receptor that binds and transports folate (vitamin B9) into cells
“GMP”	Good Manufacturing Practices
“HALAL”	the certification that guarantees that products and services aimed at the Muslim population meet the requirements of Islamic law
“HER2”	human epidermal growth factor receptor 2
“HER3”	human epidermal growth factor receptor 3
“HNSCC”	head and neck squamous cell carcinoma
“IgE”	immunoglobulin E, a type of antibody that has only been found in mammals and initiates an allergic reaction, and its level is typically elevated in allergic disorders
“IL”	interleukin, a type of cytokine-signaling molecule in the immune system to provoke an immune response in the body of a human and other animals
“ <i>in vitro</i> ”	Latin for “within the glass,” studies using components of an organism that have been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules

GLOSSARY OF TECHNICAL TERMS

“ <i>in vivo</i> ”	Latin for “within the living,” studies <i>in vivo</i> are those in which the effects of various biological or chemical substances are tested on whole, living organisms including animals, humans and plants, as opposed to a partial or dead organism, or those done <i>in vitro</i>
“IND”	investigational new drug
“LNP”	lipid nanoparticle, spherical vesicles made of ionizable lipids, which are positively charged at low pH (enabling RNA complexation) and neutral at physiological pH (reducing potential toxic effects, as compared with positively charged lipids, such as liposomes)
“mAb”	monoclonal antibody, an antibody generated by identical immune cells that are all clones of the same parent cell
“MMAE”	monomethyl auristatin E
“mRNA”	messenger ribonucleic acid, or messenger RNA, a single-stranded molecule of RNA that corresponds to the genetic sequence of a gene, and is read by a ribosome in the process of synthesizing a protein
“NDA”	new drug application
“Nectin-4”	Nectin cell adhesion molecule 4, a type I transmembrane polypeptide that is overexpressed in urothelial carcinoma and several other malignancies
“NPC”	nasopharyngeal carcinoma
“NSCLC”	non-small cell lung cancer
“ORR”	overall response rate, or objective response rate, the proportion of patients with a complete response or partial response to treatment
“PD”	pharmacodynamics
“PD-1”	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
“PD-L1”	programmed death-ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
“PFS”	progression free survival

GLOSSARY OF TECHNICAL TERMS

“Phase I clinical trial”	a 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
“Phase II clinical trial”	a study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product for specific targeted diseases, and determine dosage tolerance and optimal dosage
“Phase III clinical trial”	a 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 product’s labeling
“PMDA”	Pharmaceuticals and Medical Devices Agency in Japan, an Independent Administrative Institution responsible for ensuring the safety, efficacy and quality of pharmaceuticals and medical devices in Japan
“best-in-class potential”	a product candidate that has publicly available sources (such as papers, oral presentations during conferences, and study protocols) showing efficacy, safety, dosage interval, or route of administration better than representative products and product candidates of the same category, with the potential to be the standard of care, or a leading therapy. The study design of this product candidate has to be comparable with registrational studies of representative products and product candidates in terms of, among others, indication, patient inclusion and exclusion criteria, and primary clinical study endpoints, according to Frost & Sullivan
“first-in-class potential”	for a certain indication where no product within the same category has been approved by any regulatory authority, a product candidate that is potentially the first to achieve regulatory approval or commercialization, based on its clinical development progress, including the earliest initiation of pivotal clinical studies, earliest NDA/BLA acceptance, or earliest public disclosure of clinical study results, according to Frost & Sullivan
“Q2W”; “Q3W”	every two weeks; every three weeks
“ROR1”	receptor tyrosine kinase-like orphan receptor 1, a protein expressed in the formation of embryos, but in normal adult cells its surface expression is predominantly found at low levels on adipocytes, or fat cells, and briefly on precursors to B cells, or pre-B cells, during normal B cell maturation

GLOSSARY OF TECHNICAL TERMS

“SARS-CoV-2”	severe acute respiratory syndrome coronavirus 2, a coronavirus responsible for COVID-19
“SCLC”	small-cell lung cancer
“standard of care”	treatment accepted by medical experts as proper for a certain type of disease and widely used by healthcare professionals
“T cell”	a lymphocyte produced or processed by the thymus gland, actively participating in the immune response and playing a central role in cell-mediated immunity. T cells are distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on their surface
“TF”	tissue factor, also known as coagulation factor III (CD142), is a transmembrane glycoprotein that initiates the extrinsic coagulation cascade and is aberrantly overexpressed in multiple solid tumors, while exhibiting limited expression in most normal tissues
“Th1 cell”	a subset of T helper cells that mainly produce interferon-gamma (IFN- γ), interleukin-2 (IL-2), and tumor necrosis factor- α (TNF- α) and are the principal regulators of type 1 immunity, which eradicates intracellular pathogens and tumors
“TKI”	tyrosine kinase inhibitor, a type of targeted therapy that inhibits tyrosine kinases
“UC”	urothelial cancer
“VZV”	varicella-zoster virus, one of nine herpesviruses known to infect humans, causes chickenpox (varicella) in children and shingles (herpes zoster) in adults

FORWARD-LOOKING STATEMENTS

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

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

- our business prospects;
- our business strategies and plans to achieve these strategies, including our global expansion plans;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers;
- changes to the regulatory environment and future developments, trends and conditions in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

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

All forward-looking statements contained in this document are expressly qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below, before making an [REDACTED] in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.

The risks described below are not the only risks that may affect us or our [REDACTED]. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, results of operations, financial condition and growth prospects. If any of the possible events described below occurs, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. The [REDACTED] of our H Shares could decline owing to any of these risks, and you may lose all or part of your [REDACTED].

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We had net losses in 2024 and 2025. Our historical operational and financial performance may not be indicative of our future performance.

Our historical performance may not be indicative of our future performance. Our revenue, expenses and operating results may vary from period to period due to a wide array of factors, including the overall economy, market acceptance of our products, competitive products and technologies, and pricing pressures, many of which are beyond our control. We recorded net loss of RMB303.7 million and RMB634.3 million in 2024 and 2025, respectively. Our net loss in these periods were primarily due to the reduction of revenue from our functional ingredients and nutritional products business, as we experienced a decline in the average selling price of caffeine, and we invested heavily in R&D activities for the development of antibody drugs, ADCs and mRNA vaccines since we established our new focus on the biopharmaceutical industry in 2024.

In January 2024, we completed the acquisition of a controlling equity interest in Megalith Biopharmaceutical and extended our business to the biopharmaceutical industry. We cannot assure you that our efforts in expanding into the biopharmaceutical industry or our efforts in developing new products and technologies will be successful or generate results that meet our expectations, or at all, which may further impact our profitability and operating results. More broadly, we expect to generate a portion of our revenue through out-licensing arrangements with our business partners. These collaborations are intended to provide us with upfront payments, milestone payments and royalties. However, the timing, amount and likelihood of receiving such payments are inherently uncertain, and revenue recognized from these licensing arrangements is subject to material fluctuations from period to period. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future performance.

We recorded net operating cash outflow in the past, which may continue in the future.

We recorded net operating cash outflow of RMB1,140.4 million and RMB296.0 million in 2024 and 2025, respectively, primarily due to increased inventories and R&D expenses associated with the business growth of our biopharmaceutical business. We require substantial cash expenditures to support the discovery, research and development, clinical development, regulatory approval and commercialization of our product candidates. We cannot assure you that we will be able to generate sufficient operating cash flow going forward, and we may continue to experience net operating cash outflow in the future. Sustained net operating cash outflow may limit our ability to fund our operations internally and could require us to obtain external financing. Our ability to secure such financing is subject to uncertainties, including our future financial condition, operating results and [REDACTED]. There can be no assurance that such financing will be available on favorable terms, or at all. If we are unable to generate sufficient operating cash flow and fail to secure necessary external financing, we may be forced to scale back our R&D investments, delay the clinical development of our product candidates and their commercialization, and/or reduce our sales and marketing efforts. Any such developments could result in our loss of competitive edge, key customers and sales opportunities, and could materially and adversely affect our results of operations, financial condition and prospects.

RISK FACTORS

Failure to achieve or maintain market acceptance for our products could have an adverse impact on our profitability and business prospects.

The success of our business depends significantly on the continued demand for our products, which in turn depends on the level of acceptance and satisfaction from healthcare practitioners, patients and mass consumers. Our success is also dependent on our ability to identify and respond to shifting demand for novel therapeutics, functional ingredients and nutritional products and emerging trends, develop new and appealing products on a timely basis, and achieve widespread market acceptance.

The acceptance of our products will depend upon several factors, including:

- our ability to respond to changes in needs and preferences of healthcare practitioners, patients and mass consumers;
- the safety and efficacy of our products and the prevalence and severity of side effects, if any;
- the quality, pricing and cost-effectiveness of our products;
- public perception, perceived advantages and brand recognition of our products over competing products;
- the effectiveness of our sales and marketing efforts; and
- our brand recognition.

If our products fail to achieve or maintain widespread market acceptance, or if new products or treatments introduced by our competitors are perceived more favorably by healthcare practitioners, patients and mass consumers, our products may be rendered obsolete, and the demand for our products may decline. As a result, our profitability and business prospects may be materially and adversely affected.

In addition, the actual market size of our product candidates may not be as large as we anticipate, influenced by various factors such as market acceptance, pricing, and consumer availability. The size of total addressable markets may turn out to be lower than expected. Any of the above unfavorable developments could adversely impact on our business, financial condition and results of operations.

Decreases in our products’ sales volume and price levels, and changes in the cost structures may adversely affect our revenue and profitability.

Our revenue and profitability depend largely on our products’ commercial success, and we may be particularly susceptible to factors adversely affecting the sales volume, price levels or profitability of our products. Factors that could adversely affect their sales volumes, pricing, and cost structures include: (i) the availability of substitute products and the perceived advantages of competing products; (ii) the impact of government pricing regulations, including any exclusion from, delayed inclusion in, or reduced coverage under, government-sponsored medical insurance programs; (iii) interruptions in the supply of raw materials; (iv) increases in the cost of raw materials; (v) issues with product quality or side effects or any negative publicity on our products; (vi) intellectual property infringements; (vii) adverse changes in sales or distribution network; (viii) any failure to respond to changes in needs and preferences of healthcare practitioners and patients; and (ix) unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and decreases in sales volume, pricing levels and profit margins of our products may cause our revenue and profitability to decline.

RISK FACTORS

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

We operate in a highly competitive environment. Our products primarily compete on the basis of efficacy, safety, price, and general market acceptance. We face competitions from existing and new market participants, some of which may possess R&D and technological capabilities to develop products with more advanced or appealing features, more extensive or effective sales channels, or greater financial and other resources. Failure to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and prospects.

We derived a substantial portion of our revenue from sales of caffeine during the Track Record Period. China’s chemically synthesized caffeine market is highly concentrated. According to Frost & Sullivan, the top three players accounted for over 90% of the market share in terms of revenue in 2025, and we were the largest player, with a market share of 50.7%. This market structure results in intensified competition and limited pricing flexibility. Any unfavorable industry-wide changes such as enhanced regulatory scrutiny regarding the practices of these major players or shifts in preferences of caffeine purchasers could result in loss of market share or reduced profitability.

With respect to the market of pharmaceutical products, there are a number of potential competitors that currently market and sell drugs or are pursuing the development of drugs for the treatment of the same indications as our drug candidates. Some of these competitors may have better resources and expertise than us. The introduction of next-generation therapies and advanced technologies could provide more effective or convenient competing products, and we expect competition to intensify as these products and technologies enter the market. Due to intense and evolving competition, we may be unable to compete effectively or gain substantial market share even if we successfully develop and commercialize our product candidates. Our commercial opportunity could be significantly reduced or even eliminated if our competitors develop and commercialize drugs that are safer, more effective, more convenient, or less expensive than the drugs we may develop or commercialize. In addition, our competitors may obtain approval from the NMPA or other comparable regulatory authorities for their drug candidates more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. They may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our drug candidates.

Our products may face increased competition from substitute products manufactured by overseas companies that are seeking to access or further penetrate the PRC market. For example, to the extent that our competitors’ substitute products are, or are perceived to be, more functionally or clinically cost-effective than our pharmaceutical products, or otherwise gain wider market acceptance than any of ours, this could erode our market share, affect the sales volumes and pricing levels for the relevant products, which in turn could have a material adverse impact on our results of operations and prospects.

Furthermore, successful sales and marketing are crucial for us to enhance our competitiveness, including our ability to increase the market penetration of our existing products, expand our sales and distribution network, and promote new products. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volume and business prospects could be adversely affected.

Moreover, there may be significant consolidation among our competitors in the industry we operate our businesses, or alliances developed among competitors that may rapidly acquire significant market share. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative or licensing arrangements with large and established companies. If we fail to effectively compete with our competitors or adjust to structural changes in our industry, our revenue and profitability may be materially and adversely affected.

RISK FACTORS

All material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.

Our products are subject to extensive government regulation and supervision governing the pharmaceutical and food industries. The pharmaceutical industry, in particular, is highly regulated, with specific laws, rules and regulations that govern pharmaceutical development, approval, manufacturing, quality control, sales, marketing, and distribution. They can significantly influence pricing, demand, and market access for our products, such as those relating to the procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacies, government funding for private healthcare and medical services, and the inclusion of products in national or provincial medical insurance catalogs. In addition, we are increasing the global presence of our pharmaceutical business, mainly through multi-regional clinical trials, product out-licensing and other international collaborations. Accordingly, apart from the NMPA, the U.S. FDA and comparable regulatory authorities in other jurisdictions may also conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. We cannot assure you that we will be able to pass all such inspections. Moreover, differences in regulatory regimes across these markets could increase the complexity and compliance costs for a company like us that is expanding its business globally. Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, termination of ongoing research and disqualification of data for submission to regulatory authorities, or a ban on our future drug sales, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects.

Furthermore, governmental authorities implement strict supervision and administration over the manufacturing and sales of functional ingredients and nutritional products. We are required to maintain various approvals, licenses and permits, including food operation license, pharmaceutical production license, and food production license, as applicable. In recent years, the PRC government, media outlets and public advocacy groups have been increasingly focused on food safety and consumer protection. Sales of defective products may expose us to liabilities associated with consumer protection laws. Sellers are responsible for consumers’ loss even if the contamination of food is not caused by the sellers. Therefore, we may also be held liable if our suppliers or other business partners fail to comply with applicable food-safety-related rules and regulations, which could harm our reputation.

The process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations in different jurisdictions requires significant time and financial resources. Failure to comply with applicable regulatory requirements in the jurisdictions where we operate or target to operate in the future may subject us to administrative or judicial sanctions. These sanctions could include, but are not limited to, refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties. Any occurrence of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects. Additionally, changes in applicable laws, rules and regulations could increase our compliance costs and materially and adversely affect our business, profitability and prospects. Furthermore, any action against us for violation of the relevant laws, regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management’s attention from our business operations, and adversely affect our reputation and financial results.

RISK FACTORS

A substantial percentage of our revenue is generated from sales of functional ingredients and nutritional products and a reduction in our revenue from this segment could materially adversely affect our operating results.

In 2023, 2024, and 2025, we derived 96.5%, 92.9% and 86.1% of our revenue from sales of functional ingredients and nutritional products, respectively. During the Track Record Period, our total revenue decreased by 22.0% from 2023 to 2024, and further increased by 8.9% from 2024 to 2025. This was primarily due to significant downward pressure on sales of our functional ingredients and nutritional products, driven by the decrease in the average selling price of caffeine. Historically, due to rising raw material costs and strong market demand, the average selling price of caffeine saw a significant increase beginning in the second half of 2021, culminating in a peak in 2022. As cost pressure subsided in 2023, the average selling price of caffeine gradually declined and returned to normal levels in 2025. We expect that a significant portion of our revenue will continue to be derived from the sales of functional ingredients and nutritional products in the near future. As a result, a reduction in revenue from this business, whether due to increased competition, adverse market condition or a general reduction in demand for these products or other factors, could materially harm our sales growth and operating results.

Clinical development involves a lengthy and expensive process with no assured outcome. If the development and commercialization processes of new pharmaceutical products are unsuccessful or prolonged, our profitability and business prospects could be adversely affected.

Our long-term competitiveness in the pharmaceutical industry depends on our ability to enhance our existing products and develop and commercialize new products that address unmet medical needs. To this end, we have invested significant resources in advancing our technology platforms and building a strong pipeline of product candidates. The drug development process is time-consuming and costly, and there can be no assurance that our R&D activities will deliver the expected results.

There is an inherent risk of failure for each of our product candidates. We cannot predict when or if any of our product candidates will prove effective and safe for humans or will receive regulatory approval. Before obtaining the required regulatory approval, our product candidates must pass preclinical studies and extensive clinical trials to demonstrate their safety and efficacy in humans. In particular, clinical trials are expensive, difficult to design and implement, and can take many years to complete, and their outcomes are inherently uncertain. While we aim to develop product candidates that are novel, highly differentiated, or even potentially first-in-class or best-in-class, we cannot guarantee that we are able to achieve this goal. The actual timing for achieving our expected product development milestones could vary. Failure can occur at any time during the clinical development process, including after significant resources have been invested, due to a number of factors, many of which are outside our control. The outcomes of preclinical studies and early-stage clinical trials may not be predictive of the success in later phases, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and even product candidates that perform satisfactorily in clinical trials may still fail to obtain regulatory approval.

Specifically, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

- we may experience delays or failures in our preclinical studies;
- regulators, institutional review boards (“IRBs”), or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or may fail to reach, agreement on acceptable terms with prospective trial sites, contract research organizations (“CROs”), principal investigators (“PIs”) or hospitals who conduct clinical trials on our behalf, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites, PIs and hospitals;

RISK FACTORS

- the patient enrollment may be insufficient or slower than we anticipate or patients may drop out or fail to return for post-treatment follow-up at a higher rate than anticipated;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon certain product development programs;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements, undesirable side effects, or a finding that participants are being exposed to unacceptable health risks;
- third-party contractors, if any, used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the clinical trial, which may require that we add new clinical trial sites or investigators;
- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our product candidates;
- the costs of clinical trials for our product candidates may be greater than we anticipate, or changes in the applicable regulatory framework may make our R&D process more time-consuming and costly;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials may be insufficient or inadequate; and
- our product candidates may fail to demonstrate satisfactory efficacy or safety profiles, particularly in comparison with competing products.

Decisions about research studies made early in the development process of a product candidate can affect the marketing strategy once such candidate receives regulatory approval. We cannot guarantee that a proper balance of research study efficiency and quality will be achieved for each product candidate, nor can we ensure that decisions in this area would not adversely affect our results of operations. We may also experience delays in manufacturing or marketing arrangements needed to commercialize our pharmaceutical products.

Furthermore, even if we successfully develop and market new products or make enhancements to our existing products, they may be quickly rendered obsolete by changing clinical preferences, evolving industry standards, or innovation from our competitors. Our innovations may not be accepted quickly by the market because of existing clinical practices, lack of awareness among the medical practitioners, or uncertainty over third-party reimbursement. We cannot be certain whether or when any of our products under development will be launched, whether we will be able to develop, license, or otherwise acquire products, or whether any products will be commercially successful. Failure to develop and launch successful new products or new indications for existing products may cause our products or product candidates to become obsolete and adversely affect our profitability and business prospects.

Additionally, if our collaboration partners fail to meet the product development milestones for our out-licensed products, or fail to achieve expected commercialization or sales targets for these products, it could adversely affect our ability to receive the milestone or royalty payments, damage our reputation, and diminish market confidence in our products, thus negatively impacting our business prospects, financial position and results of operations.

RISK FACTORS

If our pharmaceutical products fail to be timely included in, or are removed or excluded from, national, provincial or other government-sponsored medical insurance programs, our revenue and profitability could be adversely affected.

Insurance coverage is a critical factor in a patient’s ability to afford treatments. If a pharmaceutical product is covered by medical insurance, whether provided by the government or a commercial insurer, patients may receive reimbursement for all or a portion of the cost. For instance, in the PRC, government-sponsored medical insurance programs reimburse patients for pharmaceutical products listed in the national reimbursement drug list (the “NRDL”) or relevant provincial medical insurance catalogs, or included in provincial insurance schemes regarding special medications for major diseases treatment. Consequently, the inclusion or exclusion of a pharmaceutical product in or from such programs, or any limitation on their coverage could significantly affect patient demand for our pharmaceutical products. Any delay in inclusion of our pharmaceutical products in the NRDL or other government-sponsored medical insurance programs may adversely affect their market adoption and sales growth.

The decision to include pharmaceutical products in insurance coverage depends on various factors, including efficacy, safety and price, which may be outside of our control. Moreover, government authorities may, from time to time, review and adjust the scope of reimbursement for products that are listed in any medical insurance catalog. For example, in the PRC, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security, together with other government authorities, regularly review the inclusion or removal of drugs from the NRDL. New, innovative biopharmaceuticals have historically been more limited on their inclusion in the NRDL due to their initial higher price point and the limited affordability of the PRC government’s basic medical insurance. As of the Latest Practicable Date, all three of our commercialized drugs, namely Enshuxing, Enyitan, and Enyike, had been included in the NRDL. However, we cannot assure you that any of our future approved drug candidates will be included in the NRDL and the market acceptance and sales of any of our future approved drug candidates may be materially and adversely affected if they are not included in the NRDL.

If our pharmaceutical products are not timely included in relevant government-sponsored medical insurance programs, or if they are removed from these programs, or if the scope of reimbursement is reduced, demand for our products may decrease, which could adversely affect our revenue and profitability. For more information about the NRDL’s impact on us, see “Business—Pricing.”

Our pharmaceutical products may be subject to pricing regulation or other policies that are intended to reduce healthcare costs.

Prices of pharmaceutical products typically will decline over the life of the product due to factors such as the centralized tender process, pricing regulation by the PRC government, or increased competition from substitute products. Additionally, the importation of competing products from countries where government price controls or market dynamics result in lower prices can also exert downward pressure on the prices of our products.

The PRC government, for example, has recently increased its efforts to reduce overall healthcare costs by reforming the schemes of pricing regulation and statutory tender processes for pharmaceutical products. Currently, prices of pharmaceutical products are mainly determined by market competition through the centralized tender process at the provincial level, without being subject to price ceilings previously set by the National Development and Reform Commission of the PRC (the “NDRC”) for drugs listed in national or provincial medical insurance catalogs before June 1, 2015. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing. Competition from other manufacturers, particularly those offering similar products at more competitive prices, may force us to lower prices of our products upon commercialization. There is no guarantee that new policies on pharmaceutical pricing or changes in centralized tender processes would not create any further downward pressure on the prices of our existing and future products.

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As the PRC healthcare system as a whole has undergone continuous reform in recent years, we cannot predict if or when biological products, including our products and product candidates, may become subject to any volume-based procurement program and/or other pricing regulation or policies aimed at reducing healthcare costs, which cause our product prices to decline. In addition, there can be no assurance that we will be able to mitigate the adverse effects of the price reductions without incurring substantial expenses to enhance the competitiveness of our products. Consequently, our profit margins and profitability could be materially and adversely affected. Any negative developments in respect of the above could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to specific risks of conducting our business and operations in international markets.

We sell functional ingredients to overseas markets, such as in the United States and Europe. We also out-license some of our commercialization rights of our biopharmaceuticals and engage in other forms of collaboration worldwide, including conducting clinical trials abroad.

We plan to further expand our international collaboration and multi-regional clinical development. If we fail to obtain applicable licenses or fail to enter into strategic collaboration arrangements with third parties in our target overseas markets, or if these collaboration arrangements turn out unsuccessful, our revenue growth potential will be adversely affected. In addition, if the clinical trials conducted by our out-licensing collaboration partners fail to achieve the desired efficacy or safety profiles, it could adversely affect our clinical trials or our ability to obtain regulatory approvals in a timely manner, or at all. Moreover, if we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements from third parties, we may have to relinquish valuable rights to our products and technologies, or future revenue streams, or grant licenses on terms that are not favorable to us.

Our global expansion may expose us to risks and uncertainties, including:

- policies with which we may be unfamiliar, which may differ materially from those in the PRC or other jurisdictions where we currently operate, including requirements to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;
- risks associated with compliance with laws and regulations in foreign jurisdictions, including the rules and regulations administered by the Office of Foreign Assets Control and the U.S. Bureau of Industry and Security, the U.S. Foreign Corrupt Practices Act (the “FCPA”), and other applicable rules and regulations;
- changes in a specific country’s or region’s political and cultural climate or economic condition, such as political instability, inflation, currency fluctuations, unexpected changes in tariffs, trade barriers and regulatory requirements;
- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- risks of increase in our expenses or diversion of our management’s attention from the development of product candidates due to our efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution;
- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products;

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- failure by us to enter into out-licensing arrangements for more of our innovative drugs, failure by our collaboration partners to achieve milestones or perform the out-licensing agreements, and any disputes arising under the out-licensing agreements;
- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sales of pharmaceutical products in overseas markets and the costs incurred for dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- potentially reduced protection for intellectual property rights and potential third- party patent rights;
- compliance with tax, employment, immigration and labor laws;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally; and
- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires, or health epidemics.

These and other risks may materially and adversely affect our ability to attain or sustain revenue from international markets. If we are unable to successfully implement our global expansion strategies, our business prospects may be adversely affected.

If we or our business partners fail to obtain, maintain or renew necessary licenses and permits for the development, production, promotion, and sale of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

We are required to obtain, maintain and renew various licenses and permits to develop, produce, promote, and sell our products. Our business partners, such as suppliers, distributors, licensing collaboration partners, and other third-party contractors, on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. For details, see “Business—Legal and Compliance—Licenses, Permits and Certificates.” We and our business partners may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of, permits, licenses and certifications may change from time to time, and there can be no assurance that we or parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certifications, it could materially impair our ability to conduct our business. There is no assurance that we will be able to continue to maintain or renew our material permits, licenses and certificates in the future.

Any changes in the standards used by government authorities in considering whether to renew or reassess our licenses, permits and certificates, as well as any enactment of new regulations that may restrict the conduct of our business, may decrease our revenue and increase our costs, which in turn could materially and adversely affect our profitability and prospects. Furthermore, if the interpretation or implementation of existing laws and regulations changes, or any new regulation comes into effect, so as to require us or parties upon whom we rely to obtain any additional licenses, permits or certificates that were previously not required to operate our business, there can be no assurances that we or parties upon whom we rely will successfully obtain such permits, licenses or certificates.

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The regulatory approval process of the NMPA and other comparable regulatory authorities for our pharmaceutical product candidates is lengthy and the result is unpredictable. Any failure to timely obtain these regulatory approvals could adversely affect our business prospects and profitability.

We are subject to risks associated with obtaining regulatory approvals. New pharmaceutical products must be approved by the NMPA and other comparable regulatory authorities before they can be marketed and sold. The time required to obtain approvals from the relevant regulatory authorities in different jurisdictions is unpredictable, typically taking years following the commencement of preclinical studies and clinical trials, and depends on numerous factors, including the substantial discretion of the regulatory authorities. Significant time, efforts and financial resources are required to bring our pharmaceutical product candidates to market in compliance with the regulatory processes, and we cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those jurisdictions. Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we intend to market the relevant product, therefore restricting its market size and adversely affecting our business, results of operations and growth prospects.

We may fail to receive regulatory approvals from the NMPA or other comparable regulatory authorities for our pharmaceutical product candidates due to a number of reasons, including:

- disagreement in the design or implementation of our clinical trials;
- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a pharmaceutical product candidate is safe and effective for its proposed indication;
- insufficient or suboptimal data collected from the clinical trials, or failure of our clinical trial results to meet the level of statistical and medical significance required for approvals;
- failure of our clinical trial process to pass the Good Clinical Practice (the “GCP”) inspections;
- unexpected changes in regulations, testing requirements, or approval policies that render our preclinical and clinical data insufficient for approvals;
- failure of our pharmaceutical product candidates to pass GMP inspections during the regulatory review process or across their production cycle;
- failure of our clinical sites to pass audits carried out by the NMPA or other comparable regulatory authorities, resulting in a potential invalidation of our research data; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

In addition, the NMPA or other comparable regulatory authorities may require more information to support approval, including additional preclinical or clinical data, which may result in delay in or denial of regulatory approval. Moreover, policies of the NMPA and other comparable regulatory authorities may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our pharmaceutical product candidates. For example, in recent years, PRC regulatory authorities have been introducing new policies and

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measures with respect to the review, approval and regulation of pharmaceutical products, raising the standards for the review of each stage of the development of new drugs. Furthermore, clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions, and regulatory approval in one jurisdiction does not mean that regulatory approval will be obtained in any other jurisdiction. Approval procedures vary among jurisdictions and can involve additional pharmaceutical product testing and validation and additional administrative review periods. We cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our pharmaceutical product candidates will be approved for sale in those jurisdictions. Additional time, efforts and expenses may be required to bring our pharmaceutical product candidates, upon regulatory approval, to the international markets in compliance with different regulatory processes.

Failure to obtain regulatory approvals in a timely manner, or at all, or failure to obtain regulatory approvals with an intended scope of indications, could have a negative impact on the commercial prospects of our pharmaceutical product candidates, and may cause reputational damage to us. Consequently, we would not be able to realize any revenue on such pharmaceutical product candidate despite the significant amount of resources we would have spent on its development, and we may need to incur additional expenses and recognize impairment on our intangible assets, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Even after we obtain regulatory approval for the marketing of our pharmaceutical product candidates, they remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may expose us to liabilities and result in significant additional expenses.

Our pharmaceutical product candidates, once approved, will be subject to ongoing or additional regulatory requirements of the NMPA or other comparable regulatory authorities, including those relating to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, and conduct of post-marketing studies. These requirements also include submissions of safety, efficacy and other post-marketing information and reports, registration, as well as continued compliance with the applicable GMP and GCP, for any clinical trials that we conduct post-approval.

Any approvals that we receive for our pharmaceutical product candidates may be subject to limitations on the indications for which they may be marketed, which could adversely affect their commercial potential. In addition, such approvals may contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the pharmaceutical product candidates. The NMPA or a comparable regulatory authority may also require a post-approval risk evaluation and mitigation strategy program as a condition of approval.

Once a pharmaceutical product is approved by the NMPA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems, including issues with manufacturing processes or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our pharmaceutical products, it may result in, among other things:

- restrictions on the marketing or manufacturing of the pharmaceutical product, withdrawal from the market, or voluntary or mandatory recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of their approvals;

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- seizure or detention, or refusal to permit the import or export of pharmaceutical products; and
- injunctions or the imposition of civil, administrative or criminal penalties.

In addition, we are subject to ongoing regulatory requirements for our day-to-day business operations. Accordingly, we must continue to expend time, costs and efforts in all areas of regulatory compliance, including manufacturing and quality management. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or other jurisdictions, especially when the regulatory environment is constantly evolving. If we are unable to maintain regulatory compliance, or if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, we may lose any regulatory approval that we have obtained, and we may not achieve or sustain profitability.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demand and market changes in our industry.

Our industry is characterized by rapid advancements in science and technology and the continuous emergence of new treatment options. Our future success depends on our ability to launch new products that meet evolving market demand, in particular, new drugs that are effective in treating or diagnosing new diseases and illnesses. We cannot assure you that we will be able to respond to emerging or evolving trends by improving our product matrix, technology platforms, and R&D capabilities in a timely manner, or at all.

In addition, market demand for products may change rapidly. Our success depends on our ability to anticipate product offering lead time and demand, identify market demand and customer preferences, and adapt our products accordingly. We may need to adjust our R&D plan, production scale and schedule, product matrix, and inventory levels in response to market demand, customer preferences, sales trends and other market conditions. There can be no assurance that we will be able to sufficiently and promptly respond to changes in market demand and other market conditions in the future, and any such failure may have a material adverse effect on our business, financial condition, results of operations and profitability.

We experienced customer concentration during the Track Record Period and may continue to be exposed to risks associated with such concentration in the future.

We derived a significant portion of our revenue from our major customers during the Track Record Period. Our sales to our top five customers in each of 2023, 2024, and 2025 amounted to RMB1,009.0 million, RMB678.8 million, and RMB602.3 million, respectively, accounting for 39.7%, 34.3%, and 27.9% of our total revenue for the respective periods. For more details on our five largest customers, see “Business—Our Customers.” Any decrease in or cancelation of purchase orders by some or all of our major customers, material delays in their acceptance of our products, or failure of any of our major customers to make timely payments may have a material adverse effect on our business, results of operations, and financial condition. In addition, we cannot assure you that our major customers will not change their business scope or business focus, suspend their operations, fail to comply with applicable laws in their operations, or encounter any operating or financial difficulties. Neither can we assure you that we will be able to continue to generate significant revenue from existing customers or that we will be able to maintain existing or further expand customer relationships. If we lose one or more of our major customers and fail to identify and acquire suitable new customers within a reasonable time or at all, our business, results of operations, and financial condition may be materially and adversely affected.

Moreover, there is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period. If we fail to retain our existing customers or attract new customers in the future due to our products not meeting the requirements of the market, or our selling prices not being competitive, or due to other factors beyond our control, our business, financial condition and results of operations may be adversely affected.

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If we fail to maintain, expand and optimize an effective distribution network for our products, our sales and business prospects could be adversely affected.

We have established a network of distributors in China and overseas markets, which we rely on to distribute our products to meet market demand and drive our sales. In 2023, 2024, and 2025, revenue from our sales to distributors accounted for 28.6%, 26.3%, and 33.8% of our total revenue, respectively. Our ability to maintain and expand our business and satisfy the market demand will depend on our ability to maintain, expand, and optimize a distribution network to timely deliver our products throughout our target markets. As of December 31, 2025, our distributor network comprised of 546 distributors. Substantially all of our distributors were Independent Third Parties over whom we have limited control. They may not distribute our products in the manner we anticipate, which may impair the effectiveness of our distribution network. In addition, our distributors do not sell our products exclusively, which may put our products in direct competition with similar ones from our competitors that are sold by our distributors.

Moreover, in line with industry practice, we typically enter into distribution agreements with our distributors for a term of one year, which requires continuous renewal of these agreements to maintain our relationships with them. Our distributors might choose not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including adverse impact of pricing regulations in China or other jurisdictions where we operate, or other factors, which include, for example, with respect to our pharmaceutical products, any factors that limit the margins our distributors can obtain through the resale of our pharmaceutical products to hospitals, other medical institutions and retail pharmacies.

Our strategies contemplate expanding our coverage of medical institutions in local medical communities by collaborating with distributors that have proven capabilities and enhancing our global sales network. However, we may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. Furthermore, if a significant number of our distributors cease or reduce their purchases of our products or fail to perform their obligations under the distribution agreements, our business, financial condition and results of operations may be materially and adversely affected.

Interim, preliminary and top-line data from our clinical trials that we announce or publish from time to time may change as more participant data becomes available and are subject to audit and verification procedures that could result in material changes in the final data.

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

We may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to risks that one or more of the clinical outcomes may materially change, as participant enrollment continues and more participant data become available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects. Disclosure of interim data by us or our competitors could result in volatile [REDACTED] of our Shares after this [REDACTED].

Moreover, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions, or analyses, or may interpret or weigh the importance of data differently, which could impact the value of particular programs, the approvability or commercialization of our drug candidates or products, and us in general.

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

We receive, collect, and analyze data and information from our preclinical studies and clinical trials. Because data in the industry where we operate are often fragmented in origin, inconsistent in format, and incomplete, the overall quality of data collected or accessed in the industry is often subject to challenges, and the degree or amount of data which is knowingly or unknowingly absent or omitted can be material. Consequently, we may discover issues or errors during our data monitoring and auditing processes. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our product candidates may be materially and adversely affected and as a result, our business, prospects and reputation may suffer.

We also manage and submit data to governmental agencies to obtain necessary regulatory approvals. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we release from time to time may change as more patient data become available and undergo audit and verification procedures. Such changes could expose us to liabilities if a patient, court or government agency concludes that our storage, handling, submission, delivery, or display of data was wrongful or erroneous. Our insurance coverage for clinical trials may prove to be inadequate to fully cover such liabilities. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we engage certain third parties to monitor and manage data for our clinical trials. If any of these third parties do not perform to our standards in terms of data accuracy or completeness, data from those clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For details, see “—We engage third parties for certain aspects of our business. If these third parties fail to reliably, timely or cost-effectively provide us with their obligated services, our business could be adversely affected.”

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.

In our clinical trials of lead ADC drug candidates, the most common adverse reactions include: (i) for SYS6010, anemia, neutropenia, leukopenia, decreased appetite, nausea, vomiting, and thrombocytopenia, and (ii) for SYS6002, corneal disorder, hyperlipidemia, dry eye, anemia, increased AST, and proteinuria. Among patients receiving SYS6010, the most common grade ≥ 3 treatment-emergent adverse events were hematologic, including decreased white blood cell count, decreased neutrophil count, and decreased platelet count. Dose-limiting toxicities, including grade 3 hypokalemia and grade 3 anorexia, were observed in patients receiving the highest dose of SYS6002. Our clinical trials include cancer patients who are very sick and whose health is deteriorating. It is possible that some of these patients may experience similar adverse side effects as were observed in our current clinical trials and in clinical trials conducted by other companies and academic institutions. Patient deaths may occur during our clinical trials for various reasons, because the patient’s disease is too advanced, or because the patient experiences medical problems. Even if the deaths are not related to our product candidate, the deaths could affect perceptions regarding the safety of our product candidate.

Our products may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors include potential side effects not revealed in clinical studies, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable, or if other pharmaceutical companies’ products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products are known or perceived to have caused severe side effects. Similarly, if one or more regulators in China or other jurisdictions, or an international institution, determines that products containing the same or similar pharmaceutical ingredients as ours cause or lead to severe side effects, this could also affect the perception of our products.

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If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including: (i) significant decrease in the demand for, and sales of, the affected products; (ii) recall or withdrawal of the affected products; (iii) revocation of regulatory approvals for the affected products or the associated production facilities; (iv) damage to our brand name and reputation; stricter and more frequent regulatory inspections; (v) removal of the affected products from medical insurance catalogs, including provincial lists of special medications for severe diseases; (vi) inability to participate in the centralized procurement processes; and (vii) exposure to lawsuits and regulatory investigation that may result in liabilities, fines or penalties. Any of these potential consequences could materially and adversely affect our revenue, profitability and business prospects.

We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling biopharmaceutical products, functional ingredients and nutritional products in the PRC and other jurisdictions in which our products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. During the Track Record Period, we had not experienced any accidental contamination, biological or chemical hazards or personal injuries during the discovery, development and manufacturing of our product candidates. However, there can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management. It may also result in damage to our reputation, product recalls, loss of revenue, and inability to commercialize our products. If we are unable to defend ourselves against such claims and our products are found to be defective, we may be subject to civil liability for physical injury, death or other losses caused by our products, as well as criminal liability and the revocation of our business licenses. In addition, we may be required to recall the relevant products, suspend sales, or cease sales altogether. Other jurisdictions in which our products are sold, or may be sold, particularly more developed markets such as the United States and the European Union, may have similar or more onerous product liability and pharmaceutical regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

PRC laws and regulations currently do not require us to maintain liability insurance to cover product liability claims, and product liability insurance we have purchased is limited. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we develop. For details, see “—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.”

If we suffer substantial disruption to any of our manufacturing facilities or encounter problems in manufacturing our products, including as a result of natural disasters, our business and results of operations could be adversely affected.

We manufacture substantially all of our products in-house. The continued operation of our manufacturing facilities and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, health epidemics, terrorist attacks and wars, or other natural disasters; loss of licenses, permits or certificates; and changes in governmental planning for land used for these facilities or their vicinity, and other regulatory changes.

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If the operation of any of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facilities, or use alternative sites or third-party contractors to continue our production in a legal, timely and cost-effective manner, or at all. We do not maintain business interruption insurance, and the amount of our existing insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our manufacturing facilities.

Furthermore, problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing production facilities (including changes in production sites and limits to manufacturing capacity due to regulatory requirements), changes in the types of products produced, physical limitations that could inhibit continuous supply, and other man-made or natural disasters and environmental factors. As a result of disruption to our manufacturing facilities or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenue and profitability could be adversely affected.

If we fail to increase our production capacity or upgrade our existing production facilities in response to increasing demand for our products, our business prospects could be adversely affected.

As part of our strategies, we intend to expand our manufacturing facilities, upgrade our production lines and enhance automated manufacturing. See “Business—Our Strategies” for more details. However, our ability to successfully implement such expansion and upgrade plan is subject to a number of risks and uncertainties, including our ability to obtain the requisite licenses, permits and approvals for the construction and operation of any new manufacturing facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the expansion of our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacity and upgrade our existing production facilities in the manner we contemplate, if at all. In the event we fail to do so, we may not be able to capture the potential growth in demand for our products or successfully commercialize additional products, which could adversely affect our results of operations and business prospects. Moreover, our plans to increase our production capacity and expand our existing manufacturing facilities require significant capital [REDACTED], and the actual costs of our expansion and upgrade plan may exceed our original estimates, which could adversely affect the return on our expenditure. The implementation of our expansion and upgrade plan may also increase our operating costs, such as higher staff costs, depreciation, and utility costs, which may adversely affect our results of operations and financial condition.

Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material adverse effect on our business and results of operations.

As of December 31, 2023, 2024 and 2025, we had inventories of RMB224.8 million, RMB398.7 million and RMB497.8 million, respectively. Our inventory turnover days were 61.2 days, 98.8 days and 122.7 days in 2023, 2024 and 2025, respectively. We seek to maintain optimal inventory levels to fulfill orders coming from our extensive distribution network and successfully meet our customers’ demand. However, we are exposed to inventory risk as a result of rapid changes in product lifecycles, changing clinical demands, uncertainty of product developments and launches as well as the volatile global economic environment. Furthermore, demand for products could change significantly between the time when the products are approved for market introduction and the time they are ready for sale and delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately.

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There can be no assurance that we can accurately predict customer demand and market trends and avoid over-stocking or under-stocking our products. Inventory levels in excess of demand may result in inventory write-downs, expiration of our products or an increase in inventory holding costs, and a potential negative effect on our liquidity. On the contrary, if we underestimate demand, we may experience inventory shortages, which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships and loss of sales opportunities and revenue. There can be no assurance that we will be able to maintain proper inventory levels of our products, and any such failure may have a material adverse effect on our business and results of operations.

Adverse drug reactions and negative results from off-label use of our products could materially and adversely affect our business, reputation, brand name, and results of operations and expose us to liability claims.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use, which involves prescribing a product for an indication, dosage or dosage form that is not in compliance with regulatory approved usage and labeling. The NMPA and other comparable regulatory authorities actively enforce laws and regulations against off-label use, and companies found to have improperly promoted off-label uses may be subject to significant liabilities. There remains the risk that our products are subject to off-label drug use and are prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities, rendering our products less effective or entirely ineffective or causing adverse drug reactions. Any of these occurrences can create negative publicity and significantly damage our business, reputation and brand name, and expose us to liability claims and penalties. These occurrences may also cause a delay in the progress of our clinical studies, such as those for indication expansions of our relevant products, which may ultimately result in failure to obtain regulatory approval for our product candidates, and, in turn, adversely affect our business and results of operations.

If we are unable to adequately protect our intellectual property, if the scope of our intellectual property fails to sufficiently protect our proprietary rights, or if we are subject to intellectual property infringement claims, our competitors could compete against us more effectively, our management’s attention could be diverted, and we could be exposed to substantial liability, which may have a material adverse impact on our business and results of operations.

Our success depends in large part on our ability to protect our valuable innovations, including our products, product candidates and proprietary technologies, by obtaining, maintaining and enforcing our intellectual property rights, such as patent rights. We seek to protect our intellectual property rights through a combination of patents, trademarks, copyrights, trade secrets, including know-how, license agreements, confidentiality agreements and procedures, non-disclosure agreements with third parties, employee disclosure and invention assignment agreements and other contractual rights. For details of our intellectual property rights, see “Business—Intellectual Property” and Appendix VI to this document. If we fail to adequately protect our intellectual property, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantage we may have, which could adversely affect our business and results of operations.

However, there are a number of risks and uncertainties related to the patent application process. Filing, prosecuting and maintaining patents or patent applications on our products or product candidates worldwide could be time-consuming and expensive. In addition, the patentability requirements across countries and regions vary and the laws of different countries or regions do not provide patent protection to pharmaceutical inventions to the same extent. Therefore, our patent applications may not be granted in all countries and regions, and the scope and strength of issued patents can vary globally. Consequently, we may not be able to achieve uniform protection or exclusivities for our products or product candidates. Furthermore, given the lengthy process required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are

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commercialized. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce substitute products to ours which may be identical in formulation, which could have an adverse impact on the sales volume and pricing levels for such products. There is no guarantee that we will be able to secure patent extensions, or that they will be as extensive as requested. This might allow our competitors to obtain approval for competing products following our patent expirations. Furthermore, there are a number of factors that could cause our existing patents or other intellectual property to become invalid or unenforceable, including known or unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. If the patents relevant to our products or product candidates were to be declared invalid or unenforceable, it could have an adverse impact on the sales volume and pricing levels for our products and our ability to successfully commercialize the product candidates.

We may from time to time collaborate with third parties to co-develop certain technologies and may agree to co-own related patents and patent applications with such third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in relevant patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors. In addition, we may need the cooperation of such co-owners to enforce these patents or patent applications against third parties, while these co-owners may not be willing to cooperate with us. Any of these factors could adversely affect our competitive position and results of operations.

In addition, we may be unsuccessful in securing confidentiality agreements with our employees or business partners. Our employees or partners may breach the confidentiality clauses and disclose our proprietary information or trade secrets to third parties, which could adversely affect our competitive position. Claims that we or our employees have misappropriated the confidential information or trade secrets of third parties could have a material adverse effect on our business, financial condition, results of operations, and prospects. Certain of our employees were previously employed at other pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of their former employers.

We have not been, but may from time to time become party to, or threatened with, adversarial proceedings or litigation in the PRC and overseas regarding intellectual property rights with respect to our technology and any products or product candidates we may develop. As our industry expands and more patents are issued, the risk increases that our products or product candidates or technologies that we develop may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert infringement claims against us based on patents or other proprietary rights that they currently hold or have license to or may be granted in the future, regardless of their merit. The risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and product offerings. Additionally, as patent applications can take many years to issue, there may be pending patent applications which might eventually lead to issued patents which our products or product candidates could inadvertently infringe. Moreover, there may be existing patents that we are not aware of or that we have incorrectly concluded are invalid or not infringed by our activities. As such, we may be unable to determine whether any of our products, product candidates, processes and other related matters infringe upon the intellectual property rights of others.

We may from time to time receive, notices that claim our technologies or certain other aspects of our business have infringed, misappropriated or misused third parties' intellectual property rights. Whether or not third-party intellectual property claims have merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. If we are found to have infringed on a third party's intellectual property, and we are unsuccessful in demonstrating that such patents or other intellectual property rights are invalid or unenforceable, we

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could be required to: (i) obtain royalty-bearing licenses from such third party, which may not be available on commercially reasonable terms, if at all; (ii) acquire any necessary licenses from third parties, which could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and requiring us to make substantial licensing and royalty payments; (iii) defend litigation, arbitration, or administrative proceedings; (iv) reformulate our products or product candidates so that they do not infringe the intellectual property rights of others, which may not be technically feasible or could be costly and time-consuming; (v) cease developing, manufacturing and commercializing the infringing products, product candidates or technologies due to court-imposed injunctive relief; or (vi) pay such third party significant monetary damages, if we are found to have willfully infringed a patent or other intellectual property right. Litigation may be necessary to defend against these claims, and even if we are successful in litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources.

We rely on unpatented proprietary technology, trade secrets, processes and know-how.

We rely on proprietary information (such as trade secrets, know-how and confidential information) to protect intellectual property that may not be patentable, or that we believe is best protected by means that do not require public disclosure. We expect to protect this proprietary information by entering into confidentiality agreements or employment agreements that contain confidentiality provisions with our employees, consultants, contractors, scientific advisors and third parties who have access to trade secrets or confidential information in relation to our business. However, there is no guarantee that we will enter into such agreements with each party that has or may have had access to our trade secrets or proprietary information and, even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. We will have limited control over the protection of trade secrets used by our third-party suppliers and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants, contractors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that trade secret. If any of our trade secrets were to be disclosed (whether lawfully or otherwise) to or independently developed by a competitor or other third party, our business, results of operations, financial condition and prospects will be adversely affected.

Patent terms may not be sufficient to effectively protect our products and business.

The newly amended Patent Law of the PRC, which took effect in June 2021, introduces patent extensions to patents of new drugs commercialized in the PRC. It stipulates that the patentee of relevant invention patents of a new drug that is approved for marketing in China can apply for patent term extension to compensate for the time spent for the regulatory review, examination and approval process. The compensated extension is up to five years, provided that the total valid patent term will not exceed 14 years after drug approval.

Invention patents we hold in the PRC which we considered to be material to our business are expected to expire on various dates as described in "Business—Intellectual Property." We will apply for an extension of the term of our major patents before they expire, and we will develop a commercialization strategy for our relevant products. However, there can be no assurance that our application and commercialization strategy will be successful. An extension may not be granted because of, for example, failure to apply within applicable deadlines or prior to expiration of relevant patents, or otherwise failure to satisfy applicable eligibility requirements.

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The applicable time period or the scope of patent protection afforded under available patent extensions could be less than what we request. If we are unable to obtain any patent term extension or the term of any such extension is less than what we request, our competitors could face reduced barriers to marketing competing products, including generic or biosimilar drugs, following our patent expiration, and our revenue could be reduced, possibly materially. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical data and launch their product sooner than they otherwise would. If we are unable to successfully challenge potential patent infringement, our competitors may obtain approval of competing products following or before our patent expiration, and our business, financial condition, results of operations and prospects could be materially harmed.

If we fail to comply with our obligations under our existing intellectual property licensing agreements or under any future intellectual property licenses, or otherwise experience disruptions to our business relationships with our current or future licensors, we could lose intellectual property rights that are important to our business.

We are party to a few licensing agreements pursuant to which we have been granted by third parties rights to, or have granted third parties rights to, among other things, develop, manufacture and commercialize licensed pharmaceutical products in designated regions. Our current license agreements may impose, and we expect that future licenses may continue to impose, specified royalty payments and other obligations on us. For more details on our in-licensing arrangements, see “Business—Material Collaboration and Licensing Arrangements.”

In spite of our best efforts, current or any future licensors might conclude that we have materially breached our license agreements with them and might therefore terminate the license agreements, thereby impacting our ability to market and sell the relevant pharmaceutical products. If these in-licenses are terminated, or if the underlying intellectual property fails to provide the intended exclusivity, our competitors could market and sell the same products or products similar to our licensed products. This could adversely affect our results of operations and business prospects.

Collaboration and licensing agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. Disputes may arise regarding intellectual property under these agreements, including: the scope of ownership or license rights granted; the assignment or sublicensing of intellectual property and other rights; and the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by us and our collaboration partners. The resolution of any contract interpretation disagreement or other disputes that may arise could narrow the expected scope of our rights to the relevant intellectual property or technology, or increase our expected financial or other obligations under the relevant agreement. If disputes arise over intellectual property or other matters under our license agreements or if we fail to maintain our current licensing arrangements on commercially acceptable terms, we may experience delays in the development and commercialization of licensed products, which could have an adverse effect on our business, financial condition, results of operations and prospects.

In addition, we are party to and may continue to pursue a number of out-licensing agreements, pursuant to which we have granted third parties rights to develop, manufacture and commercialize certain of our licensed pharmaceutical products in designated regions. If we are unable to obtain ownership or licensing of certain intellectual property generated through these collaborations, our business and results of operations could be adversely affected.

We may face supply chain risks as a result of our reliance on a limited number of suppliers for certain raw materials.

To efficiently manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. During the Track Record Period, we primarily source raw materials, as well as technical, construction and engineering

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services from qualified suppliers. In 2023, 2024, and 2025, the aggregate purchases from our five largest suppliers for each period amounted to approximately RMB883.1 million, RMB496.5 million, and RMB490.5 million, respectively, accounting for 39.5%, 25.3%, and 9.7% of our total purchases for the respective periods. An interruption in our operations could occur if we encounter delays or difficulties in securing these raw materials, and if we cannot then obtain an acceptable substitute. Any such interruption could negatively impact R&D and manufacturing of our products, and significantly affect our business, financial condition, results of operations and reputation. In addition, any material misconduct or disputes against our suppliers could potentially affect our business and reputation.

We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices. As we continue to develop and scale our manufacturing process and capacity, there is no assurance that we will be able to, at all times, procure raw materials we need in adequate amount or on commercially reasonable terms, in a timely manner or at all. The availability and prices of these raw materials may be impacted for various reasons that are beyond our control. We may experience disruptions to our supply chain, such as shortages in supplies of raw materials and other products from our suppliers, whether due to dependency on single-source or a few major market players or otherwise, or industry-wide disruptions in the supply chain for reasons beyond our control, such as pandemics, regional conflicts, global crises, logistics disruptions, and destruction of transportation infrastructure or routes. Should any of these occur, it could materially and adversely affect our manufacturing operations, negatively impacting our business and results of operations.

Additionally, the availability and prices of these raw materials may also be impacted due to other reasons, such as regulatory actions or requirements affecting certain suppliers, adverse financial or other strategic developments experienced by certain suppliers, labor disputes or shortages, unexpected demands, or quality issues. Failure to obtain sufficient supply of these materials could delay the production and delivery schedules of the relevant products, thereby adversely affecting our ability to satisfy the market demand. In addition, a significant increase in the cost of supplies may directly and negatively affect our profitability, and we cannot assure you that we would be able to pass on any increase in raw material costs to our customers. Any potential interruption in our supply of raw materials or substantial fluctuation in market prices of raw materials could result in a decrease in our sales volume and profit margins, thereby adversely affecting our operation, financial condition and prospects.

We engage third parties for certain aspects of our business. If these third parties fail to reliably, timely or cost-effectively provide us with their obligated services, our business could be adversely affected.

We rely on third parties, such as qualified medical institutions, CROs and site management organizations (“SMOs”), in certain aspects of our business, including the design and conduct of clinical trials for our product candidates. In 2023, 2024 and 2025, we engaged seven, seven and ten CROs, as well as 20, 22 and 32 SMOs, respectively. Our business will be adversely affected if business or economic conditions or future developments in applicable laws and regulations negatively impact the operations of these third parties and, consequently, reduce their ability or willingness to provide services to us. If these third parties, whom we do not control, do not successfully fulfill their contractual duties or regulatory obligations, fail to meet expected deadlines, lack the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development and commercialization efforts could be delayed, suspended or terminated. In addition, if the quality or accuracy of the data we obtain from these third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical activities could be delayed and we may not be able to obtain regulatory approvals for our product candidates.

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Illegal and parallel imports and counterfeit products could negatively affect our sales and damage our reputation and the brand names for relevant products.

The illegal import of similar or competing products from countries where government price controls or market dynamics result in lower prices may adversely affect the demand for our products and, in turn, may adversely affect our sales and profitability in China and other jurisdictions where we operate or plan to commercialize our product candidates. Unapproved foreign imports of prescription drugs are illegal under current laws of China as well as many other jurisdictions. Notwithstanding this, illegal imports may continue to occur or even increase as the demand of patients and other customers for these lower-priced imports remains strong. Furthermore, cross-border imports from lower-priced markets (i.e., parallel imports) into higher-priced markets could negatively impact sales of our products and exert pressure on our pricing within one or more markets. In addition, competent government authorities may expand consumers’ ability to access lower priced substitutes of our products or competing products from outside China or other jurisdictions where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other jurisdictions where we operate could have a material adverse effect on our business.

Products distributed or sold in domestic or overseas markets may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content, usage or manufacturers. These products are generally known as counterfeit products. Regulatory control and law enforcement in the jurisdictions where we operate may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit products, including those imitating our products, in a timely manner, or at all. Since counterfeit products in many cases have very similar appearances compared with the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our products. Moreover, counterfeit products may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The presence of counterfeit products, products of inferior quality and other unqualified products from time to time may also reinforce the negative image of our industry as a whole and may harm our reputation and brand name. Similarly, consumers may buy counterfeit products that are in direct competition with ours, which may materially and adversely affect the sales volumes of our products and adversely affect our business, financial condition, results of operations and prospects.

Negative publicity about our industry, us, or our current or former directors, executive officers or employees, affiliates or business partners may adversely affect our brand, reputation and business prospects.

Our brand is important to attracting and retaining customers and collaborators, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brand depend largely on the success of our efforts to deliver high-quality products, our marketing efforts, and our ability to successfully secure, maintain, and defend our rights to use our brand and trade names. Our brand could be harmed if we fail to achieve our objectives.

There can be no assurance that we will be able to maintain a positive reputation or brand name in the future. Our reputation and brand name may be adversely affected by a number of factors, many of which are beyond our control, including:

- negative publicity associated with our industry or our products, including with respect to their efficacy or side effects, whether founded or unfounded;
- the effects of counterfeit products purporting to be our products;

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- any misconduct, or allegations thereof, by our current or former directors, executive officers or our employees, affiliates and business partners, whether or not authorized by us; and
- lawsuits and regulatory investigations against us, our current or former directors, executive officers or employees, affiliates or business partners or otherwise relating to our products or industry.

Our brand value also depends on our ability to maintain a positive customer perception of our corporate integrity, purpose and culture. Any negative publicity concerning our industry, us, or our current or former directors, executive officers or employees, affiliates or business partners, or any entity that we may authorize to use our brand name or is otherwise associated with us, even if untrue, could materially and adversely affect our brand, reputation, and business prospects. In addition, negative publicity about any entity that uses (whether with our authorization or not) our brand name could damage our brand image or business prospects.

In addition, social media practices in our industry continue to evolve and regulations relating to such use are not always clear. This evolution creates uncertainty and risk of non-compliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a pharmaceutical product or report an alleged adverse event. We may not be able to closely monitor every one of such posts or comments, and therefore may not be able to fully comply with applicable adverse events reporting obligations. We also may not be able to defend ourselves due to restrictions on what we are allowed to comment about our product candidates. We also face risks arising from inappropriate disclosure of sensitive information or negative or inaccurate posts or comments about us on social networking websites. If any of these events occur or we otherwise fail to comply with applicable regulations, we may incur liability, face regulatory actions or incur other harms to our business.

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

Besides the continued clinical testing, potential approvals and commercialization of our existing drug candidates, the future success of our business depends in part upon our ability to identify, discover, develop or in-license additional drug candidates in order to continually expand our pipeline of innovative therapies. Our success in advancing several programs into clinical development does not guarantee that we will continue to successfully identify potential drug candidates as expected. In particular, the identification and validation of new targets in our focused therapies remain inherently uncertain, and some programs may present unique scientific, technical or manufacturing challenges. Drug candidates that initially appear promising may later show side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approvals. We have also pursued, and may continue to pursue, in-licensing or other collaboration opportunities with third parties in the discovery and development of potential drug candidates. For details, see “Business—Material Collaboration and Licensing Arrangements.” However, there can be no assurance that such licensing and collaboration arrangements will deliver the intended results.

Research programs to identify new drug candidates and to develop our drug candidates for additional indications require substantial technical, financial and human resources. We may invest efforts and resources in potential drug candidates or indication expansions that ultimately prove to be unsuccessful. Any of the foregoing events will have a material adverse effect on our business, results of operations and prospects.

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We have engaged and may continue to pursue collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investments or arrangements, which may fail to produce the anticipated benefits and adversely affect our operations.

We have engaged in, and may continue to pursue opportunities for, collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements that we believe would advance our business development. For details, see “Business—Material Collaboration and Licensing Arrangements.” We may also consider pursuing growth through acquisitions of technology, assets or other businesses that may enable us to enhance our technologies and capabilities. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Our competitors, including those with substantially greater financial, marketing, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on acceptable terms, or at all.

To the extent that we are successful in entering into such commercial arrangements, the management and integration required in relation to a licensing arrangement, collaboration, joint venture or other strategic arrangements may disrupt our current operations, result in significant expenses, decrease our profitability, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any or all of our collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements in the time frame expected or at all. In addition, valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, there could be impairments of our investments or assets we acquired, which could materially and adversely affect our business, financial condition and operating results.

Moreover, partners, collaborators, or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons, which could subject us to potential risks.

Any such transactions or arrangements may also require actions, consents, approval, waiver, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders, or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

We may grow our business through acquisitions or investments in the future, and we may fail to identify suitable targets and complete planned acquisitions or investments or enhance post-acquisition performance to achieve our intended benefits.

To accelerate our business growth in the relatively fragmented pharmaceutical industry, we may pursue selective acquisitions or investments of suitable targets, such as pharmaceutical and biotechnology companies. From time to time, we may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses, as we may deem appropriate to carry out our business plan. However, our ability to successfully complete and realize the intended benefits of any acquisition or investment is subject to a number of risks and uncertainties.

If we suffer technological failures, security breach or other disruptions in our information and data management systems, it could adversely affect our ability to effectively manage our business operations.

In the ordinary course of our business, we receive, collect, store and transmit preclinical and clinical data, and other confidential and proprietary information, including that relating to our R&D and intellectual property. We also utilize external security and infrastructure vendors to maintain

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our information security management system. We face a number of risks relative to protecting our confidential information and data, including material system failure or security breach, loss of access and data, inappropriate use or disclosure, inappropriate modification, and the risk of inability to adequately monitor, audit, and modify our controls over our critical data and information. This risk extends to our vendors and sub-contractors we use to manage our sensitive data and our collaborators who share with us sensitive data.

The secure processing, storage, maintenance and transmission of our data and information are vital to our operations. Our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, there is no guarantee we can protect our data from breach. Furthermore, failures of our information technology infrastructure may result in delays in our R&D efforts and disruptions to our operations, which may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

Our operations may be subject to transfer pricing adjustments by competent authorities.

Our operations may be subject to transfer pricing adjustments by competent authorities. During the Track Record Period, we engaged in certain intra-group transactions among our subsidiaries in the PRC, the United States and Germany that may be subject to audit or challenge by the relevant tax authorities. For details, please see “Business—Transfer Pricing Arrangements” in this document.

We could face adverse tax consequences if the relevant tax authorities determine that some of our intra-group transactions do not represent arm’s length negotiations and consequently adjust any of those entities’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable under the double taxation relief arrangement (if applicable) in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

We expect that the intra-group transactions will continue in the foreseeable future, and we will determine transfer pricing arrangements that we believe are the same as those transacted with unrelated third parties on an arm’s length basis. However, there is no assurance that tax authorities would share the same view, or such transfer pricing laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm’s length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We may be exposed to environmental liabilities or compliance costs that could materially and adversely affect our business and results of operations.

Our manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, as well as similar laws, rules and regulations in other jurisdictions where we operate or plan to operate our business. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and

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disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities, which may potentially arise from the discharge of effluent water and solid waste, as well as the disposal of hazardous substances, may increase our costs and have an adverse effect on our profitability. There can be no assurance that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business and results of operations, if it is not adequately covered by insurance.

Furthermore, the government authorities may take steps towards the adoption of more stringent environmental regulations. As a result of such regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to curtail or cease certain of our pharmaceutical manufacturing business. In addition, if we become subject to any significant environmental-related liabilities, it could adversely affect our financial condition and results of operations.

Economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations may expose us to potential compliance risks.

We are subject to economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. Any violation of these laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and significant defense costs and other professional fees.

The United States, the European Union and other jurisdictions or organizations, including the United Kingdom and United Nations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions or export control restrictions on certain countries or jurisdictions, persons or organizations within these countries or jurisdictions, or targeted industry sectors, groups of companies, or persons. There can be no assurance that we will be able to prevent or detect all inadvertent business dealings with sanctioned parties or the dispatch of freight to higher-risk or prohibited end-uses. We cannot predict the interpretation or implementation of government policies in the United States at the federal, state or local levels or any policy of the European Union, the United Kingdom, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our business partners in countries subject to international sanctions or otherwise sanctioned, or our business activities subject to export control restrictions. As a result, we cannot assure you that our future business will be free of risk under sanctions or export control restrictions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the United States or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions or export control restrictions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the United States, the European Union, the United Kingdom, the United Nations or any other government or organization were to determine that any of our activities constitutes a violation of the sanctions or

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export control restrictions they impose or provide a basis for a sanctions designation of or other restrictions on us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in additional compliance risks.

If we become a party to litigation, arbitration, legal disputes, claims or administrative proceedings, it may divert our management's attention, result in costs and liabilities and damage our reputation.

We may from time to time become involved in litigation, arbitration, legal disputes, claims or administrative proceedings arising in the ordinary course of business with our customers, suppliers, business partners, minority shareholders of our non-wholly owned subsidiaries, joint venture partners, employees, competitors, regulatory agencies, or other parties in respect of contractual, commercial, labor, intellectual property, or other matters. Such involvement can distract our management's attention and consume our time and other resources. Furthermore, any litigation, arbitration, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to various factors, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

Negative publicity arising from litigation, arbitration, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on our senior management members and other key personnel. If we fail to retain our key senior management members or to attract, retain and train qualified personnel, our business prospects could be adversely affected.

Our success depends heavily upon the continued services of our senior management members, key R&D personnel and key sales and marketing personnel. In particular, the industry experience, management expertise and contributions of our Directors and members of our senior management are crucial to our success. They play a crucial role in the development and commercialization of our products and realization of the potential benefits of our intellectual property. In addition, success in the sale and distribution of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness.

We have employment agreements or offer letters with each of our senior management members. However, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain any key person insurance. If we lose the services of any key personnel, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. In addition, if any of our key personnel joins a competitor or forms a competing business, we may lose know-how, trade secrets and customers.

Furthermore, as we expect to continue expanding our operations and product portfolio, recruiting, retaining and training qualified R&D, manufacturing and quality management, and sales and marketing personnel will be critical to our success. We will need to continue attracting and retaining personnel with extensive experience and industrial knowledge. We may also need to hire, train and manage individuals with expertise that is separate, supplemental or different from expertise that we currently have. Competition for these individuals in the pharmaceutical industry is intense and could cause us to offer higher compensation and other benefits in order to attract and

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retain them, thereby increasing our operating costs and in turn, materially and adversely affecting our financial condition and results of operations. If we are unable to attract, motivate, train and retain these key personnel required to achieve our business objectives, our business prospects could be adversely affected.

We are subject to credit risk in relation to our trade receivables.

As of December 31, 2023, 2024 and 2025, we had trade receivables of RMB392.4 million, RMB314.1 million and RMB441.3 million, respectively. Our trade receivables turnover days were 62.8 days, 65.1 days and 63.9 days in 2023, 2024 and 2025, respectively, in line with the credit term we generally provide for our customers. We are subject to credit risk in relation to our trade receivables. There is no assurance that we will be able to collect all or any of our trade receivables in a timely manner, or at all. As of December 31, 2023, 2024 and 2025, we recorded allowance for credit losses in respect of trade receivables of RMB21.0 million, RMB18.0 million and RMB26.1 million, respectively. If any of our customers faces unexpected situations, such as financial difficulties or deterioration in creditworthiness, there may be challenges in collecting full or part of our receivables from them, and enforcing judgments against them could be difficult. Such unforeseen circumstances may also render our accounting judgments or estimations on impairment inaccurate, potentially resulting in higher losses than currently estimated. As a result of these factors, our profitability, working capital and cash flow may be adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain financial assets at fair value through profit or loss, which mainly included our structured bank deposits and investment in certificates of deposit. As of December 31, 2023, 2024, and 2025, our financial assets at fair value through profit or loss amounted to nil, RMB825.6 million and RMB593.7 million, respectively. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in profit or loss, and therefore directly affect our results of operations. In 2023, 2024, and 2025, we realized gains on financial assets at fair value through profit or loss of nil, RMB7.3 million, and RMB18.0 million, respectively. We cannot assure you that we can recognize comparable fair value gains in the future, and we may, on the contrary, recognize fair value losses, which could materially and adversely affect the results of our operations for future periods.

If our preferential tax treatments and government grants become unavailable or otherwise change or terminate, it could adversely affect our profitability.

Historically, we have benefited from a number of preferential tax treatments and tax allowances. During the Track Record Period, our Company and certain of our subsidiaries in the PRC were qualified as High and New Technology Enterprises (“HNTes”). Our subsidiaries qualified as HNTes are eligible for a preferential income tax rate of 15%, compared to the 25% income tax rate generally applicable to PRC resident enterprises under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”).

The preferential tax treatments and tax allowances applicable to our Company and our subsidiaries in the PRC may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policies or administrative decisions by relevant government authorities. Our post-tax profitability may be adversely affected as a result of one or more of these or other factors. For example, HNTe qualifications are subject to review by the relevant PRC tax authority every three years. There is no guarantee that we will be able to renew these qualifications. If we fail to do so, the affected subsidiaries will no longer enjoy the 15% preferential income tax rate, and will be subject to the 25% income tax rate, unless eligible for other preferential tax treatments.

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Furthermore, we have historically received government grants in the form of subsidies received from the government. Our government grants were recognized as other income, which amounted to RMB18.3 million, RMB19.0 million, and RMB81.0 million in 2023, 2024, and 2025, respectively.

There can be no assurance that we would continue to enjoy these preferential tax treatments and government grants at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and government grants to us could adversely affect our financial condition, results of operations and cash flows.

Failure to obtain sufficient funding on terms acceptable to us, or at all, could adversely affect our business prospects.

The implementation of our strategies and our general business operations have ongoing funding requirements that may increase over time, which may require us to rely, in part, on external financing sources. However, our ability to obtain external financing on commercially reasonable terms, or at all, will depend on a number of factors, many of which are beyond our control, including our financial condition, results of operations and cash flows, economic condition in the PRC and globally, industry and competitive dynamics, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient funding on commercially acceptable terms to implement our strategies and business plans, we could be required to revise, delay or scale back our strategies and business plans, which could adversely affect our business prospects.

We may seek additional funding through a combination of equity and debt financings. To the extent that we raise additional capital through the issuance of equity or convertible debt securities, the beneficial ownership interest of existing Shareholders could be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing Shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as incurring additional debt, making capital expenditures, or declaring dividends, which could constrain our operations and affect the execution of our strategies and business plans.

Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited, and we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in Chinese Mainland. For details of our insurance coverage, see “Business—Insurance.” We are not required under PRC laws and regulations to, and we do not, purchase any business interruption insurance, employer’s liability insurance or key person insurance, and we have limited product liability insurance.

If we experience disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. We maintain limited product liability insurance, which may not fully cover all product liability claims we may face in our operations. For a discussion of the potential impact of product liability on us, see “—We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation.” In addition, there are certain types of losses, such as losses from war, acts of terrorism, epidemics, public security hazards, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

RISK FACTORS

RISKS RELATED TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Approvals of or filings with PRC government authorities may be required in connection with our future [REDACTED].

PRC laws and regulations in relation to overseas [REDACTED] and [REDACTED] of shares may be subject to change. Under current regulations, we are required to file with or report to the CSRC and may in the future be required to file with or report to other PRC governmental authorities for our capital raising activities. For detailed discussion on the PRC laws regulating overseas securities [REDACTED], see “Regulatory Overview—PRC Regulations on Overseas Securities [REDACTED] and [REDACTED] by Domestic Companies.” Any failure to complete or delay in completing such filing or reporting procedures for our financing activities could subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on us, limit our ability to pay dividends outside of the PRC, limit our operating activities in the PRC, delay or restrict the repatriation of the [REDACTED] from the capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the [REDACTED] of our H Shares.

Changes in the economic, political and other policies of the jurisdictions where we operate could have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects are substantially affected by political, economic and legal developments in the PRC and overseas markets where we operate. Economic growth in these markets has been uneven, varying both geographically and across different sectors within the economies. Government authorities in China and other jurisdictions implement various measures to encourage economic growth. These measures may include differential policies towards specific groups of pharmaceutical companies, which may have an adverse effect on us. In addition, the overall economic growth in jurisdictions where we operate is influenced by government regulations and policies related to capital investments, monetary policies, regulation of financial services and institutions, preferential treatment to particular industries or companies. Any changes in these regulations and policies could affect the business environment in the jurisdictions where we operate changes, thus impacting our business and its growth prospects.

Furthermore, any economic downturn could create an uncertain economic outlook in markets where we currently operate or may operate in the future, which may adversely affect our business, financial condition and results of operations. Changes in the political environment could also increase our costs, heighten our exposure to legal and business risks, disrupt our operations and affect our results of operations. For example, the U.S. Department of Treasury issued a final rule on outbound investment that became effective on January 2, 2025. This rule established a new national security regulatory framework to control outbound investment from the United States in certain sensitive industry sectors in China. Subsequently, the U.S. government issued (i) a broadly worded “America First Trade Policy” on January 20, 2025, which directs the Treasury and several other executive departments and offices to review a range of international trade and investment policies and rules, including the outbound investment security program; and (ii) an “America First Investment Policy” on February 21, 2025, which contemplates changes to U.S. international investment policies and rules, including possible application of the outbound investment security program to a wider range of technologies, including biotechnology, and a wider range of investments, including publicly traded securities. Any expansion of the restrictions under the outbound investment security policy could limit the ability of Chinese companies (including us) to raise capital from U.S. investors and could limit or prohibit U.S. investors’ ability to trade the securities of such companies, which could negatively affect the value of these securities.

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The global trade landscape is currently highly volatile. Various countries have announced plans for and/or have already implemented new or modified tariffs. In particular, since April 2025, the United States has announced broad tariffs on imports from all countries, comprising a 10% baseline tariff, a 20% tariff on certain categories of Chinese goods (the “**fantanyl tariff**”), and additional country-specific tariffs for various countries (the so-called “reciprocal tariff”, as adjusted from time to time). In response, China and other countries have announced retaliatory actions or plans for retaliatory actions. On April 9, 2025, the United States implemented a 90-day pause on the varying reciprocal tariffs except for those on Chinese goods, leaving the 10% baseline tariff in place. On May 12, 2025, China and the United States jointly announced a 90-day suspension of certain of their trade restrictions, with the United States imposing tariffs of 30% on most Chinese imports during this period, while China imposing tariffs of 10% on U.S. imports. The two sides agreed to continue negotiations during this period. On August 12, 2025, the President of the United States signed an executive order extending the deadline for higher tariffs on China for another 90 days until November 10, 2025. Following a U.S.-China leaders’ meeting on October 30, 2025, U.S. and China announced steps to pause certain tariff escalations. On November 4, 2025, the President of the United States issued executive orders that, among other things, reduced the fantanyl tariff from 20% to 10%, effective November 10, 2025, and continued the suspension of heightened China-specific reciprocal tariff rates through November 10, 2026, thereby maintaining the 10% baseline tariff on imports from China during that period. On February 20, 2026, the U.S. Supreme Court struck down tariffs imposed by U.S. President Trump under the International Emergency Economic Powers Act (the “**IEEPA**”). Following the decision, the administration rescinded the IEEPA-based tariffs but concurrently imposed a 10% temporary import surcharge under section 122 of the Trade Act of 1974 on imports from all U.S. trading partners for a 150-day period commencing on February 24, 2026, and discussed plans to impose other tariffs in reliance on other statutory authority. The legality of the Section 122 tariffs is itself the subject of ongoing litigation; on March 5, 2026, twenty-four states filed a lawsuit in the U.S. Court of International Trade challenging the U.S. President’s authority to impose global tariffs under Section 122, and a separate legal challenge was filed by impacted businesses on March 9, 2026. On May 7, 2026, the U.S. Court of International Trade ruled that the Section 122 tariffs are unlawful. The court’s injunction currently applies only to the specific plaintiffs, and the tariffs remain in effect for all other importers while the administration pursues an appeal. There remains significant uncertainty about future tariff policies of the United States. We continually monitor the global trade environment for new and changing tariffs, retaliatory actions, trade agreements, export restrictions, sanctions or other restrictions that may impact us or our supply chain or customers. Any additional tariffs and trade barriers imposed by the United States or other countries that affect our products may negatively affect our overseas sales, therefore materially and adversely affecting our business, financial condition and results of operations.

We are subject to laws and regulations in jurisdictions where we operate, and any failure to respond to future changes in the regulatory environment in these jurisdictions could have an adverse effect on our business, results of operations and financial condition.

We are subject to various laws and regulations in jurisdictions where we operate. For example, in China, we are required to contribute to statutory employee benefit schemes. As advised by our PRC Legal Advisor, an employer is required under relevant PRC laws and regulations to pay the social insurance and housing provident fund contributions for its employees by itself. During the Track Record Period, some of our subsidiaries in the PRC engaged third-party agencies to make social insurance and housing provident fund contributions for some of their employees. This is because such employees worked outside of the cities where the operating entities are registered and third-party agencies were engaged to pay social insurance premium and housing provident funds for such employees in cities where they worked. During the Track Record Period, these third-party agencies made such contributions in full, and the entire amount was borne by the relevant PRC subsidiaries. Nevertheless, engaging third-party agencies to make social insurance and housing provident fund contributions is not in strict compliance with applicable PRC laws and regulations. As of the Latest Practicable Date, we had not received any inquiry or administrative penalties regarding the payment of contributions or request from employees in this regard. Our PRC Legal Advisor advised us that there are no national laws and regulations that explicitly specify penalties (including fines) concerning employers that use third-party agencies to make these contributions for

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their employees; in light of the foregoing facts and circumstances, and based on the consultation with the relevant government authorities, the likelihood that we will be subject to material administrative penalties and required by the relevant government authorities actively to pay the shortfall for social insurance and housing provident fund contributions entirely and collectively is remote. On September 1, 2025, the Interpretation II of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases became effective. Pursuant to this interpretation, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid should be deemed invalid by the court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and claims economic compensation pursuant to Article 38(3) of the Labor Contract Law, the court should support such claims in accordance with the law. As of the Latest Practicable Date, we were not aware of any employee complaints filed against us or any labor disputes with us concerning social insurance or housing provident funds. Our PRC Legal Advisor advised us that, taking into account the above interpretation by the Supreme People’s Court in China and the consultation with relevant government authorities, in the absence of employee complaints, the likelihood that we will be subject to material administrative penalties and required by the relevant government authorities actively to pay any shortfall for social insurance and housing provident fund entirely and collectively is remote.

We are subject to evolving laws and regulations governing the pharmaceutical industry in China and other markets where we operate. Laws and regulations that are recently enacted in our industry may not comprehensively cover all aspects of economic activities within pharmaceutical markets. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations. We cannot predict the effect of future legislative developments in the PRC and other jurisdictions on our industry, including the enactment of new laws, amendments to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Changes to laws and regulations applicable to our industry could lead to new and unexpected challenges.

In addition, the history of prior enforcement activity, or lack of enforcement activity, cannot be predictive of future enforcement actions. Therefore, our business operations are subject to increased uncertainties and risks. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings may be protracted and may result in substantial cost, diversion of resources and management attention, negative publicity, and damage to reputation. As a result, our business, results of operations and financial condition may be adversely affected.

We are subject to privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks related to our management of the medical data of subjects enrolled in our clinical trials and other personal or sensitive information.

We have access to and handle certain personal data in our business operations, and we need to comply with relevant data privacy and protection laws and regulations that apply to our data activities in the jurisdictions where we operate and conduct our clinical trials. For details, see “Business—Data Privacy and Protection.” In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Particularly in China, where we operate substantially all our businesses, the PRC government has enacted a series of laws and regulations in respect of information security, data collection, privacy and protection. For detailed discussion on these applicable laws and regulations, see “Regulatory Overview—PRC Regulations on Information Security and Data Privacy.” Non-compliance with laws or contractual obligation relating to data privacy, security and transfer could subject us to complaints, audits, investigations, sanctions, and proceedings by relevant government authorities or others, including class actions, which may subject us to significant fines, penalties and negative publicity and have material adverse impact on our competitive position, reputation, results of operations and prospects.

RISK FACTORS

Numerous U.S. federal and state laws and regulations relate to the privacy and security of personal information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 (the “**HIPAA**”) establish privacy and security standards that limit the use and disclosure of individually identifiable health information, known as “protected health information,” and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations may require complex factual and statistical analyses and may be subject to changing interpretation. Our information technology and infrastructure may also be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, and liability under federal or state laws that protect the privacy of personal information, such as the HIPAA, the Health Information Technology for Economic and Clinical Health Act, and regulatory penalties. Notice of breaches must be made to affected individuals, the Secretary of the Department of Health and Human Services, and for extensive breaches, notice may need to be made to the media or State Attorneys General. Such a notice could harm our reputation and our ability to compete.

We are also subject to restrictions on using human genetic resources collected in China. Under applicable laws and regulations, approval from the relevant human genetic resources authorities is required in international collaboration projects using China’s human genetic resources, except for in certain circumstances as otherwise provided. For detailed discussion on such laws and regulations, see “Regulatory Overview—PRC Laws and Regulations on Pharmaceutical Products—Collection of Human Genetic Resources.” We cannot assure you that we will be deemed at all times in full compliance with the applicable laws and regulations in our utilizing of and dealing with China’s human genetic resources. As a result, we may be exposed to compliance risks under these laws or regulations.

In addition, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions. Cross-border data transfer across different jurisdictions may be limited if we fail to comply with relevant requirements, such as obtaining authorization from subjects regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. If we are unable to obtain necessary approvals or comply with the regulatory requirements in a timely manner, or at all, our R&D of drug candidates may be hindered. If the relevant government authorities consider the transmission of our scientific data or collection and usage of human genetic resources to be in violation of the requirements under applicable laws and regulations, we may be subject to fines and other administrative penalties imposed by those government authorities.

Laws and regulations over foreign currency conversion and on the remittance of funds into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends.

The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of funds into and out of the PRC. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (“**SAFE**”) by complying with certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

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Fluctuations in exchange rates could result in foreign currency exchange losses and could materially and adversely affect our financial performance.

We generate part of our revenue from foreign jurisdictions and, consequently, are exposed to risks associated with foreign currency exchange fluctuations. Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations. Therefore, any fluctuations in the value of foreign currencies against RMB could materially and adversely affect our results of operations. In addition, the fluctuation of foreign exchange rates affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We cannot guarantee that future foreign exchange rate fluctuations will be favorable, and any adverse change would not have a material adverse impact on our financial condition and results of operations.

Dividends received by foreign holders of our H Shares and gains derived from the disposition of our H Shares by such holders may be subject to PRC taxation.

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

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, non-PRC resident individuals are generally subject to PRC individual income tax with respect to PRC-sourced income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

In addition, non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not effectively connected to such establishments or premises, are subject to the enterprise income tax of the PRC at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, unless a treaty or similar arrangement provides otherwise. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. For details, see “Appendix III Taxation and Foreign Exchange—Taxes for Securities Holders—Mainland China Taxation.”

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 individuals, the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with PRC may not qualify for benefits under such tax treaties or arrangements.

You may have limited resources in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC against us or our Directors or senior management members named in this document based on Hong Kong or other foreign laws.

Substantially all of our business operations are conducted in the PRC. In addition, a substantial majority of our Directors and senior management members reside in the PRC. Therefore, it may be difficult for [REDACTED] to effect service of process upon those persons residing in the PRC or to enforce against us or them in PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

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On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《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》) (the “**Arrangement**”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for “enforceable final judgment,” “specific legal relationship” and “written form.” As a result, it may be difficult or impossible for [REDACTED] to effect service of process against certain of our assets, Directors, or senior management members in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《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**”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong. However, the Arrangement remains applicable to a written choice of court agreement within the meaning of the Arrangement that was made before the effective date of the New Arrangement. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

We are subject to risks relating to some of the properties we use.

We are required under applicable PRC laws and regulations to obtain various permits, certificates, and approvals from relevant government authorities for the properties that we own and use in China. In addition, under PRC laws and regulations, lease agreements in general are required to be registered with local competent authorities. As of the Latest Practicable Date, we had not completed the registration of our lease agreement for a major leased property in Chinese Mainland used as our office premises. Failure to complete the registration of such lease agreement does not, in itself, invalidate the lease. However, we may be subject to fines if we fail to rectify such non-compliance within the prescribed timeframe after receiving notice from the relevant PRC government authorities. The penalty for an unregistered lease ranges from RMB1,000 to RMB10,000, at the discretion of the relevant authority.

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RISKS RELATED TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of the PRC and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be [REDACTED] in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available. Accordingly, we may incur additional costs and resources in continuously complying with all applicable [REDACTED] rules and other regulatory regimes in the two jurisdictions.

Our A Shares are listed on the Shenzhen Stock Exchange. The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be [REDACTED] on the Stock Exchange. Under the current PRC laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. The H Share and A Share markets have different trading characteristics, each have different trading volumes, liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] performance of our H Shares and A Shares may not be comparable, and the historical prices of our A Shares may not be indicative of the [REDACTED] of our H Shares. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, vice versa. Therefore, you should not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Shares.

There has been no prior [REDACTED] for our H Shares, and their liquidity and [REDACTED] may be volatile, which could lead to substantial losses to [REDACTED].

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] for our H Shares with [REDACTED] and [REDACTED] volume will develop and be sustained following the completion of the [REDACTED]. The [REDACTED] for our H Shares to the [REDACTED] will be the result of negotiations between us and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] of our H Shares following the completion of the [REDACTED]. We have applied to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED] in, the H Shares. A [REDACTED] on the [REDACTED], however, does not guarantee that an active and [REDACTED] market for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of our H Shares will not decline following the [REDACTED].

Furthermore, the [REDACTED] and [REDACTED] volume of our H Shares may be volatile. The following factors, among others, may affect the volume and [REDACTED] at which our H Shares will [REDACTED], including: variations in our revenue, earnings and cash flow; announcement of new [REDACTED], business collaborations, strategic alliances or acquisitions; any unexpected business interruptions resulting from epidemics, natural disasters or power shortages; any major changes in our Directors, senior management or other key personnel; our inability to obtain or maintain regulatory approval for our operations; our inability to compete with our competitors effectively; political, economic, financial and social developments; or fluctuations in [REDACTED] for our products or raw materials.

Moreover, shares of other companies [REDACTED] on the Stock Exchange with operations and assets in China have experienced significant [REDACTED] volatility in the past. It is possible that our H Shares may be subject to changes in [REDACTED] not directly related to our performance and as a result, [REDACTED] in our H Shares may suffer substantial losses.

RISK FACTORS

Future sales or perceived sales of substantial amounts of our Shares in the [REDACTED] could negatively affect the [REDACTED] of our Shares and our ability to raise additional capital in the future.

The [REDACTED] of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the [REDACTED], the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible asset per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such [REDACTED].

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], [REDACTED] of our H Shares in the [REDACTED] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [REDACTED] of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we [REDACTED] additional H Shares in the future to raise additional capital.

The interests of our Controlling Shareholders may not be aligned with the interests of other Shareholders.

Immediately following completion of the [REDACTED] and assuming the [REDACTED] is not exercised, our Controlling Shareholders will hold approximately [REDACTED]% of the issued share capital of our Company (excluding 12,000,225 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares as of the Latest Practicable Date). This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares in the course of a sale of our Company and might reduce the [REDACTED] of our H Shares. The aforementioned potential events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in the PRC, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] in our H Shares, should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

RISK FACTORS

Certain facts, forecast and other statistics in this document are derived from various publicly available official sources, which have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various official government sources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from government and official sources has not been independently verified by us, [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [REDACTED] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

We may be subject to press and media coverage prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED]. The press and media may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this document.

You should rely solely upon the information contained in this document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding the H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the [REDACTED].

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their [REDACTED] decisions regarding the [REDACTED].

WAIVERS AND EXEMPTION

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, 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.

Our Group’s management, business operations and assets are primarily based outside Hong Kong. The headquarters and senior management of our Group are primarily based in the PRC, where the Group’s management is best able to attend to its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and Shareholders as a whole. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures:

- we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Long Dai, our executive Director, and Ms. Wen Xu (“**Ms. Xu**”), our executive Director (together, the “**Authorized Representatives**”). The Authorized Representatives will be readily contactable by the Stock Exchange by telephone and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;
- each of the Authorized Representatives will have all necessary means to contact the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- our Company will retain a Hong Kong legal adviser to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after [REDACTED];
- Altus Capital Limited, our compliance adviser, will act as an additional channel of communication with the Stock Exchange, and we will ensure that the compliance adviser will have access to our Authorized Representatives, Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the compliance adviser may need or may reasonably request in connection with the performance of the compliance adviser’s duties as set forth in Chapter 3A of the Listing Rules; and
- pursuant to Rule 3.20 of the Listing Rules, each Director will provide his or her telephone number, mobile phone number, facsimile number, email address, residential address and correspondence address, where available, to the Stock Exchange.

WAIVERS AND EXEMPTION

JOINT COMPANY SECRETARIES

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

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Xu, our executive Director and secretary to the Board, and Ms. Ka Man Lee (“**Ms. Lee**”) of Fair Wind Secretarial Services Limited, as the joint company secretaries of our Company. Please see the section headed “Directors and Senior Management—Joint Company Secretaries” in this document for their biographies.

Ms. Lee is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company’s principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Ms. Xu, who is an executive Director and a member of the senior management of our Company with day-to-day knowledge of our Company’s affairs. Ms. Xu has the necessary nexus to the Board and close working relationship with the management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [REDACTED], in accordance with paragraphs 11 to 14 of Chapter 3.10 of the Guide for New Listing Applicants (the “**Guide**”), on the conditions that: (i) Ms. Lee is appointed as a joint company secretary to assist Ms. Xu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; (ii) the waiver will be revoked immediately if Ms. Lee, during the three-year period, ceases to provide assistance to Ms. Xu as a joint company secretary; and (iii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company pursuant to Chapter 3.10 of the Guide. In addition, Ms. Xu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Ms. Xu has access to the relevant training

WAIVERS AND EXEMPTION

and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an [REDACTED] on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Xu and the need for on-going assistance of Ms. Lee will be further evaluated by our Company. We must demonstrate and seek the Stock Exchange’s confirmation that Ms. Xu, having benefited from the assistance of Ms. Lee for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED].

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with certain requirements under Chapter 14A of the Listing Rules for such continuing connected transactions. For further details, please refer to the section headed “Connected Transactions” in this document.

[REDACTED]

WAIVERS AND EXEMPTION

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality

Executive Directors

Dr. Bing Yao (姚兵)	1-1-502 Section B, Jiuli Courtyard 149 Tangu East Street Yuhua District Shijiazhuang Hebei Province PRC	Chinese

Mr. Long Dai (戴龍)	Unit J, 9/F, Block 5 On Ning Garden 10 Sheung Ning Road Tseung Kwan O New Territories Hong Kong	Chinese

Mr. Feng Han (韓峰)	Room 701, Unit 2 Building 6, Hongfengyuan Fengshou Road Chang'an District Shijiazhuang Hebei Province PRC	Chinese

Ms. Wen Xu (徐雯)	Room 520, Building 67 Rihui No. 2 Village Xuhui District Shanghai PRC	Chinese

Independent Non-executive Directors

Mr. Dibin Li (李迪斌)	Room B906, 8/F 55 Guangqumen Beili Dongcheng District Beijing PRC	Chinese

Mr. Peng Yang (楊鵬)	Room 805, Unit 2 Building 2 Zone 2, Xuefushu Jiayuan Haidian District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Dr. Congzhi Di (邸叢枝)	Room 103, Unit 1 Building 6 Hongqi Living Quarter Hongqi Street Qiaoxi District Shijiazhuang Hebei Province PRC	Chinese
Dr. Jianping Zhou (周建平)	Room 301, Unit 2 Building 4 40 Majia Street Gulou District Nanjing Jiangsu Province PRC	Chinese
Ms. Wang Chau (周宏)	Flat A, 42/F Tower 1 Sorrento Tsim Sha Tsui Kowloon Hong Kong	Chinese (Hong Kong)

Please refer to the section headed “Directors and Senior Management” in this document for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place

88 Queensway

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisers to Our Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton
(Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

As to PRC law:
Hai Run Law Firm
5/F, 9/F, 10/F, 13/F, 17/F
Broadcasting Tower
14A Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

Legal advisers to the Sole Sponsor and [REDACTED]

As to Hong Kong law:
Eric Chow & Co. in Association with
Commerce & Finance Law Offices
3401 Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
12/F-15/F, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
PRC

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.
Room 2504-2505
Wheelock Square
1717 Nanjing West Road
Jingan District
Shanghai
PRC

[REDACTED]

CORPORATE INFORMATION

Registered office	No. 62 Zhangju Road Luancheng District Shijiazhuang Hebei Province PRC
Headquarters	No. 62 Zhangju Road Luancheng District Shijiazhuang Hebei Province PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Suite 3206, 32/F Central Plaza 18 Harbour Road Wan Chai Hong Kong
Company’s website	<u>www.xnwpharma.net</u> <i>(The information on the website does not form part of this document)</i>
Joint Company Secretaries	Ms. Wen Xu (徐雯) Room 520, Building 67 Rihui No. 2 Village Xuhui District Shanghai PRC Ms. Ka Man Lee (李嘉文) 25/F, Neich Tower 128 Gloucester Road Wanchai Hong Kong
Authorized Representatives	Mr. Long Dai (戴龍) Unit J, 9/F, Block 5 On Ning Garden 10 Sheung Ning Road Tseung Kwan O New Territories Hong Kong Ms. Wen Xu (徐雯) Room 520, Building 67 Rihui No. 2 Village Xuhui District Shanghai PRC
Audit Committee	Dr. Congzhi Di (邸叢枝) (<i>Chairperson</i>) Mr. Peng Yang (楊鵬) Dr. Jianping Zhou (周建平)

CORPORATE INFORMATION

Remuneration and Evaluation Committee Mr. Dibin Li (李迪斌) (*Chairperson*)
Dr. Congzhi Di (邸叢枝)
Mr. Long Dai (戴龍)

Nomination Committee Mr. Peng Yang (楊鵬) (*Chairperson*)
Dr. Congzhi Di (邸叢枝)
Dr. Bing Yao (姚兵)

Strategy and ESG Committee Dr. Bing Yao (姚兵) (*Chairperson*)
Mr. Feng Han (韓峰)
Mr. Dibin Li (李迪斌)

[REDACTED]

Compliance Adviser Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Principal Banks Bank of China Limited
Shijiazhuang Huanghe Avenue Branch
No. 105 Huanghe Avenue
High-tech Zone
Shijiazhuang Hebei Province
PRC

Bank of Communications Co., Ltd.
Shijiazhuang Zhongshan West Road Branch
No. 357 Zhongshan West Road
Qiaoxi District
Shijiazhuang Hebei Province
PRC

China CITIC Bank Corporation Limited
Shijiazhuang Zhaiying Street Branch
No. 326 Zhaiying Street
Yuhua District
Shijiazhuang Hebei Province
PRC

INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this document were extracted from a report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (the “**Frost & Sullivan Report**”), which was commissioned by us, and from various official government publications and other publicly available publications. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], any of their respective directors, employees, agents or advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy, fairness and completeness. For a discussion of the risks relating to our industry, see “Risk Factors.” Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.*

CAFFEINE MARKET

Overview

Caffeine is a methylxanthine compound, which can be generally categorized by production source into (i) natural caffeine and (ii) synthetic caffeine (also known as chemically synthesized caffeine). The following table sets forth their principal distinctions:

	Natural Caffeine	Synthetic Caffeine
Raw material sourcing	Botanical materials such as coffee beans, tea leaves, cacao beans, guarana and yerba mate	Chemical raw materials such as cyanoacetic acid, acetic anhydride, monomethylamine, and dimethyl sulfate
Production method.	Industrial extraction, separation and purification processes. Caffeine is isolated from plant-based raw materials and refined into high-purity caffeine products	Chemical synthesis process. This typically follows the urea-ethyl cyanoacetate route, using chemical precursors such as monomethylamine, acetic anhydride, urea and cyanoacetic acid

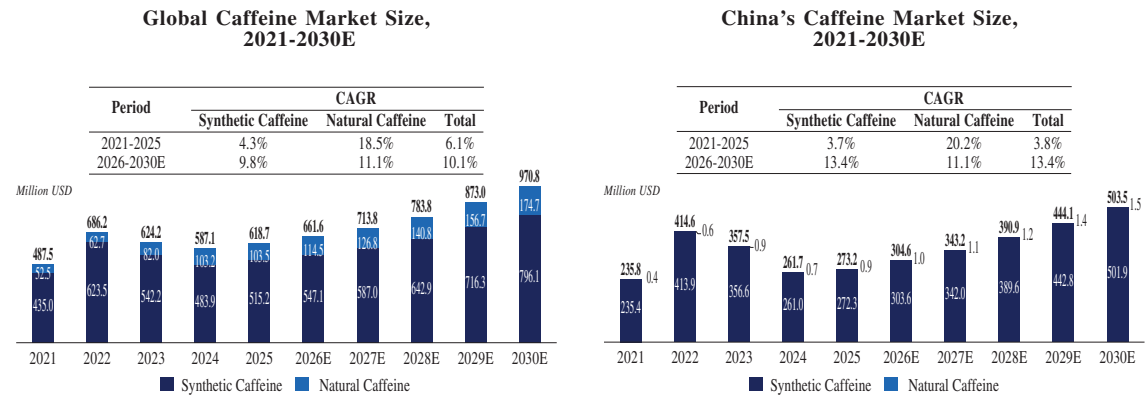
Although natural caffeine and synthetic caffeine are chemically identical and functionally interchangeable in most end-use applications, they are not fully comparable as competitors. Currently, synthetic caffeine dominates the industrial supply source, as its large-scale industrialized production processes offer higher production efficiency, greater batch-to-batch consistency, and a more stable supply. In contrast, natural caffeine production is limited in scale and subject to variability from agricultural inputs. It is primarily positioned in niche or premium segments driven by preference for natural-origin ingredients. Accordingly, synthetic caffeine is regarded as the primary benchmark in competitive landscape analyses of our product.

Broadly speaking, caffeine is part of the methylxanthine family, which also includes theophylline, aminophylline, doxofylline, diprophylline, theobromine, and pentoxifylline. The commercial applications for methylxanthines are typically divided into (i) food and beverage uses, primarily dominated by caffeine as an additive, and (ii) pharmaceutical uses, where caffeine is included in medications as a mild central nervous system stimulant, and derivatives such as theophylline-based bronchodilators and peripheral vasodilators are used as active pharmaceutical ingredients. Globally, over 50% of caffeine is used in food and beverages, approximately 30% in pharmaceuticals and dietary supplements, and the rest in other applications, including cosmetics.

INDUSTRY OVERVIEW

Market Size

The diagrams below set forth the historical and forecast market size of caffeine by category for the periods indicated:



Source: Annual Reports of Listed Companies, Expert Interview, Frost & Sullivan Analysis

The size of global synthetic caffeine market increased from US\$435.0 million in 2021 to US\$515.2 million in 2025 at a CAGR of 4.3%, and is expected to further increase to US\$796.1 million by 2030, at a CAGR of 9.8% from 2026 to 2030. The size of China's synthetic caffeine market increased from US\$235.4 million in 2021 to US\$272.3 million in 2025 at a CAGR of 3.7%, and is expected to increase to US\$501.9 million by 2030, at a CAGR of 13.4% from 2026 to 2030.

Entry Barriers

New entrants to the caffeine market face multiple barriers to entry:

- **Stringent Policy Supervision and Compliance Requirements.** The caffeine industry is subject to stringent regulatory oversight on pharmaceutical- and food-grade production, including quality management, workplace safety, and environmental standards. Compliance with applicable pharmacopoeia, licensing, and regulatory approval requirements creates high entry barriers.
- **Elevated Technological and Process Requirements.** Caffeine production requires sophisticated techniques and stringent process control, which are critical for product purity, batch consistency, and quality. Stable, large-scale production operations further require substantial technical expertise, operational experience, and continuous process optimization capabilities.
- **Capital Intensity and Economies of Scale.** The caffeine industry requires substantial upfront capital for production equipment, environmental facilities, and supporting infrastructure. New entrants face significant cost disadvantages compared to established large-scale manufacturers with optimized efficiency and integrated supply chains.

Market Opportunities and Key Drivers

Demand for caffeine continues to grow across food, beverage, and pharmaceutical applications, driven by global consumption of energy drinks, dietary supplements, and OTC stimulants. Key drivers include technological advances in extraction, synthesis, and formulation—such as bio-based caffeine (via enzymatic or microbial fermentation) and controlled-release or microencapsulated formats that improve taste, solubility, and stability. Rising consumer awareness of energy management and functional wellness is further broadening caffeine's applications.

INDUSTRY OVERVIEW

In addition, stricter regulations and quality standards are driving demand for GMP-compliant, pharmaceutical-grade caffeine, unlocking higher-value market opportunities. Furthermore, caffeine applications are expanding beyond traditional uses. In cosmeceuticals, caffeine is valued for its antioxidant and anti-inflammatory properties, while ongoing research into its potential neuroprotective effects is fueling new market demands.

Future Trends and Challenges

The future development of the synthetic caffeine market is expected to be shaped by the following trends:

- ***Deepening Demand Diversification.*** Future growth will be increasingly driven by emerging economies, including rising consumption of energy drinks, coffee-based products, and functional foods in Asia Pacific, Latin America, and the Middle East, as well as a broader range of applications such as nutraceuticals, dietary supplements, and topical cosmetics.
- ***Accelerated Production Technology Transformation.*** Manufacturers are adopting more efficient and sustainable synthesis and extraction processes, while deploying digital tools for monitoring, traceability, and energy management.

The major challenges faced by the synthetic caffeine market include:

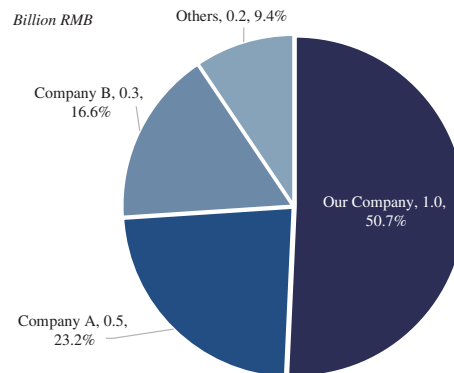
- ***Intense Market Competition.*** The synthetic caffeine market is highly concentrated, with a limited number of large-scale manufacturers accounting for a substantial portion of total supply. This market structure results in intensified competition and limited pricing flexibility.
- ***Raw Material and Energy Price Volatility.*** Production costs of synthetic caffeine remain susceptible to fluctuations in upstream chemical raw material prices, energy costs, and environmental compliance expenditures, which may adversely affect cost control and profitability stability. For details, see “Financial Information—Major Factors Affecting Our Results of Operations—Price Volatility of Caffeine.”
- ***Evolving Regulatory and Trade Landscape.*** Tighter standards on purity, residues, traceability, and labeling, together with geopolitical and trade volatility, increase compliance and supply chain risks across regions.

Competitive Landscape

China is the most important caffeine producer worldwide. The synthetic caffeine market in China is highly concentrated, with production mainly concentrated in several enterprises with designated caffeine production qualifications. In 2025, the top three players in China’s synthetic caffeine market, in aggregate, accounted for over 90% of the market share in terms of revenue. In 2025, we ranked first in China’s synthetic caffeine market in terms of revenue, capturing a market share of 50.7%. We were also the world’s largest producer of synthetic caffeine from 2020 to 2025, both in terms of revenue and shipment volume. Our competitive advantage stems from our stable product quality, cost advantages brought by large-scale production and a comprehensive supply chain.

INDUSTRY OVERVIEW

Major Players in China’s Synthetic Caffeine Market, 2025



Note: Company A is a public company dual-listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. It was established in 1993 and headquartered in Shandong, China. It is primarily engaged in the development, manufacturing and sale of chemical APIs, pharmaceutical intermediates, and finished dosage formulations, with operations across both domestic and international markets; and Company B is a private pharmaceutical company, established in 2017 and headquartered in Hebei, China. It is primarily engaged in the production of APIs, including caffeine, theophylline, aminophylline and other xanthine-based compounds, and supplying products to pharmaceutical customers in both domestic and international markets.

Source: Annual Reports of Listed Companies, Expert Interview, Frost & Sullivan Analysis

NUTRITION AND HEALTH FOOD MARKET

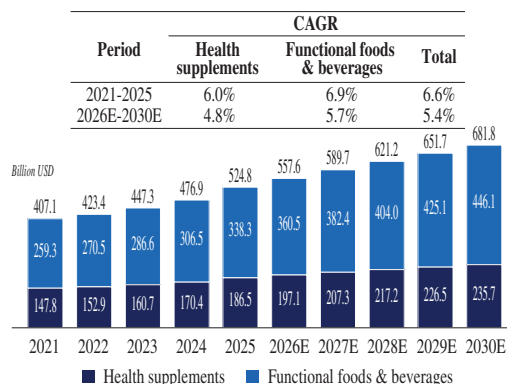
Overview

Nutrition and health food products are generally categorized by product type into (i) health supplements and (ii) functional nutrition foods and beverages. Health supplements are products formulated with concentrated nutrients or bioactive ingredients, typically consumed in forms such as capsules, tablets, and powders to support specific health functions or nutritional supplementation. Functional nutrition foods and beverages are conventional food or beverage products enhanced with functional ingredients or health-promoting properties.

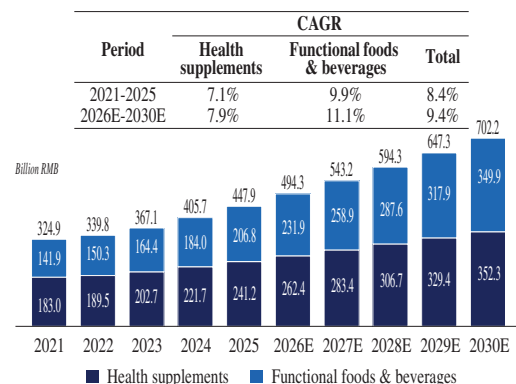
Market Size

The global nutrition and health food market grew from US\$407.1 billion in 2021 to US\$524.8 billion in 2025, and is expected to reach US\$681.8 billion by 2030. China’s nutrition and health food market reached RMB324.9 billion in 2021 and RMB447.9 billion in 2025, and is expected to reach RMB702.2 billion by 2030. The diagrams below set forth the historical and forecast market size of the nutrition and health food by category for the periods indicated:

Global Nutrition and Health Food Market Size, 2021-2030E



China’s Nutrition and Health Food Market Size, 2021-2030E



Source: Frost & Sullivan Analysis

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Vitamin-based Health Supplement Market

The vitamin-based health supplement segment is a sub-category within the health supplement market, comprising single-vitamin and multivitamin products for micronutrient supplementation and general health support. This segment is characterized by standardized formulations, strong consumer awareness, and diversified distribution channels, including pharmacies, e-commerce platforms and specialty retail outlets. China’s vitamin-based health supplement market reached RMB39.2 billion in 2025, and is expected to expand to RMB54.5 billion by 2030.

Market Drivers and Future Trends

The vitamin-based health supplement market is expected to continue growing, driven by several factors. Rising health awareness is a key driver. Consumers are shifting from reactive treatment to proactive health management and incorporating vitamins into daily routines. In addition, technological innovation is accelerating market expansion. Advances in bioprocess manufacturing, delivery formats, and encapsulation technologies have enhanced safety, stability, and bioavailability. AI, big data, and genomics are also enabling precision formulation and personalized nutrition. Furthermore, channel transformation is reshaping the competitive landscape. Direct-to-consumer and social commerce platforms strengthen engagement through digital channels and content-driven education. Moreover, vitamins are expanding beyond traditional supplements into cosmetics, feed additives, and pharmaceutical intermediates. This diversification broadens demand and improves resilience against market volatility.

The future development of the vitamin-based health supplement market is expected to be shaped by several key trends. Innovative product formats are gaining traction, as the market shifts from traditional tablets toward more convenient and palatable “snackified” and drinkable forms, such as gummies and effervescent tablets, to improve user experience and long-term adherence. In addition, composite and scenario-based formulations are emerging, with the market moving from single-ingredient offerings toward synergistic, need-specific combinations, and function-oriented branding to meet increasingly personalized health demands. Furthermore, distribution channels are diversifying with deeper online-offline integration. Direct-to-consumer channels enable personalized assessments and subscription models, while offline retailers continue to provide professional consultation, product experience, and immediate fulfillment. Moreover, greater emphasis is being placed on brand trust and product quality. Consumers are increasingly focusing on ingredient sourcing, dosage accuracy, and scientific substantiation, which drives demand for “clean label” products, credible certifications, and more sustainable practices.

PHARMACEUTICAL MARKET

The global and China’s pharmaceutical markets have witnessed significant growth in recent years and are projected to grow at a rapid pace over the next decade. The global pharmaceutical market grew from US\$1,401.2 billion in 2021 to US\$1,615.0 billion in 2025 at a CAGR of 3.6%, and is projected to reach US\$2,042.9 billion by 2030, at a CAGR of 4.8% from 2026 to 2030. In addition, driven by an aging population, growing healthcare expenditure, technological advancements, and favorable government policies for drug development, China’s pharmaceutical market is also experiencing robust growth, with the market size projected to increase to RMB2,079.0 billion by 2030, at a CAGR of 5.3% from 2026 to 2030.

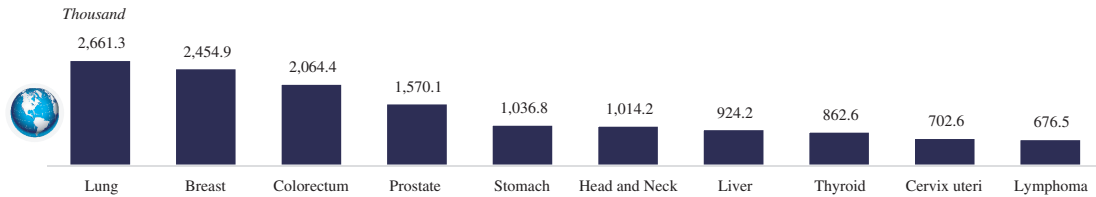
Oncology Drug Market

Overview

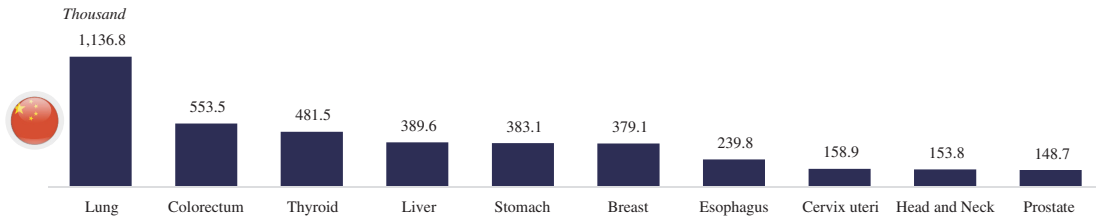
Cancer is a group of diseases involving abnormal cell growth with the potential to invade or spread to other parts of the body, and is a leading cause of death worldwide. The diagrams below set forth the top ten cancers by incidence globally and in China, respectively, in 2025:

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Top 10 Cancers by Incidence Globally, 2025



Top 10 Cancers by Incidence in China, 2025



Source: Globocan, International Agency for Research on Cancer, National Central Cancer Registry (“NCCR”), Frost & Sullivan Analysis

Cancer treatment continues to evolve through ongoing innovation and scientific breakthroughs around the world. Today, major cancer treatment modalities include surgery, radiotherapy, chemotherapy, targeted therapy, and immunotherapy. Notably, antibody-drug conjugates (“ADCs”), which combine the target specificity of antibodies with the potency of cytotoxic drugs, are emerging as the next-generation cancer therapy that offers enhanced efficacy and reduced systemic toxicity through precise tumor targeting.

Market Size

In recent years, the global oncology drug market has expanded significantly, which grew from US\$181.7 billion in 2021 to US\$278.2 billion in 2025 at a CAGR of 11.2%, and is expected to reach US\$435.6 billion by 2030, at a CAGR of 9.2% from 2026 to 2030. China’s oncology drug market has also grown from RMB231.1 billion in 2021 to RMB279.1 billion in 2025 at a CAGR of 4.8%, and is expected to further expand to RMB504.0 billion by 2030, at a CAGR of 13.7% from 2026 to 2030.

Market Drivers and Future Trends

The oncology drug market is expected to continue to grow, primarily driven by (i) the accelerating pace of population aging and prevalence of lifestyle-related risk factors, which are contributing to a growing global cancer patient population and expanding clinical demand for oncology therapies; (ii) improved affordability of, and reimbursement support for, innovative oncology therapies in recent years; (iii) increased investment in oncology drug development by global pharmaceutical companies, supported by favorable policies and technological advancements; and (iv) the continued evolution of antibody technology platforms, which has enabled breakthroughs in the development of new therapeutic modalities, including ADCs, bispecific and multi-specific antibodies, as well as the “immuno-oncology” combination therapies.

The future development of the oncology drug market is expected to experience the following trends: (i) deeper integration of precision medicine, as advancements in related fields and technologies enable precision medicine to become further integrated into clinical practice, accelerating individualized cancer care; (ii) expansion of reimbursement coverage, as more innovative oncology drugs are covered by public reimbursement systems, further enhancing access, easing patient burden and encouraging drugmakers to focus on demonstrating long-term efficacy and real-world value; (iii) broader application of immunotherapies, as a deeper understanding of tumor immune microenvironment and continued optimization of combination treatment strategies

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support immunotherapy’s evolution to a mainstream treatment modality in cancer management; and (iv) a transition toward chronic disease management, as advances in targeted therapies and immunotherapies shift certain cancers from terminal illnesses to manageable chronic conditions, with future oncology drug development focusing more on sustained efficacy, safety, and quality-of-life improvements.

Autoimmune Disease Drug Market

Overview

Autoimmune diseases are conditions in which the human immune system mistakenly attacks the body’s own tissues and organs. Such conditions can arise from either abnormally low activity or over-activity of the immune response.

The treatment of autoimmune diseases has entered a new era: beyond symptomatic anti-inflammatory agents, targeted small molecules and biologic therapies have transformed clinical care by selectively interrupting pathogenic immune pathways. Biologic agents, including TNF-blocking antibodies, interleukin-targeting therapies and IgG antibodies, have substantially improved outcomes in diseases such as rheumatoid arthritis and psoriasis. Together, these therapies enable more precise, mechanism-based management that improves function and reduces organ damage, and have become new clinical treatment options.

Market Size

The global autoimmune disease drug market grew from US\$127.7 billion in 2021 to US\$154.9 billion in 2025 at a CAGR of 5.0%, and is expected to further increase to US\$218.8 billion by 2030, at a CAGR of 6.9% from 2026 to 2030. In addition, China’s autoimmune disease drug market has expanded significantly in recent years, which grew from RMB19.3 billion in 2021 to RMB38.0 billion in 2025 at a CAGR of 18.4%, and is expected to reach RMB123.7 billion by 2030, at a CAGR of 27.6% from 2026 to 2030.

Market Drivers and Future Trends

Key drivers for the autoimmune disease drug market include: (i) the need for personalized treatment, as concerns over drug-related toxicity and lack of personalized treatments, together with advances in genetics and medicine, have accelerated the discovery and development of effective personalized medicines for autoimmune diseases; (ii) the expansion of rheumatic and immunology departments in China, which has enhanced access to medical resources for autoimmune diseases, enabling earlier diagnosis and treatment; and (iii) increasing affordability of autoimmune disease drugs, supported by continued NRDL price negotiation, the emergence of innovative biologics, and growth in per capita disposable income.

The future development of the autoimmune disease drug market is expected to experience the following trends: (i) broader indications covered by innovative biologics, as an improved understanding of the pathophysiology of autoimmune diseases is expected to enable the development of additional innovative biologics and expand their indications, including dermatomyositis, progressive multiple sclerosis, and osteomyelitis; (ii) enhanced penetration of antibody therapies, enabling these agents to be adopted earlier in the treatment pathway and across a wider range of autoimmune diseases; and (iii) improvement in overall disease remission rates, enabled by the convergence of earlier diagnosis, precision patient selection, and next-generation biologics with improved specificity.

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ANTIBODY THERAPY MARKET

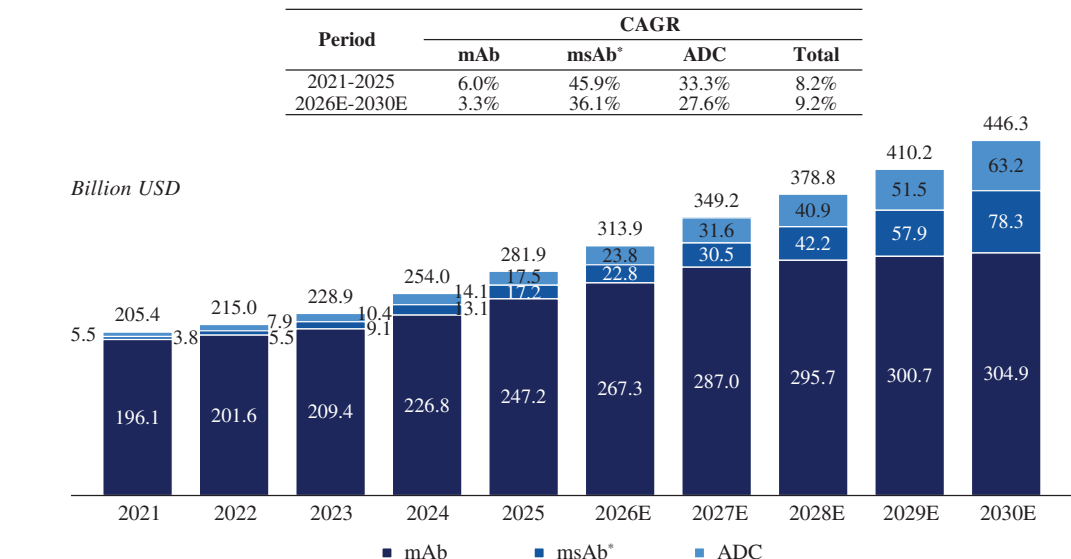
Overview

Antibody therapy refers to the use of engineered antibodies to specifically recognize and bind to disease-related targets. These therapies may exert their effects by blocking pathological signaling pathways, marking diseased cells for immune clearance, or delivering cytotoxic payloads to achieve targeted treatment. The main types of antibody therapies include: (i) monoclonal antibody (“**mAb**”), a laboratory-produced antibody derived from a single B-cell clone that binds to a specific antigen or epitope; (ii) bispecific antibody (“**bsAb**”), an engineered antibody that can simultaneously bind to two different antigens or epitopes to enhance targeting or immune recruitment; (iii) multi-specific antibody (“**msAb**”), an advanced antibody format designed to engage three or more distinct targets or epitopes to address tumor heterogeneity or modulate multiple biological pathways simultaneously; and (iv) ADC, a monoclonal antibody linked to a cytotoxic payload via a chemical linker, enabling targeted delivery of the cytotoxic drug specifically to antigen-expressing tumor cells while minimizing systemic toxicity.

Market Size

The global therapeutic antibody market grew from US\$205.4 billion in 2021 to US\$281.9 billion in 2025 at a CAGR of 8.2%. Driven by rising medical demand and the expansion of innovative antibody pipelines, this market is projected to reach US\$446.3 billion by 2030, at a CAGR of 9.2% from 2026 to 2030, during which growth is expected to be led by next-generation antibody formats, particularly bispecific and multi-specific antibodies, as well as ADCs. The diagram below sets forth the historical and forecast size of the global therapeutic antibody market for the periods indicated:

Global Therapeutic Antibody Market Size, 2021-2030E



* Includes bispecific, trispecific, and tetraspecific formats

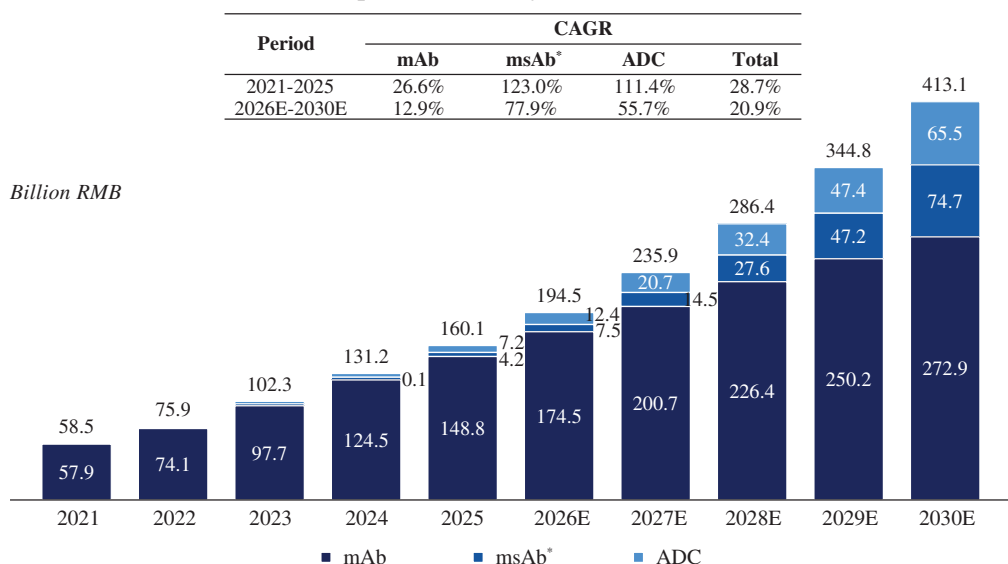
Source: Annual Reports of Listed Companies, FDA, NMPA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

The market size of therapeutic antibodies in China increased rapidly from RMB58.5 billion in 2021 to RMB160.1 billion in 2025 at a CAGR of 28.7%. Driven by the inclusion of more antibody drugs in the NRDL, the increasing availability of biosimilars and the launch of innovative antibody products, the therapeutic antibody market in China is projected to grow to RMB413.1 billion in 2030, at a CAGR of 20.9% from 2026 to 2030. By product type, monoclonal antibodies are expected to

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remain the largest segment, while bispecific and multi-specific antibodies and ADCs are expected to record faster growth. The diagram below sets forth the historical and forecast size of the therapeutic antibody market in China for the periods indicated:

China’s Therapeutic Antibody Market Size, 2021-2030E



* Includes bispecific, trispecific, and tetraspecific formats

Source: NMPA, CDE, NRDL, NCCR, Frost & Sullivan Analysis

ADC-IO Combination Therapy

ADC-IO combination therapy offers a promising strategy to overcome treatment resistance in cancer due to mechanisms such as antigen loss or downregulation and an immunosuppressive tumor microenvironment. ADC-induced tumor cell death can enhance antigen presentation and promote T cell infiltration into the tumor microenvironment, enhancing the effects of immunotherapy. Immune checkpoint inhibitors, such as PD-(L)1 mAbs, in parallel, can relieve immunosuppression and activate T cell-mediated cytotoxicity, thereby amplifying the anti-tumor response initiated by the ADC. Through these complementary mechanisms, ADC-IO combination therapy can improve the depth and durability of treatment and is emerging as a growing trend in cancer therapy.

ADC Drug Market

Overview

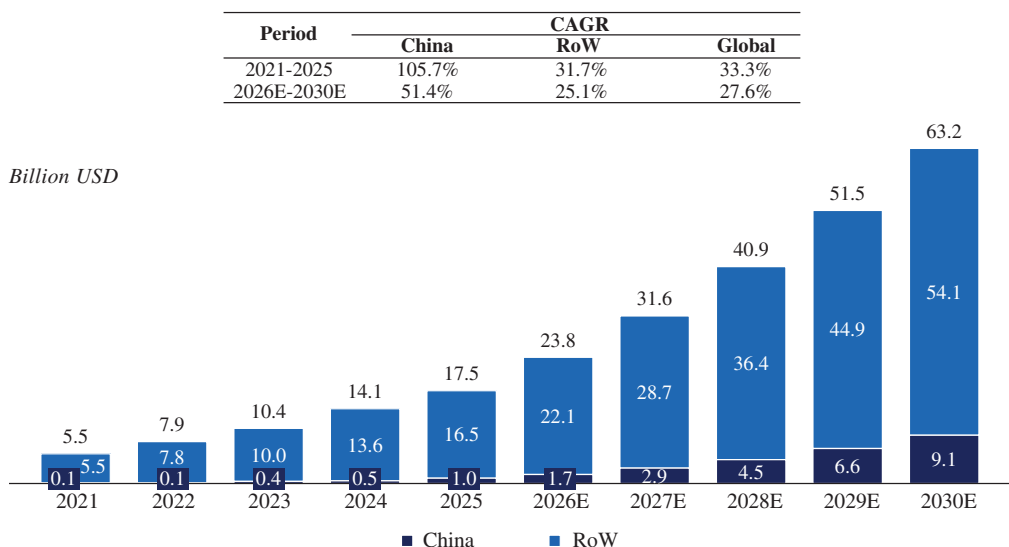
An ADC consists of three components: (i) an antibody that selectively binds to a tumor-associated antigen; (ii) a highly potent cytotoxic payload, commonly microtubule inhibitors, DNA-damaging agents, or topoisomerase inhibitors; and (iii) a chemical linker that covalently connects the antibody to the payload. ADCs are targeted cancer therapies that combine the specificity of antibodies with the cell-killing potency of cytotoxic drugs. The antibody component binds selectively to tumor-associated or overexpressed antigens on the surface of cancer cells. Upon antigen binding, the ADC is internalized and trafficked to intracellular compartments, where the linker is cleaved and the cytotoxic payload is released to induce cell death. This targeted mechanism of action enhances therapeutic efficacy, enables the use of highly potent drugs, and reduces off-target side effects compared with conventional chemotherapy.

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Market Size of ADC Drugs

The global ADC drug market grew rapidly from US\$5.5 billion in 2021 to US\$17.5 billion in 2025 at a CAGR of 33.3%, and is projected to continue its robust growth to reach US\$63.2 billion by 2030, at a CAGR of 27.6% from 2026 to 2030. In China, the first ADC drug was approved in 2020. The size of China’s ADC drug market is expected to reach US\$9.1 billion by 2030 at a CAGR of 51.4% from 2026 to 2030. The diagram below sets forth the historical and forecast size of the global and China’s ADC markets for the periods indicated:

Global and China’s ADC Market Size, 2021-2030E



Source: Annual Reports of Listed Companies, U.S. FDA, NMPA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

Major Considerations and Challenges in ADC Development

Antigen Selection. Careful selection of tumor-associated antigens is essential to achieve high tumor selectivity and efficient internalization, thereby reducing off-target toxicity. An ideal target antigen should be highly expressed on the surface of tumor cells, but minimally or not expressed in normal tissues. When the tumor antigen is bound by the antibody of an ADC, the antigen-ADC complex can be effectively internalized and the cytotoxic drug can be released within the tumor cells. Despite advances in target discovery, antigen selection remains a technical barrier due to challenges such as heterogeneous or low antigen expression and low rate of internalization.

Antibody Selection and Engineering. The antibody determines the target site-specificity and binding properties of an ADC. Key parameters include specificity, affinity and pharmacokinetics. High binding affinity to target antigen is critical for effective killing of tumor cells. In addition to high affinity, the antibody should exhibit low immunogenicity, long half-life, and stability in the bloodstream. Antibody engineering is also essential to achieve high molecule homogeneity and stable conjugation with the linkers and payloads.

Linker Design. The linker connects the antibody to the cytotoxic payload and plays a pivotal role in balancing stability and release efficiency. An ideal linker should maintain stability in the bloodstream while allowing effective release of the payload within target cells. Linker stability engineering represents a key challenge since unstable linkers risk systemic toxicity by releasing the drug prematurely, while overly stable linkers may fail to release sufficient payload.

Payload Design. The payload serves as the cytotoxic component of an ADC and is responsible for inducing cell death upon internalization and release within tumor cells. An ideal payload should exhibit high potency, low immunogenicity, strong stability, and functional groups that allow flexible

INDUSTRY OVERVIEW

linkage without reducing activities. Additional desirable features include sufficient water solubility to prevent aggregation, ensuring safety and effectiveness in heterogeneous tumor environments. Commonly used payloads include topoisomerase I inhibitors, DNA-damaging agents and microtubule inhibitors.

Key challenges in ADC development include controlling drug-to-antibody ratio (“**DAR**”) heterogeneity, ensuring manufacturability, and minimizing off-target toxicity and resistance. In particular, achieving an appropriate and consistent DAR remains a major technical hurdle. Within any ADC product, DAR species can vary, and managing this distribution is technically demanding. Lower DAR species may reduce overall cytotoxic potency, whereas excessively high DAR species can introduce instability, aggregation, and unfavorable pharmacokinetics due to increased hydrophobicity.

Main Targets of ADC Drugs

Based on therapeutic areas, ADC drugs and their corresponding targets can be divided into two categories: those for solid tumors and those for hematologic (blood) malignancies. The table below sets forth main targets of ADCs approved and under clinical development, indicated for the treatment of various solid tumors:

Target	Key Indications
HER2	NSCLC, GC, UC, HER2+ BC, HER2-low expressing BC
TROP2	HR+/HER2- BC, NSCLC, TNBC, nsq-NSCLC
FRα	OC, EC
c-Met	nsq-NSCLC
FIII	CC, PC
Nectin-4	UC, MIBC
EGFR	NSCLC, TNBC, SCLC, ESCC, UC, NPC
CLDN 18.2	GC, PC
B7-H3	SCLC, NSCLC, CRPC, ESCC
DLL3	SCLC, NET
ROR1	GC, nsq-NSCLC
HER3	TNBC, HER2+ BC, BC, nsq-NSCLC, UC, TNBC, NSCLC, ESCC

Abbreviations: BC=breast cancer; CC=cervical cancer; CRPC=castration-resistant prostate cancer; EC=endometrial cancer; ESCC=esophageal squamous cell carcinoma; GC=gastric cancer; HER2+=HER2-positive; HER2-=HER2-negative; HR+=hormone receptor-positive; MIBC=muscle-invasive bladder cancer; NET=neuroendocrine tumor; NPC=nasopharyngeal carcinoma; NSCLC=non-small cell lung cancer; nsq-NSCLC=non-squamous non-small cell lung cancer; OC=ovarian cancer; PC=pancreatic cancer; TNBC=triple-negative breast cancer; UC=urothelial carcinoma

Source: FDA, NMPA, Frost & Sullivan Analysis

Market Drivers and Future Trends

The global ADC drug market is expected to continue to grow, primarily driven by: (i) expanding unmet clinical needs and a rising cancer burden, which are driving demand for more effective and better-tolerated therapies for resistant or recurrent tumors, thereby accelerating ADC adoption and penetration; (ii) breakthroughs in ADC design and a broader range of applications, as advances in targeting and construct engineering have strengthened pipelines and expanded use across multiple cancers and indications, making ADCs a more dynamic and promising treatment option in the evolving landscape of cancer therapies; (iii) regulatory support and accelerated approvals, as agencies such as the FDA and NMPA have adopted pathways and policies that may shorten development timelines and facilitate earlier patient access to innovative therapies, including ADCs; and (iv) rising industry investment, reflected in increased merger and acquisition activities and strategic partnerships, underscoring sustained commercial and scientific interest in ADCs.

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The future development of the ADC drug market is expected to experience the following trends: (i) continued innovation in payload and linker engineering, including multi-mechanism payloads (e.g., dual-action toxins targeting microtubule disruption and apoptosis) and multi-trigger linkers designed for triggered payload release, which may enhance tumor selectivity, improve efficacy, and extend therapeutic window while minimizing toxicity; (ii) expansion of the target landscape, supported by advances in genomics and bioinformatics that enable identification of additional tumor- and microenvironment-associated targets; (iii) evolution of ADC formats, including bispecific and multi-specific ADCs designed to address tumor heterogeneity and reduce the limitations of single-target approaches; and (iv) expanding use of ADCs in combination regimens, as ADCs are increasingly evaluated with other modalities such as immune checkpoint inhibitors, small-molecule targeted therapies and radiotherapy to enhance overall treatment efficacy through complementary mechanisms of action.

EGFR ADCs

Major Indications of EGFR ADCs

The epidermal growth factor receptor (“**EGFR**”) is a transmembrane glycoprotein and a member of the ErbB family of receptor tyrosine kinases. EGFR signaling pathways play a key role in the regulation of cell proliferation, survival, and metastasis. Overexpression of EGFR contributes to oncogenesis in a variety of solid tumors, including head and neck cancer, breast cancer, lung cancer, and colorectal cancer, making it a promising therapeutic target for cancer therapy.

Non-small Cell Lung Cancer

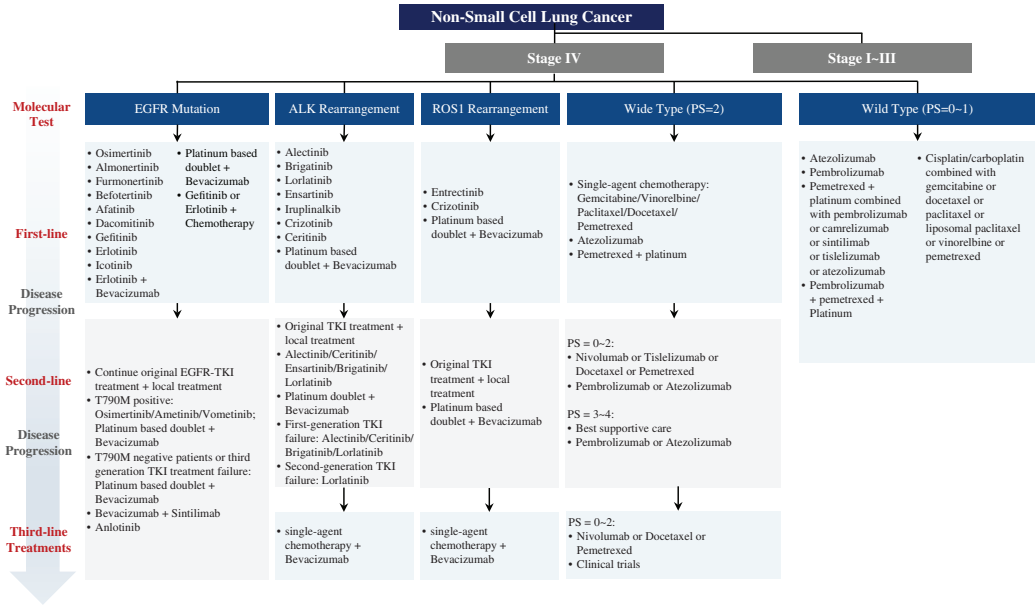
Non-small cell lung cancer (“**NSCLC**”) is the most common type of lung cancer and represents approximately 85% of all lung cancer cases. The global incidence of NSCLC increased from 2,048.6 thousand in 2021 to 2,262.1 thousand in 2025, and is expected to reach 2,596.6 thousand by 2030. In China, the incidence of NSCLC increased from 876.6 thousand in 2021 to 966.2 thousand in 2025, and is expected to reach 1,112.1 thousand by 2030.

The global NSCLC drug market grew from US\$60.6 billion in 2021 to US\$104.3 billion in 2025 at a CAGR of 14.5%, and is expected to reach US\$184.8 billion by 2030, at a CAGR of 11.7% from 2026 to 2030. China’s NSCLC drug market grew from US\$8.3 billion in 2021 to US\$12.3 billion in 2025 at a CAGR of 10.3%, and is expected to reach US\$24.0 billion by 2030, at a CAGR of 14.0% from 2026 to 2030.

Treatment pathways for NSCLC are generally determined based on the presence of actionable driver mutations and PD-L1 expression levels. Patients without actionable mutations are typically treated with chemotherapy and/or immunotherapy. Patients with actionable mutations, including EGFR mutations, are generally treated with targeted therapies. Globally, approximately 30% to 40% of NSCLC patients have activating EGFR mutations.

As illustrated in the diagram below, for patients with EGFR-mutated advanced NSCLC, third-generation EGFR tyrosine kinase inhibitors (“**EGFR TKIs**”), such as osimertinib, are preferred first-line treatment. However, nearly 50% of patients who benefit from EGFR TKI therapy eventually develop drug resistance, leading to disease progression. Following disease progression after EGFR-TKI therapy, patients are typically treated with platinum-based chemotherapy, with or without immunotherapy, although later-line treatment options remain limited. This indicates significant market opportunity for EGFR ADCs.

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Notes:

- (1) Some single-agent chemotherapy and combination chemotherapy are not reflected in the diagram.
- (2) “PS” means performance status.

Source: Chinese Society of Clinical Oncology (“CSCO”) 2024, Frost & Sullivan Analysis

As of the Latest Practicable Date, there was no EGFR ADC approved for the treatment of NSCLC worldwide, and several EGFR ADC drug candidates targeting NSCLC were under clinical development, including our SYS6010. SYS6010 is an EGFR ADC being evaluated for the treatment of patients with EGFR-mutated NSCLC who have experienced disease progression following prior EGFR-TKI treatment, as well as EGFR wild-type NSCLC patients following prior standard-of-care therapies.

Breast Cancer

Breast cancer is the most commonly diagnosed cancer among women worldwide. The global incidence of breast cancer increased from 2,301.2 thousand in 2021 to 2,454.9 thousand in 2025, and is expected to reach 2,698.0 thousand by 2030. In China, the incidence of breast cancer increased from 348.1 thousand in 2021 to 379.1 thousand in 2025, and is expected to reach 397.2 thousand by 2030.

The global breast cancer drug market grew from US\$33.6 billion in 2021 to US\$44.8 billion in 2025 at a CAGR of 7.4%, and is expected to reach US\$65.2 billion by 2030, at a CAGR of 7.9% from 2026 to 2030. China’s breast cancer drug market grew from RMB54.5 billion in 2021 to RMB75.3 billion in 2025 at a CAGR of 8.4%, and is expected to further expand to RMB115.2 billion by 2030, at a CAGR of 8.9% from 2026 to 2030.

Treatment pathways for breast cancer are generally determined based on biomarker status, including HER2 and hormone receptor expression. Based on the expression levels of hormone receptors, including estrogen receptor (“ER”) and progesterone receptor (“PR”), and HER2, breast cancer can be classified into four major molecular subtypes: (i) Luminal A (ER and/or PR positive, HER2 negative, low Ki-67); (ii) Luminal B (ER and/or PR positive, HER2 positive or negative, higher Ki-67); (iii) HER2-enriched (ER and PR negative, HER2 positive); and (iv) triple-negative breast cancer (“TNBC”) (ER, PR, and HER2 all negative). Breast cancer patients are typically treated with surgery, chemotherapy, endocrine therapy, targeted therapy, and/or immunotherapy depending on disease stage and molecular subtype.

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As illustrated in the diagram below, for patients with HER2-positive breast cancer, HER2-targeted therapies, including HER2 ADCs, are recommended for eligible patients under current treatment guidelines and have been increasingly adopted in clinical practice, particularly in patients who have experienced disease progression following prior HER2-targeted therapies. For this patient population, post-progression treatment options remain limited, which indicates significant market opportunity for EGFR ADCs. SYS6010 is an EGFR ADC being evaluated for the treatment of patients with EGFR-positive, HER2-negative breast cancer.

Indication	Treatment					
HER2+	Sensitive to H therapy	• THP • TH+ Pyrotinib	• TXH • H+ Chemo	• Pyrotinib+ X • HP+ Chemo		
	After the treatment failure of H	• Pyrotinib+ X • T-DM1 • T-Dxd	• Nerlynx+ X • Margetuximab + Chemo • Lapatinib+ X	• TKI+ Chemo • HP+ Chemo		
	After the treatment failure of TKI	• T-Dxd • HP+ Chemo	• T-DMI • Clinical research	• Another TKI + Chemo		
TNBC	After First Line Treatment	Sensitive to taxane therapy	• Paclitaxel-albumin/docetaxel/ paclitaxel • TX • GT	• TP X/N/T/Etoposide chemo • Paclitaxel + bevacizumab	• Olaparib/ Doxorubicin • Paclitaxel liposomes • Chemo/GP+ PD-1	• inhibitor Paclitaxel-albumin/Paclitaxel + PD-1 inhibitor
	Systemic therapies	After the treatment failure of taxane	• Eribulin/X/N/G • NPl • GPt • NX • UTD1+X	• Sacituzumab govitecan-hziy/ Paclitaxel-albumin/Etoposide • Bevacizumab +X • Paclitaxel-albumin + Chemotherapeutic drug	• LD • Paclitaxel Liposome • Olaparib • Chemo+ PD-1 inhibitor	
ER+ and/or PR+	Without prior endocrine therapy	• AI+ CDK4/6 inhibitor • F+CDK4/6 inhibitor	• AI • F	• TAM		
	After the treatment failure of TAM	• AI+ CDK4/6 inhibitor • AI + Chidamide	• AI + Everolimus • F + CDK4/6 inhibitor	• F • AI		
	After the treatment failure of NSAI	• F + CDK4/6 inhibitor • SAI+Chidamide	• SAI+Everolimus • F/SAI	• TAM/toremifene • Progestogen		
	After the treatment failure of SAI	• F + CDK4/6 inhibitor • F+ Everolimus	• F/NSAI • NSAI+CDK4/6 inhibitor	• TAM/toremifene • Progestogen		
	After the treatment failure of CDK4/6i	• Another CDK4/6 inhibitor+ Endocrine therapy	• Toremifene • Progestogen	• ATK inhibitors + Endocrine therapy		
HER2-	HR-positive / HER2-low	without prior treatment with CDK4/6 inhibitors: • CDK4/6 inhibitors + endocrine therapy/Chemo		with prior treatment with CDK4/6 inhibitors: • T-Dxd • Chemo/Endocrine/Sacituzumab govitecan		
	HR-negative / HER2-low	• Refer to TNBC chemotherapy/immunotherapy	• T-Dxd • Sacituzumab govitecan			

Abbreviations:

- (1) Chemotherapy (“**chemo**”): A=anthracyclines, including epirubicin, doxorubicin, pirarubicin; C=cyclophosphamide; Cb=carboplatin; E=epirubicin; G=gemcitabine; LD=liposomal doxorubicin; N=navelbine; Pt=platinum-based drugs (cisplatin, carboplatin); T=docetaxel, paclitaxel and albumin-bound paclitaxel; UTD1=utidelone injection; X=capecitabine
- (2) Therapeutic antibody: H=trastuzumab; P=pertuzumab
- (3) Endocrine therapy: AI=aromatase inhibitor; F=fulvestrant; TAM=tamoxifen
- (4) Small molecule targeted drug: CDK4/6 inhibitor includes ribociclib, abemaciclib, palbociclib; L=lapatinib

Source: CSCO 2024, Frost & Sullivan Analysis

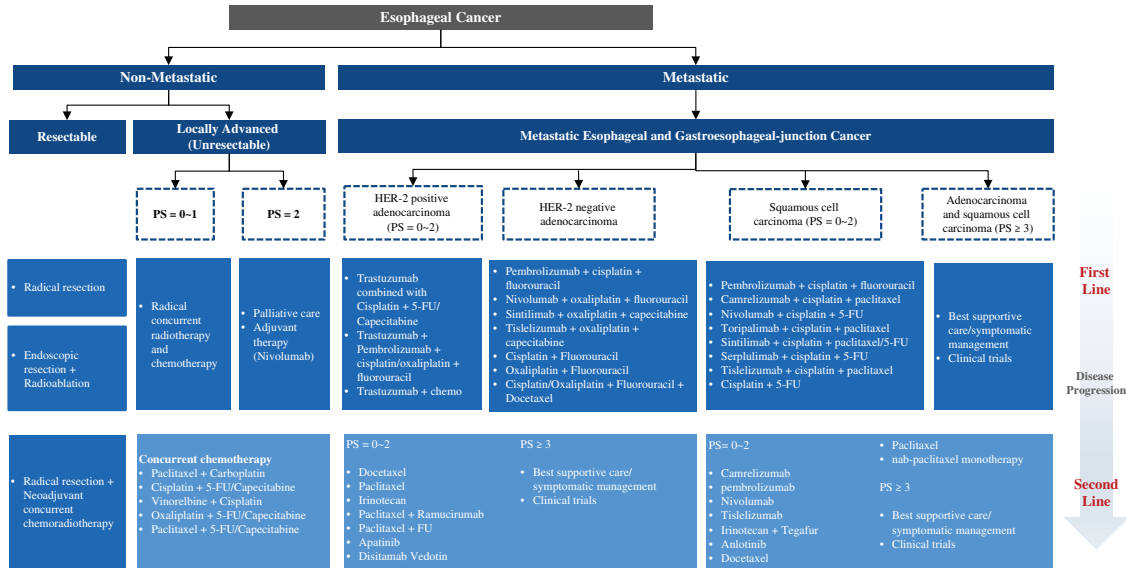
Esophageal Squamous Cell Carcinoma

Esophageal cancer is one of the most common cancers worldwide and arises from the lining cells of esophagus. Based on the cell type of origin, esophageal cancer is classified into two major histological subtypes: esophageal squamous cell carcinoma (“**ESCC**”), which arises from the squamous epithelium and is more prevalent in developing regions; and esophageal adenocarcinoma, which arises from the glandular epithelium and is more common in developed countries. The global incidence of esophageal squamous cell carcinoma was 492.1 thousand in 2025 and is expected to reach 561.0 thousand by 2030. In China, the incidence of esophageal squamous cell carcinoma reached 215.8 thousand in 2025 and is expected to increase to 252.5 thousand by 2030.

The global ESCC drug market grew from US\$1.4 billion in 2021 to US\$2.9 billion in 2025 at a CAGR of 20.7%, and is expected to reach US\$5.9 billion by 2030, at a CAGR of 15.7% from 2026 to 2030. China’s ESCC drug market grew from US\$0.6 billion in 2021 to US\$1.0 billion in 2025 at a CAGR of 16.3%, and is expected to reach US\$2.3 billion by 2030, at a CAGR of 17.7% from 2026 to 2030.

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Treatment pathways for esophageal cancer are generally determined based on disease stage and patients’ performance status. As illustrated in the diagram below, early-stage esophageal cancer is commonly treated with surgery, with or without neoadjuvant or adjuvant chemoradiotherapy; and patients with locally advanced or unresectable disease typically receive definitive chemoradiotherapy. For patients with advanced or metastatic esophageal cancer, platinum-based chemotherapy, often in combination with fluoropyrimidine-based regimens and/or immunotherapy, is commonly used as first-line treatment; however, therapeutic options in later lines of treatment remain limited.



Source: CSCO 2024, Frost & Sullivan Analysis

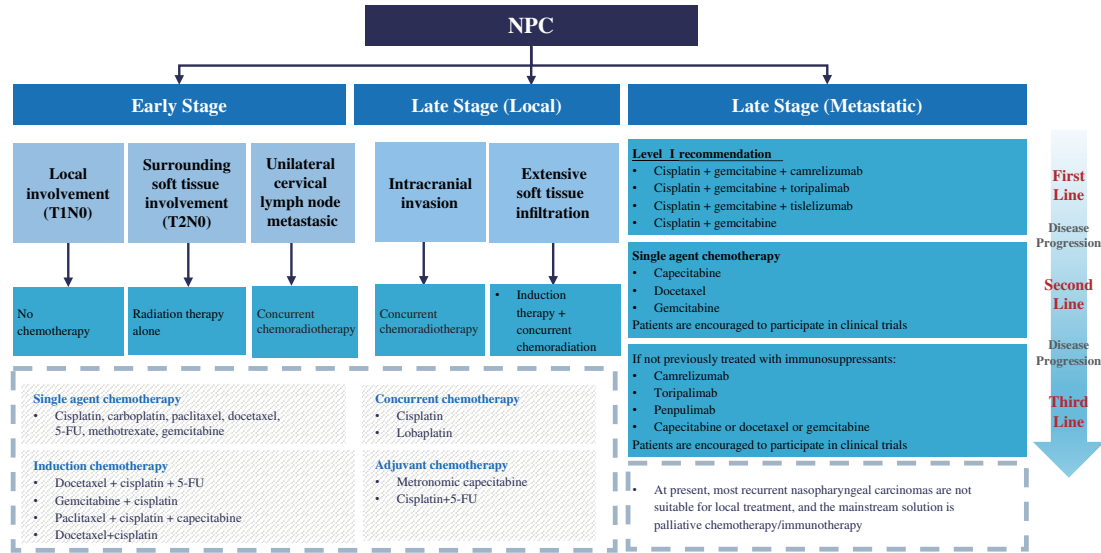
EGFR is overexpressed in approximately 50% to 80% of ESCC cases. SYS6010 is an EGFR ADC being investigated for treatment of patients with ESCC who have experienced disease progression following prior standard-of-care therapies.

Nasopharyngeal Carcinoma

Nasopharyngeal carcinoma (“NPC”) is a type of head and neck cancer, which most commonly develops in epithelia cells lining the inner surface of the nasopharynx. Nasopharynx is located at the upper part of the pharynx that lies behind the nasal cavity. Due to this central anatomical location and its innocuous, subtle symptoms, early diagnosis of NPC is often difficult. The global incidence of NPC was 127.2 thousand in 2025 and is expected to reach 138.4 thousand by 2030. In China, the incidence of NPC was 53.4 thousand in 2025 and is expected to reach 56.2 thousand by 2030.

Treatment pathways for NPC are generally determined based on disease stage. As illustrated in the diagram below, radiotherapy is the mainstay of treatment for early-stage NPC, while patients with locally advanced NPC are typically treated with concurrent chemoradiotherapy. For patients with recurrent or metastatic NPC, platinum-based chemotherapy, often in combination with or followed by immunotherapy, is commonly used as first-line systemic treatment; however, therapeutic options in later lines of treatment remain limited.

INDUSTRY OVERVIEW

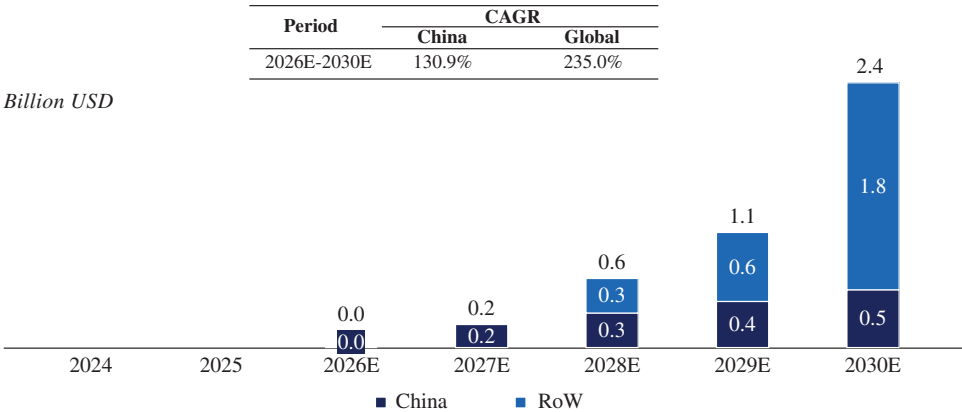


Source: CSCO 2024, Frost & Sullivan Analysis

Market Size of EGFR ADCs

Globally, the first EGFR ADC was approved in 2025, and the global EGFR ADC market is expected to reach US\$2.4 billion by 2030. In China, the EGFR ADC market is projected to reach US\$0.5 billion by 2030.

Global and China's EGFR ADC Market Size, 2024-2030E



Source: U.S. FDA, NMPA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

Competitive Landscape of EGFR ADCs

As of the Latest Practicable Date, becotatug vedotin, approved in China for the treatment of NPC, was the only marketed EGFR ADC worldwide, whose details are set forth in the table below:

Drug Name	Indication	Company	First Approval Date	Regulatory Authority	Guideline Inclusion	Region	End-User Price in China
Becotatug vedotin (美佑恒)	NPC	Lepu Biopharma	2025-10-28	NMPA	/	China	RMB9,880/50mg

Source: CDE, ClinicalTrial.gov, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

The table below sets forth the global competitive landscape of EGFR ADC drug candidates in Phase I/II trials and beyond as of the Latest Practicable Date:

Drug Candidate	Company	Indication(s)*	Development Stage	Target(s)	First Posted Date	Region(s)
BLB01D1	Biokin	NPC, ESCC	NDA	EGFR/HER3	2025-11-21	China
SYS6010	The Company	EGFR-mutant NSCLC	Phase III	EGFR	2024-08-26	China
		EGFR wild-type nsq-NSCLC			2026-03-03	
		HER2-, EGFR+ breast cancer			2026-02-25	
		ESCC			2026-02-12	
ALK202	Allink Biotherapeutics	NSCLC	Phase II	EGFR/c-Met	2026-05-22	China
JS212	Junshi Biosciences	Solid tumors	Phase II	EGFR/HER3	2025-12-14	China
FH-006	Hengrui	NSCLC	Phase II	EGFR/B7-H3	2025-11-03	China
SKB571	Kelun-Biotech	NSCLC, gastrointestinal tumors	Phase II	EGFR/c-Met	2025-10-20	China
IBI3005	Innovent Biologics	Solid tumors	Phase I/II	EGFR/HER3	2026-05-28	China
IDP-001	InduPro Therapeutics	Solid tumors	Phase I/II	EGFR/CDCP1	2026-05-22	U.S.
HMPL-A580	Hutchmed	Solid tumors	Phase I/II	EGFR/PIK3/PIKK	2026-02-09	China
TQB6411	Chia Tai-Tianqing	Advanced lung cancer	Phase I/II	EGFR/c-Met	2026-01-20	China
VBC101	VelaVigo	Solid tumors	Phase I/II	EGFR/c-Met	2025-08-22	China, U.S.
BNT3212	Biotheus	Solid tumors	Phase I/II	EGFR/HER3	2025-08-20	China, Australia
DB-1418	DualityBio	Solid tumors	Phase I/II	EGFR/HER3	2025-06-26	U.S.
KY0301	Novatim Immune Therapeutics	NSCLC, CRC, solid tumors, HNSCC, GC	Phase I/II	EGFR/c-Met	2025-04-14	China
PRO1286	Genmab	Solid tumors	Phase I/II	EGFR/c-Met	2024-11-12	China, U.S.

* Only include those targeted in the most advanced development stage

Abbreviations: CRC=colorectal cancer; ESCC=esophageal squamous cell carcinoma; HNSCC=head and neck squamous cell carcinoma; NPC=nasopharyngeal carcinoma; NSCLC=non-small cell lung cancer; nsq-NSCLC=non-squamous non-small cell lung cancer

Source: CDE, ClinicalTrials.gov, Frost & Sullivan Analysis

Nectin-4 ADCs

Major Indications of Nectin-4 ADCs

Nectin cell adhesion molecule 4 (“**Nectin-4**”) is a type I transmembrane protein belonging to the Nectin family of immunoglobulin-like cell adhesion molecules. Nectin-4 is notably overexpressed in various tumor types. Its overexpression has been identified as biomarker associated with cancer progression, recurrence and metastasis, and is often correlated with poor prognosis in multiple cancers, including urothelial carcinoma, ovarian cancer, pancreatic cancer, NSCLC, gastric cancer, and hepatocellular carcinoma.

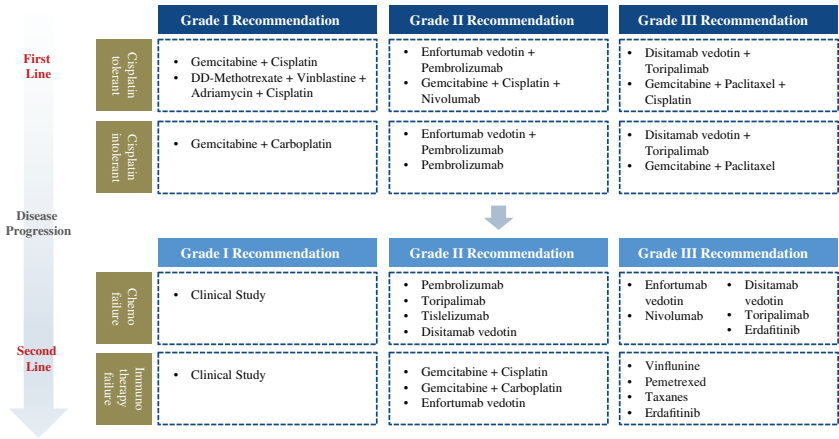
Urothelial Carcinoma

Urothelial carcinoma (“**UC**”), also known as transitional cell carcinoma, is the most common type of bladder cancer. It originates in the urothelial cells that line the inside of the bladder. UC accounts for approximately 90% of all bladder cancer cases. The global incidence of UC increased from 529.2 thousand in 2021 to 590.6 thousand in 2025, and is expected to reach 687.4 thousand by 2030. In China, the incidence of UC increased from 81.0 thousand in 2021 to 91.9 thousand in 2025, and is expected to reach 103.7 thousand by 2030.

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The global UC drug market grew from US\$3.0 billion in 2021 to US\$5.0 billion in 2025 at a CAGR of 13.2%, and is expected to reach US\$8.7 billion by 2030, at a CAGR of 12.9% from 2026 to 2030. China’s UC drug market grew from US\$0.3 billion in 2021 to US\$0.5 billion in 2025 at a CAGR of 16.1%, and is expected to reach US\$1.1 billion by 2030 at a CAGR of 18.5% from 2026 to 2030.

Treatment pathways for UC are generally determined based on disease stage and patients’ eligibility for surgery. For non-muscle invasive disease, transurethral resection of bladder tumor with or without intravesical therapy is commonly used. For muscle-invasive disease, radical surgery combined with perioperative chemotherapy is a standard treatment approach, while bladder-preserving chemoradiotherapy is also applied in selected patients. As illustrated in the diagram below, for locally advanced or metastatic UC, platinum-based chemotherapy, often in combination with or followed by immune checkpoint inhibitors, is commonly used as systemic therapy; however, therapeutic options in second or later lines of treatment remain limited.



Source: CSCO 2024, Frost & Sullivan Analysis

Nectin-4 is highly expressed in the majority of UC cases. Approximately 80% of patients with conventional UC in China exhibit Nectin-4 positivity, underscoring its potential as a therapeutic target. SYS6002 is a Nectin-4 ADC being evaluated for the treatment of patients with UC who have experienced disease progression following prior standard-of-care therapies, including platinum-based chemotherapy and immune checkpoint inhibitor therapy.

Head and Neck Squamous Cell Carcinoma

Head and neck squamous cell carcinoma (“HNSCC”) is a malignant tumor that originates from the squamous cells of the mucosal epithelium in the head and neck region, including the oral cavity, pharynx, and larynx. The global incidence of HNSCC increased from 836.8 thousand in 2021 to 912.8 thousand in 2025, and is expected to reach 1,010.8 thousand by 2030. In China, the incidence of HNSCC increased from 128.1 thousand in 2021 to 138.4 thousand in 2025, and is expected to reach 151.7 thousand by 2030.

The global HNSCC drug market grew from US\$3.9 billion in 2021 to US\$5.4 billion in 2025 at a CAGR of 8.4%, and is expected to reach US\$7.8 billion by 2030, at a CAGR of 8.3% from 2026 to 2030. China’s HNSCC drug market grew from US\$0.5 billion in 2021 to US\$0.9 billion in 2025 at a CAGR of 15.7%, and is expected to reach US\$1.5 billion by 2030, at a CAGR of 11.7% from 2026 to 2030.

Treatment strategies for HNSCC vary by tumor site. For patients with recurrent, non-metastatic HNSCC, whether involving the primary site or regional cervical lymph nodes, salvage surgery is the preferred curative option when technically feasible. For patients who are not suitable

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for surgery, salvage radiotherapy or re-irradiation, often combined with systemic therapy, is typically considered. In contrast, most patients with metastatic HNSCC are treated with palliative systemic therapy, including chemotherapy, immunotherapy, or their combination.

Cervical Cancer

Cervical cancer is a type of cancer that develops in the cervix or in any layer of the wall of the cervix. The global incidence of cervical cancer increased from 616.0 thousand in 2021 to 702.6 thousand in 2025, and is expected to reach 760.1 thousand by 2030. In China, the incidence of cervical cancer increased from 149.2 thousand in 2021 to 158.9 thousand in 2025, and is expected to reach 164.5 thousand by 2030.

The global cervical cancer drug market grew from US\$2.6 billion in 2021 to US\$3.5 billion in 2025 at a CAGR of 7.8%, and is expected to reach US\$5.3 billion by 2030, at a CAGR of 7.7% from 2026 to 2030. China’s cervical cancer drug market grew from RMB0.2 billion in 2021 to RMB0.3 billion in 2025 at a CAGR of 7.0%, and is expected to reach RMB0.5 billion by 2030, at a CAGR of 8.7% from 2026 to 2030.

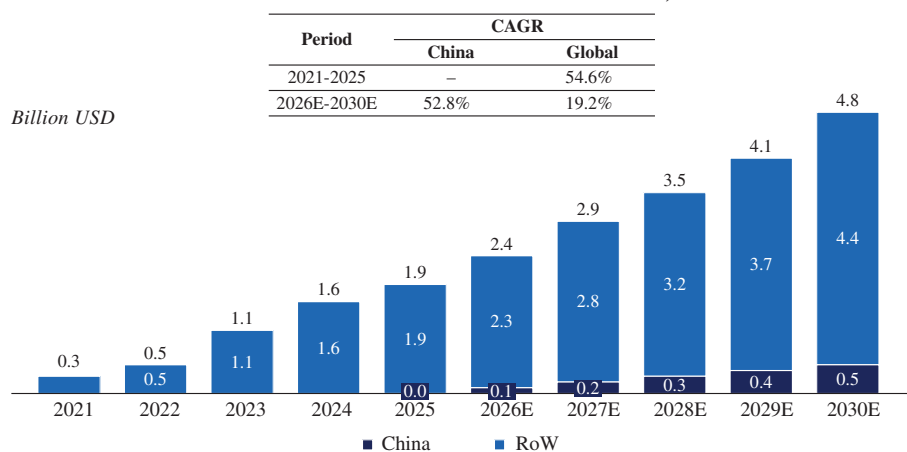
Treatment pathways for cervical cancer are generally determined based on disease stage and patients’ eligibility for surgery. Early-stage disease is managed primarily through radical surgery or definitive chemoradiation for non-surgical patients. For locally advanced disease, concurrent platinum-based chemoradiation (most commonly cisplatin) remains the standard of care, while systemic platinum monotherapy or combination chemotherapy is used for patients with advanced, recurrent, or metastatic cervical cancer. However, outcomes for recurrent or metastatic disease remain poor, as many patients experience limited and non-durable benefit from chemotherapy, and resistance to platinum agents is common. Toxicities from systemic therapy and constraints on re-irradiation further limit retreatment options, underscoring unmet medical needs.

Nectin-4 ADCs offer a potential treatment strategy by enabling targeted delivery of potent cytotoxics to antigen-expressing tumor cells, with the potential to overcome chemoresistance and expand treatment options for advanced or recurrent cervical cancer. SYS6002 is a Nectin-4 ADC being evaluated for the treatment of patients with cervical cancer who have experienced disease progression following prior standard-of-care therapies.

Market Size of Nectin-4 ADCs

The global Nectin-4 ADC market is estimated to reach US\$4.8 billion by 2030. In China, the first Nectin-4 ADC was approved in 2024, and the market size is projected to reach US\$0.5 billion by 2030.

Global and China’s Nectin-4 ADC Market Size, 2021-2030E



Source: Annual Reports of Listed Companies, U.S. FDA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

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Competitive Landscape of Nectin-4 ADCs

As of the Latest Practicable Date, enfortumab vedotin (Padcev) was the only marketed Nectin-4 ADC worldwide, which was approved for the treatment of urothelial cancer and bladder cancer, with details set forth in the table below:

Drug	Indications	Company	First Approval Date	Regulatory Authorities	Guideline Inclusions	Regions	End-User Price in China
Enfortumab vedotin (Padcev)	UC, bladder cancer	Pfizer	2019-12-18	FDA, NMPA, EMA, PMDA, MFDS	NCCN, CSCO	US, EU, China, Japan, South Korea, Canada	RMB7,117/30mg

Source: U.S. FDA, NMPA, Frost & Sullivan Analysis

The table below sets forth the global competitive landscape of Nectin-4 ADC drug candidates in and beyond Phase I/II trials as of the Latest Practicable Date. Nectin-4 ADCs currently under clinical development are primarily being investigated for the treatment of solid tumors, such as cervical cancer, and breast cancer.

Drug Candidate	Company	Indication(s)*	Development Stage	Target(s)	First Posted Date	Clinical Trial Location(s)
SYS6002	The Company	Cervical cancer	Phase III	Nectin-4	2025-11-17	China
SHR-A2102	Hengrui	Cervical cancer, UC	Phase III	Nectin-4	2024-12-17	China
9MW2821	Mabwell	Cervical cancer, UC, TNBC	Phase III	Nectin-4	2023-12-11	China
AK146D1	Akeso Biopharma	Advance BC	Phase II	TROP2/Nectin-4	2026-05-15	China
VBC103	VelaVigo	UC, solid tumors	Phase I/II	TROP2/Nectin-4	2025-09-26	China, U.S.
SKB410	Kelun-Biotech	Bladder cancer, solid tumors	Phase I/II	Nectin-4	2025-02-10	Global**

* Only include those targeted in the most advanced development stage

** For the purpose of this table, a “global” trial is defined as a clinical trial located in at least three different countries

Source: ClinicalTrials.gov, CDE, Frost & Sullivan Analysis

B7-H3 ADCs

Major Indications of B7-H3 ADCs

B7-H3, also known as cluster of differentiation 276, belongs to the B7 family of immune checkpoint proteins. Functionally, B7-H3 exerts dual oncogenic mechanisms: it subverts adaptive immunity by inhibiting T cell-mediated anti-tumor responses while simultaneously driving tumor progression through non-immunological pathways. B7-H3 is overexpressed in multiple solid tumors, including CRC, renal cancer, pancreatic cancer, cervical cancer, and gastric cancer, and its elevated expression is often associated with poor prognosis. Given its dual role in immune regulation and tumor progression, B7-H3 has emerged as a promising therapeutic target for novel ADC therapies.

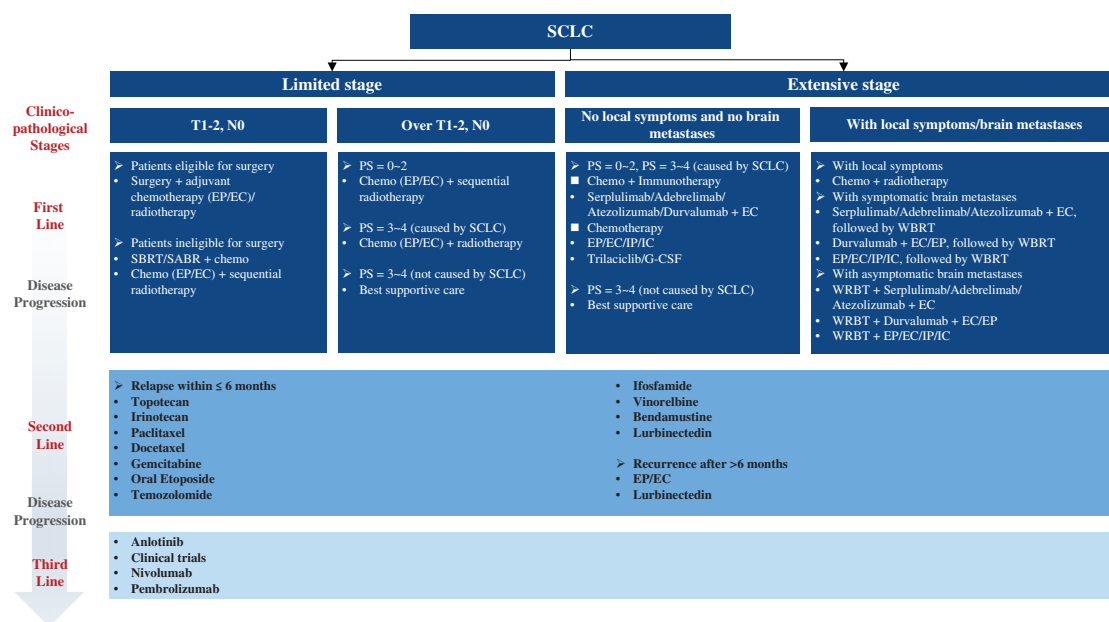
Small Cell Lung Cancer

Small cell lung cancer (“SCLC”) accounts for approximately 15% of all lung cancer cases worldwide. In general, SCLC grows aggressively and is highly metastatic, resulting in a high mortality rate. As SCLC is often asymptomatic in its early stages and progresses quickly, most patients are diagnosed at an advanced stage with distant metastases, known as the extensive stage. The high heterogeneity of SCLC makes developing targeted therapies difficult due to the lack of common, actionable oncogenic drivers. Globally, the incidence of SCLC increased from 361.5 thousand in 2021 to 399.2 thousand in 2025, and is expected to reach 458.0 thousand by 2030. In China, the incidence of SCLC increased from 154.7 thousand in 2021 to 170.5 thousand in 2025, and is expected to increase to 196.3 thousand by 2030.

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The global SCLC drug market grew from US\$3.2 billion in 2021 to US\$5.1 billion in 2025 at a CAGR of 13.2%, and is expected to reach US\$7.9 billion by 2030, at a CAGR of 9.1% from 2026 to 2030. China’s SCLC drug market grew from US\$0.7 billion in 2021 to US\$1.0 billion in 2025 at a CAGR of 6.6%, and is expected to reach US\$2.2 billion by 2030, at a CAGR of 17.2% from 2026 to 2030.

Treatment pathways for SCLC are generally determined based on disease stage. As illustrated in the diagram below, for limited-stage SCLC, concurrent chemoradiotherapy is the standard of care for eligible patients, while for extensive-stage SCLC, platinum-based chemotherapy in combination with immune checkpoint inhibitors has become the first-line standard of care and is recommended for most eligible patients. However, prognosis for patients with extensive-stage SCLC remains poor. Following disease progression, treatment options remain limited, which currently include platinum-based or topotecan-based regimens.



Abbreviations: EC=etoposide + carboplatin; EP=etoposide + cisplatin; IC=irinotecan + carboplatin; IP=irinotecan + cisplatin; SABR=stereotactic ablative radiotherapy; SBRT=stereotactic body radiation therapy; WBRT=whole brain radiotherapy

Source: CSCO 2024, Frost & Sullivan Analysis

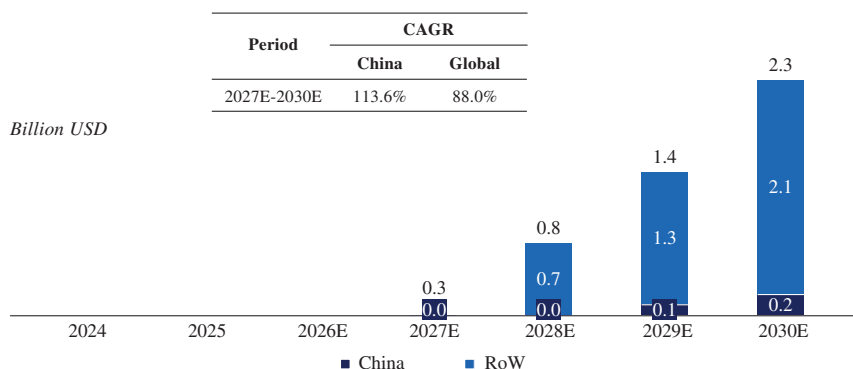
B7-H3 is highly expressed in approximately 65% of all SCLC cases and is associated with disease progression and poor prognosis, making it a promising therapeutic target. SYS6043 is a B7-H3 ADC being evaluated for the treatment of patients with SCLC and other B7-H3 expressing advanced or metastatic solid tumors who have experienced disease progression following prior standard-of-care therapies.

Market Size of B7-H3 ADCs

With the first B7-H3 ADC expected to be approved in 2027, the global B7-H3 ADC market is projected to reach US\$0.3 billion by 2027 and grow to US\$2.3 billion by 2030. In China, the B7-H3 ADC market is projected to reach US\$0.02 billion by 2027 and US\$0.2 billion by 2030.

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Global and China’s B7-H3 ADCs Market Size, 2024-2030E



Source: U.S. FDA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

Competitive Landscape of B7-H3 ADCs

As of the Latest Practicable Date, there were no approved B7-H3 ADCs globally. The table below sets forth the global competitive landscape of B7-H3 ADC drug candidates in Phase I/II trials and beyond as of the Latest Practicable Date. B7-H3 ADCs currently under clinical development primarily target advanced solid tumors, including metastatic castration-resistant prostate cancer, NSCLC, SCLC, ESCC, and NPC.

Drug Candidate	Company	Indication(s)*	Development Stage	Target(s)	First Posted Date	Clinical Trial Location(s)
DS 7300	Daiichi Sankyo	SCLC	BLA	B7-H3	2026-04-13	U.S.
DB-1311	BioNTech SE	mCRPC	Phase III	B7-H3	2026-01-26	U.S.
MHB088C	Minghui	SCLC, ESCC	Phase III	B7-H3	2025-04-10	China
YL201	Medilink	NPC, SCLC, ESCC	Phase III	B7-H3	2024-09-25	China
HS-20093	Hansoh	Osteosarcoma, SCLC, nsq-NSCLC, ESCC	Phase III	B7-H3	2024-07-12	China
SKB500	Kelun-Biotech	SCLC	Phase II	B7-H3	2025-11-28	China
FH-006	Hengrui	NSCLC	Phase II	B7-H3/EGFR	2025-11-03	China
SYS6043	The Company	Solid tumors, SCLC	Phase I/II	B7-H3	2025-10-24	China
RC288	RemeGen	Solid tumors	Phase I/II	B7-H3/PSMA	2026-04-14	China
DB-1419	DualityBio	Solid tumors	Phase I/II	B7-H3/PD-L1	2024-08-15	U.S., Australia, China
IBI129	Innovent	Solid tumors, SCLC, prostate cancer	Phase I/II	B7-H3	2023-08-14	China, Australia
7MW3711	Mabwell	Solid tumors, NSCLC, breast cancer, SCLC, esophageal cancer, prostate cancer, ovarian cancer	Phase I/II	B7-H3	2023-08-10	China

* Only include those targeted in the most advanced development stage

Abbreviations: CRPC=castration-resistant prostate cancer; ESCC=esophageal squamous cell carcinoma; mCRPC=metastatic castration-resistant prostate cancer; NPC=nasopharyngeal carcinoma; NSCLC=non-small cell lung cancer; nsq-NSCLC=non-squamous non-small cell lung cancer; SCLC=small cell lung cancer

Source: ClinicalTrials.gov, CDE, Frost & Sullivan Analysis

mRNA Vaccine Market

Overview

Messenger RNA (“mRNA”) is a single-stranded polynucleotide that transcribes information from DNA to ribosome. Ribosome then translates mRNA into proteins, which can be used for various life activities. The mRNA vaccine is a novel type of vaccine that uses mRNA sequences encoding specific antigens, which enter host cells to express these antigens, thereby providing prevention or treatment.

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mRNA vaccines for infectious diseases encode pathogen antigens, which, once expressed in the body, induce cellular and humoral immunity, stimulating antibodies and immune cells to prevent the pathogen. Current research focuses on COVID-19, influenza, respiratory syncytial virus infection, and HIV, among others.

Market Opportunities and Challenges

Compared with traditional vaccines, mRNA vaccines exhibit not only high efficacy but also higher reactogenicity, with more pronounced transient side effects. Ensuring the efficacy and safety of mRNA therapeutics therefore remains essential for clinical application. With advances in mRNA research and the integration of new technologies such as artificial intelligence, optimized codon engineering and improved delivery systems can enhance immune responses while reducing the required dose. Furthermore, next-generation designs such as self-amplifying mRNA offer the potential to achieve robust immunogenicity at much lower doses, thereby improving clinical effectiveness and reducing adverse reactions.

Challenges to mRNA vaccines include their inherent instability, susceptibility to degradation, and large molecular mass with negative charge, which makes cell entry difficult and requires the use of delivery systems. In addition, mRNA vaccines have only a short history of application and lack long-term safety and efficacy data. Among these, effective delivery methods remain a major challenge for mRNA vaccines. Current delivery approaches include carrier-based delivery, naked mRNA injection, and dendritic cell delivery. Among the carrier-based delivery systems, lipid nanoparticles (“LNPs”) are currently the most widely used tool for *in vivo* mRNA delivery.

Market Drivers

The growth of the mRNA therapy market is expected to be driven by: (i) improved understanding of mRNA design and engineering, including optimization of structural elements to enhance stability and protein expression and sequence modification to reduce innate immunogenicity, supporting mRNA’s emergence as a foundational platform for innovative therapies; (ii) advancements in delivery technologies (including lipid- and polymer-based systems) that protect mRNA from degradation and enable efficient cytoplasmic delivery with acceptable tolerability, accelerating the development of mRNA medicine; (iii) favorable government policies that incentivize innovative drug R&D and accelerate registration, including initiatives under the 14th Five-Year Plan that encourages upgrades in vaccine R&D and manufacturing and strengthen emergency vaccine development capacity; and (iv) regulatory validation, such as emergency use authorizations granted in 2023 in China for our two COVID-19 mRNA vaccines, supporting broader confidence in the platform and further innovations in vaccine development.

COVID-19 mRNA Vaccine Market

As of the Latest Practicable Date, all three mRNA vaccines in China were approved for the prevention of COVID-19. Among them, Duentai and Duentai 2 were developed by us, and Wuo Lan An An (沃藍安安) was developed by Walvax Biotechnology. Following the significant decline in COVID-19 infections in China, together with increased population immunity resulting from prior infections and widespread vaccination campaigns, demand for COVID-19 vaccines has decreased substantially. In addition, public demand for vaccination against COVID-19 has weakened, routine mass vaccination programs have largely ceased, and government procurement of COVID-19 vaccines has been substantially reduced. As a result, the China mRNA vaccine market recorded virtually no sales in 2025.

Looking ahead, sales of COVID-19 mRNA vaccines are highly dependent on the development and progression of the pandemic, which is inherently sudden, uncertain and unfeasible to predict. Whether COVID-19 will experience future large-scale outbreaks, significant viral mutations, the emergence of immune-evasive variants, or renewed global transmission waves remains uncertain. Given the uncertainties surrounding future infection trends and vaccination demand, the future market size and growth prospects of mRNA COVID-19 vaccines remain unfeasible to predict.

INDUSTRY OVERVIEW

VZV Vaccine Market

Overview

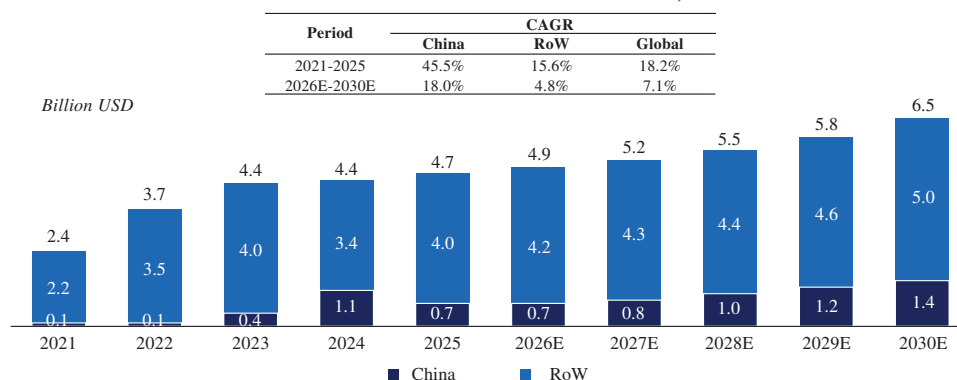
Shingles (herpes zoster) is caused by reactivation of the varicella zoster virus (“VZV”) and is commonly associated with significant morbidity, particularly among immunocompromised individuals. The management of shingles mainly involves antiviral therapy to reduce viral replication, analgesics to control acute pain, and supportive care to manage symptoms. However, these treatments do not prevent the occurrence of shingles or its long-term complications, such as postherpetic neuralgia, highlighting the need for effective preventive strategies, including vaccination.

Vaccination is an effective measure for preventing shingles. The goal of shingles vaccination is to suppress VZV reactivation, thereby preventing shingles, postherpetic neuralgia and other complications. Shingles vaccination also has important public health implications by reducing healthcare costs associated with long-term management of VZV-related complications. As global populations age, the demand for effective VZV vaccines is expected to increase substantially.

Market Size

The global market for VZV vaccines increased from US\$2.4 billion in 2021 to US\$4.7 billion in 2025 at a CAGR of 18.2%, and is expected to reach US\$6.5 billion by 2030, at a CAGR of 7.1% from 2026 to 2030. In China, the market size of VZV vaccines increased from US\$0.1 billion in 2021 to US\$0.7 billion in 2025, at a CAGR of 45.5%, and is expected to reach US\$1.4 billion by 2030, at a CAGR of 18.0% from 2026 to 2030.

Global and China’s VZV Vaccine Market Size, 2021-2030E



Source: Annual Reports of Listed Companies, FDA, NMPA, ClinicalTrial.gov, Literature Review, Expert Interview, Frost & Sullivan Analysis

Competitive Landscape

As of the Latest Practicable Date, there were three marketed prophylactic VZV vaccines globally, whose details are set forth in the table below. None of these is an mRNA vaccine.

Drug Name	Company	Technical Route	First Approval Date	Regulatory Authority(ies)	Region(s)	End-User Price in China
Shingrix	GSK	Recombinant protein	2017-10-20	FDA, EMA, NMPA, PMDA	China, US, Japan, Canada, EU	RMB1,608/0.5ml
SKYZoster	SK Group	Live attenuated	2017-09-01	MFDS, NPRA, Thai FDA	South Korea, Malaysia, Thailand	N.A.
感維	BCHT Biotechnology	Live attenuated	2023-01-29	NMPA	China	RMB1,384/0.5ml

Source: U.S. FDA, Thai FDA, NMPA, European Medicines Agency (“EMA”), Pharmaceuticals and Medical Devices Agency (“PMDA”), Ministry of Food and Drug Safety (“MFDS”), National Pharmaceutical Regulatory Agency (“NPRA”), Frost & Sullivan Analysis

INDUSTRY OVERVIEW

The table below sets forth the global competitive landscape of prophylactic mRNA VZV vaccines under clinical development as of the Latest Practicable Date.

Drug Candidate	Company	Development Stage	First Posted Date	Clinical Trial Location
SYS6017	The Company	Phase II	2026-01-06	China
RH110	Rhegen Bio	Phase II	2025-12-02	China
ABO1108	Abogen Biosciences	Phase II	2025-11-10	China
IN001	Innorna	Phase II	2025-10-03	Undisclosed
Undisclosed	Sinovac	Phase I/II	2025-12-10	China
AFN1213	Afana Biotechnology	Phase I	2025-08-27	China

Source: CDE, ClinicalTrials.gov, Frost & Sullivan Analysis

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant based in the U.S., to conduct an analysis of, and to prepare a report on the major markets for which our existing and in-development pharmaceutical products are positioned. Founded in 1961, Frost & Sullivan provides market research on a variety of industries. The information from Frost & Sullivan disclosed in this document has been extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB870,000, and is disclosed with the consent of Frost & Sullivan. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED].

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the industries we are focused on 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.

REGULATORY OVERVIEW

The following is a summary of the principal laws and regulations that have a significant impact on our business. Investors should note that the following summary is based on the relevant laws and regulations in effect as of the date of this document, which are subject to change.

LAWS AND REGULATIONS ON CAFFEINE PRODUCTION

PRC

Pursuant to the Regulations on the Administration of Narcotic Drugs and Psychotropic Substances (2024 Revision) (《麻醉藥品和精神藥品管理條例(2024修訂)》) promulgated by the State Council on December 6, 2024 and effective from January 20, 2025 (the “**PRC Regulation on Narcotic Drugs and Psychotropic Substances**”), psychotropic substances are classified and controlled under medicinal and non-medicinal categories. Psychotropic substances for medicinal use are further classified into Class I and Class II psychotropic substances. According to the List of Psychotropic Substances for Medical Use (2025 Version) jointly issued and implemented by the NMPA, the Ministry of Public Security and the National Health Commission (the “**NHC**”) on July 21, 2025, caffeine is classified as a Class II psychotropic substance.

Regulatory Approval and License

The caffeine products we offer are primarily for non-medicinal use (e.g., as food additives in functional beverages) and, to a lesser extent, for medicinal use (e.g., as APIs for manufacturing pharmaceuticals). As advised by our PRC Legal Advisor, regulatory authorities have published official guidance confirming that even if caffeine is solely manufactured for non-medicinal use, for example, as a food additive, it should be regulated under medicinal categories and subject to supervision in accordance with relevant pharmaceutical administration regulations. Accordingly, we are required to obtain (i) the pharmaceutical production license; (ii) the approval for pharmaceutical registration or re-registration; (iii) the approval for designated production of narcotic drugs and psychotropic substances; and (iv) the food production license.

Designated Production System

The PRC implements strict national control over narcotic drug medicinal plants, narcotic drugs and psychotropic substances, and also enforces a designated production system for narcotic drugs and psychotropic substances. Designated manufacturers must strictly adhere to the annual production plan for narcotic drugs and psychotropic substances and report production status to the competent regulatory authorities. Specifically, pursuant to the Trial Measures for the Production Administration of Narcotic Drugs and Psychotropic Substances (《麻醉藥品和精神藥品生產管理辦法(試行)》), caffeine manufacturers are required to submit their production plan for the following year to the competent provincial drug regulatory authority by the end of October each year. After review, the relevant provincial-level drug regulatory authority will forward such plans to the NMPA by November 20 each year. Based on industrial supply and demand, the NMPA will then issue the approved annual caffeine production plan by January 20 each year. The NMPA may also adjust production plans semi-annually to respond flexibly to changes in market demand. Where adjustments to the production plan for the current year are required, manufacturers shall file applications with the relevant provincial-level drug regulatory authority by the end of May each year. Such authorities shall complete their review, compile the relevant materials and submit them to the NMPA by June 20 each year. The NMPA will then issue the adjusted annual production plan by July 20 each year. Caffeine manufacturers shall set up dedicated network terminals for information submission to drug regulatory authorities as required and report data on caffeine production, sales and inventory through online systems in a timely manner.

In accordance with the PRC Regulation on Narcotic Drugs and Psychotropic Substances, where a designated production enterprise fails to arrange production in compliance with the annual production plan for narcotic drugs and psychotropic substances, or fails to report its production status to the drug regulatory authority as required, the drug regulatory authority will order it to make rectification within a prescribed time limit, issue a warning, and confiscate any illegal gains and illegally sold drugs. If rectification is not completed within the prescribed period, the enterprise shall be ordered to suspend production and shall be subject to a fine of RMB50,000 to RMB100,000. In serious cases, its designated production qualification may be revoked.

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Our Compliance Status

We are a designated caffeine manufacturer and hold the approval for designated production of narcotic drugs and psychotropic substances (Approval No. 20240006). As advised by our PRC Legal Advisor, there are no explicit provisions under existing PRC laws and regulations that stipulate the validity period for such designated production approval. During the Track Record Period, we submitted our caffeine production plans to the Hebei Provincial Drug Administration on an annual basis. Following review and collation, the provincial authority forwarded our plans to the NMPA, which then conducted a comprehensive approval process taking into consideration industrial supply and demand, corporate production capacity and historical compliance records. During the Track Record Period, we did not experience any difficulty in obtaining the annual notices on production quotas (including supplementary production quotas) for narcotic drugs and psychotropic substances issued by the Hebei Provincial Drug Administration. Our approved production quotas for 2023, 2024 and 2025 were 16,700 tons, 16,700 tons and 14,457 tons, respectively. Our actual caffeine output was in strict compliance and did not exceed the approved maximum production quota in each year.

As the caffeine we produced is regulated under the medical category, we are subject to supervision in accordance with relevant pharmaceutical administration regulations. The pharmaceutical production license we hold (License No. JI20150138), with notations of “Psychotropic Substances” and “Active Pharmaceutical Ingredients” endorsed thereon, has a validity term of five years and will expire on September 1, 2030. In addition, our approval notice for re-registration of chemical active pharmaceutical ingredients (Notice No. 2025R046792) is valid until August 12, 2030.

During the Track Record Period and up to the Latest Practicable Date, we were in strict compliance with applicable PRC laws and regulations governing the production of psychotropic substances. We were not subject to any material administrative penalties, or any administrative sanctions such as warnings, production suspension orders or fines, for violating any applicable PRC laws and regulations governing the production of psychotropic substances.

United States

Under the United States federal regulatory framework, caffeine is not classified, scheduled, or regulated as a narcotic drug, psychotropic substance, or controlled substance. The import, export, manufacture, and distribution of caffeine raw materials are not subject to the Controlled Substances Act (21 U.S.C. §§ 801 et seq.) or the jurisdiction of the U.S. Drug Enforcement Administration. Instead, caffeine is principally regulated by the U.S. FDA under the Federal Food, Drug, and Cosmetic Act as a food ingredient and/or food additive.

FDA Food Additive Regulation and GRAS Status

Caffeine is expressly addressed under Title 21 of the Code of Federal Regulations (“**21 CFR**”). Pursuant to 21 CFR § 182.1180, caffeine is generally recognized as safe (“**GRAS**”) when used in cola-type beverages in accordance with good manufacturing practice, with a tolerance of 0.02 percent. Bulk caffeine ingredients supplied to food and beverage manufacturers, such as beverage bottling facilities, are subject to general FDA regulatory requirements under the U.S. Federal Food, Drug, and Cosmetic Act. These include compliance with Current Good Manufacturing Practices, food facility registration requirements, Foreign Supplier Verification Programs for imports, and general prohibitions against adulteration and misbranding.

Absence of Controlled Substance Restrictions

A review of the controlled substance schedules established under the Controlled Substances Act and implemented via 21 CFR Part 1308 confirms that caffeine is not listed as a Schedule I, II, III, IV, or V controlled substance under U.S. federal law. Consequently, the commercial handling of caffeine does not trigger Drug Enforcement Administration registration requirements, manufacturing or import/export quotas, special psychotropic substance import/export permits, or

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narcotics licensing protocols. While the FDA has issued industry guidance and public health communications regarding the safety risks of pure or highly concentrated caffeine powders, such administrative actions are rooted in consumer product safety and food defense regulations rather than criminal drug enforcement or controlled substance frameworks.

California Proposition 65

Caffeine itself is not currently listed as a chemical known to cause cancer or reproductive toxicity under the California Safe Drinking Water and Toxic Enforcement Act of 1986 (the “**Proposition 65**”). Therefore, pure caffeine ingredients do not directly trigger the warning label requirements of Proposition 65.

Germany

Caffeine is not classified, scheduled, or regulated as a narcotic drug, psychotropic substance, or controlled substance under EU pharmaceutical or drug control law, including the German Ordinance on Prescription-Only Medicines, except as specifically provided for certain medicinal product uses. The import, manufacture, distribution, and use of caffeine raw materials are not subject to EU narcotics or psychotropic substance control regimes. Instead, caffeine is primarily regulated under the general EU food law framework as a food ingredient and/or, depending on its intended use, as a food additive or dietary supplement ingredient. Accordingly, the placing on the market of caffeine for food and beverage applications is governed by EU food safety legislation, in particular Regulation (EC) No 178/2002 (the General Food Law Regulation). Pursuant to Article 14 of Regulation (EC) No 178/2002, food shall not be placed on the market if it is unsafe. Food business operators are responsible for ensuring compliance with applicable food law requirements, including traceability obligations under Article 18 of Regulation (EC) No 178/2002.

Food Additive Regulation and Labelling Requirements

Where caffeine is used as a food additive, its use is additionally governed by Regulation (EC) No 1333/2008 on food additives. This regulation establishes a “positive list” system, meaning that only additives explicitly authorized at EU level may be used in food products and only under specified conditions. Authorization decisions are based on scientific safety evaluations conducted by the European Food Safety Authority, and include requirements relating to purity criteria, permitted food categories, and maximum usage levels. Any new functional use of caffeine as a food additive would require approval through the EU-wide authorization procedure.

Labelling and consumer information requirements are set out in Regulation (EU) No 1169/2011 on food information to consumers. For caffeine-containing products, specific disclosure obligations apply. In particular, the caffeine content must be declared on the label for certain beverages, and where applicable, products must carry a warning indicating that they are not recommended for children, pregnant or breastfeeding women. These provisions aim to ensure transparency and enable consumers to make informed dietary choices.

German Regulatory Framework and Import Requirements

At the national level, Germany implements and enforces EU food law through the German Food and Feed Code (Lebensmittel- und Futtermittelgesetzbuch, LFGB) and the German Coffee Ordinance (KaffeeVO) dated November 15, 2001 or, in the case of energy drinks, under the German Fruit Juice and Soft Drinks Ordinance (Fruchtsaft- und Erfrischungsgetränkeverordnung – FrSaftErfrischGetrV) dated May 24, 2004. Enforcement is carried out by the competent authorities of the federal states, which supervise compliance with EU-wide rules on food safety, additive use, and labelling requirements. German authorities also conduct inspections of imported food products to ensure conformity with applicable EU standards.

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Importation of caffeine raw materials into the EU is generally subject to standard customs procedures and food law compliance requirements. Importers are responsible for ensuring that products comply with all applicable safety, purity, and regulatory requirements prior to being placed on the EU market, in particular pursuant to Section 5(1) of the German Food and Feed Code (LFGB) and Article 14(1) and (2) of Regulation (EC) No 178/2002.

PRC LAWS AND REGULATIONS ON PHARMACEUTICAL PRODUCTS

Application for New Drug Registration

Under the Measures for the Administration of Drug Registration (2020) (《藥品註冊管理辦法》), promulgated by the State Administration for Market Regulation (the “SAMR”) on January 22, 2020 and effective July 1, 2020, these measures apply to drug development, registration, supervision, and management activities carried out in the PRC for drug marketing purposes. Drug registration under these measures refers to activities in which a drug registration applicant files an application and other supplementary applications for drug clinical trials, marketing approval, and re-registration, among others, pursuant to the prescribed legal procedures and relevant requirements, and in which the medical products administrative department examines the safety, effectiveness and quality controllability of the drug based on applicable laws and regulations and existing scientific knowledge, to decide whether to approve the activities applied for. A drug registration certificate is valid for five years. During the validity period, the certificate holder must continue to ensure the safety, effectiveness, and quality controllability of the marketed drug, and must apply for re-registration six months prior to the expiry of the validity period.

Non-clinical Research

The non-clinical safety assessment of drugs for marketing approval shall be conducted in accordance with the Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) (the “GLP”), promulgated by the State Food and Drug Administration (the “CFDA”) in August 2003, last amended in July 2017 and effective September 1, 2017. The Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), promulgated by the CFDA in April 2007, further specify the requirements for institutions applying for GLP certification. On January 19, 2023, the NMPA amended these administrative measures, effective July 1, 2023.

Application for Clinical Trial

After completing preclinical studies, an applicant must obtain the NMPA’s approval for clinical trials before conducting new drug clinical trials. Under the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “Drug Administration Law”), the new drug R&D dossier, including the manufacturing method, quality specifications, pharmacological and toxicological test results, and relevant data, files and samples, must be truthfully submitted to the drug regulatory authority under the State Council for approval prior to conducting a drug clinical trial, in accordance with that authority’s regulations.

Under the Decision on Adjusting the Approval Procedures for Certain Drug Administrative Approval Matters (《關於調整部分藥品行政審批事項審批程序的決定》), promulgated by the NMPA on March 17, 2017 and effective May 1, 2017, drug clinical trial approval decisions that were previously made by the NMPA have been adjusted so that they are now made by the Center for Drug Evaluation (the “CDE”) in the name of the NMPA. Under the Announcement on Several Policies for Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), issued by the NMPA on November 11, 2015, clinical trial applications for new drugs are subject to a one-time approval process, replacing the former method of phased reporting, review and approval. The Opinions on Deepening the Reform of Review and Approval System to Encourage Innovation in Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), promulgated and implemented by the General Office of the Central Committee of the Communist

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Party of China and the General Office of the State Council on October 8, 2017, further proposed to optimize the approval procedures for drug clinical trials. The Announcement on Adjusting the Review and Approval Procedures for Drug Clinical Trials (《關於調整藥物臨床試驗審評審批程序的公告》), issued by the NMPA on July 24, 2018, stipulates that if the CDE does not issue any negative or questioning opinions within 60 working days from the date of acceptance and payment, the applicant may proceed with the clinical trial.

Conduct of Clinical Trial

Categories of Clinical Trials. Under the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), clinical trials are divided into Phase I, Phase II, Phase III, Phase IV, and bioequivalence trials. Depending on the characteristics of the drug and the research purpose, the research contents shall include clinical pharmacological research, exploratory clinical trials, confirmatory clinical trials, and post-marketing research.

Clinical Trial Institutions. Under 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 effective December 1, 2019, entities engaged in drug development activities and clinical trials of drugs approved by the NMPA within the PRC (including bioequivalence tests conducted after filing) shall conduct such trials in drug clinical trial institutions. Drug clinical trial institutions are subject to filing-based administration.

Ethics Committee. Under the Measures for the Administration of Drug Registration, a drug clinical trial to be carried out shall be examined and approved by the ethics committee. The management of drugs used in a drug clinical trial shall comply with the relevant requirements of good clinical practice. A sponsor approved to carry out a drug clinical trial shall, before carrying out subsequent phases of the drug clinical trial, develop a corresponding plan for drug clinical trials, obtain examination and consent from the ethics committee before proceeding, and submit the corresponding plan for the drug clinical trial and supporting materials on the website of the CDE.

GCP. Clinical trials required for new drug applications shall be conducted and implemented in accordance with the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), promulgated by the NMPA and NHC and effective July 1, 2020. The Good Clinical Practice for Drug Trials stipulates the criteria for the entire clinical trial procedure, including preclinical trial preparation and necessary conditions, protection of subjects' rights and interests, trial protocols, duties of researchers, duties of sponsors, duties of monitors, trial records and reports, data management and statistical analysis, administration of drugs used in trials, quality assurance, and multicenter trials, with reference to internationally recognized principles.

Communications with the CDE. Under the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), applicants may communicate with the CDE on major issues at critical stages, such as before applying for a clinical trial, during the drug clinical trial process, and before applying for drug marketing authorization. Under the Measures for the Administration of Communication and Exchange in Drug Development and Technology Review (《藥物研發與技術審評溝通交流管理辦法》) promulgated by the CDE on December 10, 2020, an applicant may propose to convene a communication meeting with the CDE during the drug R&D and registration application process. There are three types of communication and exchange meetings: Type I meetings are held to resolve major safety issues encountered during clinical trials and major technical issues encountered during the R&D of breakthrough therapeutic drugs; Type II meetings are held for drugs at critical stages of R&D, which mainly include pre-application meetings for new drugs, meetings held after the conclusion of Phase II clinical trials and before the commencement of Phase III clinical trials, meetings held before application for marketing authorization of new drugs, and meetings for the risk assessment and evaluation of new drugs; and Type III meetings refer to meetings other than Type I and Type II meetings. Under the Announcement of the National Medical Products Administration 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》), if a new

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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 key technical issues, including the Phase III clinical trial design. The applicant may also apply for communication on key technical issues at different stages of clinical R&D.

New Drug Application

Under the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), upon completing pharmaceutical research, pharmacological and toxicological research, drug clinical trials, and other research supporting the marketing registration of a drug, determining the quality standards, completing the verification of commercial large-scale production processes, and making adequate preparations for drug registration inspection and examination, an applicant shall file an application for drug marketing authorization and submit the relevant research materials in accordance with the applicable requirements. Upon formal examination of the application materials, an application that satisfies the requirements shall be accepted. If an applicant determines that it is unnecessary or impossible to conduct drug clinical trials for a generic drug, an *in vitro* diagnostic reagent managed as a drug, or other eligible circumstances, and the conditions for exemption from drug clinical trials are met, the applicant may directly file an application for drug marketing authorization. The technical guiding principles and relevant specific requirements for exemption from drug clinical trials shall be formulated and announced by the CDE.

The CDE shall organize pharmaceutical, medical and other technical personnel to evaluate accepted applications for drug marketing authorization as required. Where the comprehensive evaluation is favorable, the drug shall be approved for marketing and a drug registration certificate shall be issued. Where the comprehensive evaluation is unfavorable, a decision of disapproval shall be made. A drug registration certificate shall specify the drug approval number, holder, manufacturer, and other relevant information. The NMPA has established an associated review and approval system for chemical APIs, excipients, and packaging materials and containers that come into direct contact with drugs. When approving drug formulations, the NMPA conducts concurrent review and approval of chemical APIs, excipients, and such packaging materials and containers.

After an application for drug registration is accepted, the CDE shall conduct a preliminary examination within forty (40) business days of acceptance. If a production site inspection for drug registration is required, the CDE will notify the Center for Food and Drug Inspection of NMPA (the “**Center for Inspection**”) to organize such inspection and provide the relevant materials required therefor, while concurrently notifying the applicant and the provincial medical product administrative authority in the applicant’s or production enterprise’s location. In principle, the Center for Inspection shall complete the inspection work forty (40) business days prior to the expiry of the prescribed time limit and report the inspection information, inspection results, and other relevant materials to the CDE. Drug registration examination shall include both standard review and sample examination. Standard review refers to the laboratory assessment of the scientific basis of the items set in the quality standards for the drug applied for, the feasibility of the test methods, and the reasonableness of quality control indicators, among others. Sample examination refers to the laboratory examination carried out on samples in accordance with the applicant’s application or the drug quality standards verified by the CDE.

The CDE shall determine whether to carry out on-site inspection of drug registration development on a risk basis, having regard to the degree of drug innovation and the prior inspection history of the relevant drug research institutions. For innovative drugs, modified new drugs, and biological products, production site inspection for drug registration and pre-marketing examination of drug production quality management standards shall be conducted. For generic drugs, production site inspection for drug registration and pre-marketing examination of drug production quality management standards shall be conducted on a risk basis, having regard to whether a drug production license for the corresponding production scope has been obtained and whether a product of the same dosage form has been marketed.

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The review period for an application for drug marketing authorization shall be two hundred (200) business days. Within this period, the review period under the prioritized review and approval procedures shall be one hundred and thirty (130) business days, and the review period under the prioritized review and approval procedures for clinically urgent overseas-marketed drugs for rare diseases shall be seventy (70) business days. The following periods shall be excluded from the relevant review period: (i) time taken for the applicant to provide supplementary materials, to make corrections upon examination, and to verify manufacturing processes, quality standards, and literature in accordance with the applicable requirements; (ii) delays in examination or inspection attributable to the applicant, and time taken for organizing expert advisory meetings; (iii) any period of suspension of review and approval procedures pursuant to applicable laws and regulations; and (iv) time taken for overseas examination when such examination is initiated.

Administrative Protection and Monitoring Periods for New Drugs

Under the Implementing Rules for PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》), issued on January 16, 2026, and the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》), issued on March 4, 2016, the NMPA may, for the purpose of protecting public health, impose an administrative monitoring period of five years for new Category 1 drugs approved for manufacture, commencing from the date of approval, to continuously monitor the safety of such new drugs. During the monitoring period of a new drug, the NMPA shall not approve any other enterprise’s application to manufacture or import that drug.

Marketing Authorization Holder System

Under the Drug Administration Law and the Administrative Measures for Drug Registration, China has implemented the drug marketing authorization holder system for drug management. Upon obtaining a drug registration certificate, an applicant will become the drug marketing authorization holder. During the validity period, the holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug and shall apply for re-registration of the drug six months prior to the expiry of the validity period.

The drug marketing authorization holder shall proactively carry out post-marketing research on drugs, further confirm the safety, effectiveness, and quality controllability of the drugs, and strengthen the ongoing management of marketed drugs. If a drug registration certificate and its annex require the holder to carry out relevant research work after the drug is marketed, the holder shall complete such research within the prescribed time limit and file a supplementary application, complete recordation formalities or report as required. After a drug is approved for marketing, the holder shall continue to conduct research on drug safety and effectiveness, complete recordation formalities in a timely manner or file a supplementary application for revising the instructions based on the relevant data, and continuously update and improve the instructions and labels. The medical products administrative department may require the holder to revise the instructions and labels based on the monitoring of adverse drug reactions and the post-marketing re-evaluation results of the drug.

The marketing authorization holder shall apply for re-registration six months prior to the expiry of the validity period of the drug registration certificate. An application for re-registration of a domestically produced drug shall be filed by the marketing authorization holder with the medical products administrative department of the relevant province, autonomous region, or municipality directly under the PRC Government, whereas an application for re-registration of a drug produced overseas shall be filed by the marketing authorization holder with the CDE.

Collection of Human Genetic Resources

The Interim Measures for the Management of Human Genetic Resources (《人類遺傳資源管理暫行辦法》) set out rules for the protection and use of human genetic resources in China. Under the Service Guide for Administrative Licensing of Gathering, Collection, Deal, Export and Exit Approval of Human Genetic Resources (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》), promulgated by the Ministry of Science and Technology (the “MOST”) in July 2015, and the Notice on the Implementation of the Administrative License for the Gathering,

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Collection, Deal, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境審批行政許可的通知》), promulgated by the MOST in August 2015, foreign investment sponsors who gather and collect human genetic resources through clinical trials shall file a record with the China Human Genetic Resources Management Office through an online system. The Notice on Optimizing the Administrative Examination and Approval Process of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》), promulgated by the MOST in October 2017 and effective December 2017, simplifies the approval process for the gathering and collection of human genetic resources for the listing of drugs in the PRC. The Notice on Updating the Scope and Procedures for Administrative Licensing, Filing, and Prior Reporting of Human Genetic Resource Services Guidelines (《關於更新人類遺傳資源行政許可事項服務指南、備案以及事先報告範圍和程序的通知》), promulgated by the MOST on July 14, 2023 and effective on the same date, further refines the approval process for the gathering and collection of human genetic resources for drug listing in the PRC.

Under the Regulations on the Management of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》), promulgated by the State Council in May 2019, amended in March 2024 and effective May 1, 2024, China supports the rational use of human genetic resources for scientific research, development of the biomedical industry, improvement of diagnosis and treatment technology, enhancement of biosafety assurance capabilities, and improvement of public health. Foreign organizations, individuals, and institutions established or actually controlled by them shall not gather or preserve Chinese genetic resources within the territory of the PRC, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall (i) conform to ethical principles and undergo ethical review in accordance with relevant regulations; (ii) respect the privacy of human genetic resource providers, obtain their prior consent, and protect their lawful rights and interests; and (iii) comply with technical specifications promulgated by the healthcare department of the State Council.

On October 17, 2020, the Standing Committee of the National People's Congress (the “SCNPC”) promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), last amended and effective on April 26, 2024. The Biosecurity Law establishes a comprehensive legislative framework for existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biotechnology; biosecurity management of pathogenic microorganism laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defense against threats of biological weapons. Under the Biosecurity Law, R&D activities involving high-risk and medium-risk biotechnology shall be carried out by a legal person organization established within the territory of China, upon obtaining approval or completing record-filing, and the establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements. In addition, (i) collecting human genetic resources of important genetic families or specific areas in China, or collecting human genetic resources of types and quantities that are subject to provisions of the competent healthcare department under the State Council, (ii) preserving China's human genetic resources, (iii) using China's human genetic resources for international scientific research cooperation, or (iv) transporting, mailing, and carrying China's human genetic resource materials out of the country shall be subject to approval of the competent healthcare department.

Drug Manufacturing Permit

Under the Drug Administration Law, promulgated by the SCNPC in September 1984, last amended in August 2019 and effective December 2019, China adopts an industry entry permit system for drug manufacturers. Drug manufacturing activities shall be subject to approval by, and a Drug Manufacturing License (《藥品生產許可證》) shall be granted by, the drug regulatory authority at provincial, autonomous regional, or municipal level. The Drug Manufacturing License shall indicate the validity period and the scope of production, and shall be subject to review for renewal upon expiration.

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Good Manufacturing Practices

When engaging in drug manufacturing activities, a manufacturer shall comply with GMP requirements and establish a sound GMP management system to ensure that the entire process of drug manufacturing meets the statutory requirements and the GMP requirements enacted by the drug regulatory authority under the State Council. The legal representative and principal person in charge of a drug manufacturer are fully responsible for the drug manufacturing activities of the enterprise.

The Good Manufacturing Practices (《藥品生產質量管理規範》), promulgated by the Ministry of Health of the PRC (now known as the NHC) in March 1988, last amended in January 2011 and effective March 1, 2011, provides guidance on quality management, organization and staffing, production premises and facilities, equipment, materials and products, recognition and inspection, documentation maintenance, manufacturing management, quality control and quality assurance, contractual manufacturing and contractual inspection for products, product delivery, and recalls of a manufacturer in a systematic manner.

Drug Price

Under the Drug Administration Law, for drugs with market-regulated prices in accordance with the law, the drug marketing authorization holder, the drug manufacturer, the drug distributor and medical institutions shall determine the price pursuant to the principles of fairness, reasonableness, integrity and trustworthiness as well as quality for value in order to supply drug users with reasonably priced drugs, and shall comply with the requirements relating to drug price administration promulgated by the State Council’s pricing authorities, and determine and clearly mark the retail prices of drugs. The Notice on Issuing Opinions on Promoting Drug Price Reform (《關於印發〈推進藥品價格改革意見〉的通知》) was jointly promulgated by the National Development and Reform Commission (the “NDRC”), the NHC, the Ministry of Human Resources and Social Security, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce (the “MOFCOM”) and the CFDA on May 4, 2015 and effective June 1, 2015. Under this official notice, except for narcotic drugs and first-class psychotropic drugs, the prices of drugs previously set by the government have been canceled.

National Reimbursement Drug List

Participants in the National Health Insurance Scheme and their employers (if any) are required to pay a monthly premium. Participants may be reimbursed for all or part of the cost of medicines included in the medical insurance catalog. The Notice on Provisional Measures for the Administration of the Scope of Medicines in the Basic Medical Insurance for Urban Workers (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) (the “**Medical Insurance Notice**”), jointly issued by the Ministry of Labor and Social Security of the PRC, the NDRC and other governmental organizations on May 12, 1999, stipulates that the medicines included in the medical insurance catalog must be clinically necessary, safe and effective, reasonably priced, convenient to use, and have a guaranteed market supply.

The National Healthcare Security Administration (the “NHSA”) and other governmental organizations have the authority to determine the drugs to be included in the national reimbursement drug list (the “NRDL”). On July 30, 2020, the NHSA issued the Provisional Measures for the Administration of Medicines for Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》) (the “**Measures for the Administration of the NRDL**”), effective September 1, 2020. The Measures for the Administration of the NRDL provide guidance on the inclusion and adjustment of the NRDL and the payment, management and supervision of basic medical insurance. Under the Measures for the Administration of the NRDL, a dynamic adjustment mechanism shall be established for the NRDL, which shall be adjusted annually in principle.

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Drugs listed in the NRDL are divided into two classes: Class A and Class B. Class A drugs are those widely used for clinical treatment, with favorable efficacy and lower prices than their counterparts, while Class B drugs are used for clinical treatment, with favorable efficacy and slightly higher prices than Class A drugs. On November 28, 2024, the NHSA and the Ministry of Human Resources and Social Security of the PRC released the latest NRDL, effective from January 1, 2025, which expanded the list to cover a total of 3,159 drugs. Inclusion in the NRDL generally results in increased sales volume and reduced drug prices (which are determined on a case-by-case basis and negotiated based on factors such as the initial drug price).

Drug Purchases by Hospitals

Under the Guiding Opinions Concerning the Urban Medical and Health System Reform (《關於城鎮醫藥衛生體制改革的指導意見》), promulgated and effective February 16, 2000, and the Opinions on the Implementation of Classification Management of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), promulgated on July 18, 2000 and effective September 1, 2000, a medical institution must be defined as either a for-profit or not-for-profit institution at the time of its establishment. A not-for-profit medical institution refers to a medical institution established for public welfare services, which uses its income to maintain and develop the institution, while a for-profit medical institution is established by investors for the purpose of obtaining a return on investment. The PRC government has not established any for-profit medical institutions, while non-government entities may establish for-profit medical institutions. Under PRC law, a not-for-profit medical institution must use a centralized tender system to purchase any pharmaceutical products, while a for-profit medical institution is not required to use such a system.

Under the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》), promulgated and effective July 7, 2000, the Notice on the Further Standardizing of the Centralized Tender with respect to Drug Purchases by Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》), promulgated and effective August 8, 2001, and the Opinions concerning Further Regulating Drug Purchases by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》), promulgated and effective January 17, 2009, any not-for-profit medical institutions established and/or controlled by any government at the county level or above must use a centralized tender system for the procurement of drugs which are listed in the Catalog of Drugs for National Basic Medical Insurance (《國家基本醫療保險藥品目錄》) and that are generally for clinical use and purchased in bulk.

The Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》), promulgated and effective July 7, 2010, provides detailed provisions on the procurement catalog, procurement methods, procedures, and the evaluation methods for centralized procurement of drugs, as well as the establishment and management of expert pools, and further regulates the centralized procurement of drugs and clarifies the code of conduct of all parties involved in centralized drug procurement. Under the Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》), not-for-profit medical institutions established by the government at the county level or above or by state-owned enterprises (including state-controlled enterprises) are required to participate in the centralized procurement of drugs for medical institutions. The centralized procurement management authority at the provincial (or district or municipal) level is responsible for compiling the catalog of drugs for centralized procurement by medical institutions within its own administrative region. Narcotic drugs and Class I psychoactive drugs under special management by the state are excluded from such catalog; Class II psychoactive drugs, radioactive pharmaceuticals, toxicity drugs for medical use, crude drugs, traditional Chinese medicinal materials and traditional Chinese medicine decoction pieces may also be excluded.

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Under the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》), promulgated and effective February 9, 2015, the centralized procurement work of public hospitals shall be improved through classification-based drug purchasing. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) shall be procured through a provincial centralized pharmaceutical procurement platform. The provincial drug procurement agency shall prepare a summary of procurement plans and budgets submitted by hospitals and reasonably compile a drug procurement catalog of the hospitals within its own administrative region, listing by classification the drugs to be procured through bids, negotiations, direct hospitals purchases or appointed pharmaceutical manufacturers.

Volume-Based Procurement

On January 22, 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of the Centralized Volume-Based Procurement of Drugs (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), stating that various measures shall be taken to promote the normalization and institutionalization of the centralized volume-based procurement of drugs nationwide. All public medical institutions are required to participate in the centralized drug procurement program. The future procurement catalog shall include drugs with high market demand or high procurement prices that are included in the NRDL, and is expected to cover, as far as possible, domestically marketed drugs with clinical utility and reliable quality.

On November 18, 2024, the NHSA and the NHC issued the Notice on Improving the Working Mechanism of Centralized Volume-Based Procurement and Implementation of Pharmaceuticals (《關於完善醫藥集中帶量採購和執行工作機制的通知》), proposing the following measures to promote medical institutions and pharmaceutical enterprises to follow and support the centralized volume-based procurement mechanism: (i) ensuring that the selected drugs and consumables are admitted to hospitals; (ii) improving the management level of the use of selected drugs and consumables; (iii) implementing the policy of retaining surplus from centralized procurement; and (iv) exploring synergistic linkage of medical service prices, among others.

The Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2022-1) (《全國藥品集中採購文件(GY-YD2022-1)》) on June 20, 2022, the Documents on National Centralized Drug Procurement (GY-YD2023-1) (《全國藥品集中採購文件(GY-YD2023-1)》) on March 2, 2023, the Documents on National Centralized Drug Procurement (GY-YD2023-2) (《全國藥品集中採購文件(GY-YD2023-2)》) on October 13, 2023, the Documents on National Centralized Drug Procurement (GY-YD2024-1) (《全國藥品集中採購文件(GY-YD2024-1)》) on March 29, 2024, and the Documents on National Centralized Drug Procurement (GY-YD2024-2) (《全國藥品集中採購文件(GY-YD2024-2)》) on November 22, 2024, to launch the sixth (insulin specialization), seventh, eighth, ninth, and tenth batches of centralized drug procurement.

Drug Distribution

In accordance with the Drug Administration Law, the marketing authorization holder (the “MAH”) of a drug may either sell the drugs for which it has obtained a drug registration certificate itself, or it may entrust a drug marketing enterprise to sell them. If the MAH engages in drug retail activities, it is required to obtain a drug marketing license. If the MAH sells drugs by itself, it shall meet the following conditions: (i) it has qualified pharmacists or other pharmaceutical technicians, (ii) it has business premises, equipment, storage facilities, and a sanitary environment that are appropriate for the drugs it handles, (iii) it has a quality management organization or personnel that are appropriate for the drugs it handles, and (iv) it has rules and regulations to ensure the quality of drugs and compliance with the drug marketing quality management standards formulated by the State Council’s drug regulatory authority in accordance with this law.

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A drug manufacturing enterprise may sell the drugs it produces directly without obtaining a Drug Marketing License or Good Storage Practice Certification. However, if a drug manufacturing enterprise handles drugs that are not produced by itself, it is required to obtain a Drug Marketing License and Good Storage Practice Certification.

Drug Recall

Under the Administrative Measures for Drug Recall (《藥品召回管理辦法》), promulgated on December 10, 2007, last amended in October 2022 and effective November 1, 2022, “Drug Recall” refers to the activity whereby a MAH recalls, in accordance with the prescribed procedures, any drugs that have been launched on the market but have quality problems or other potential safety hazards, and takes relevant measures to promptly control risks and eliminate potential hazards. The MAH shall establish and improve a drug recall system, collect relevant information on drug quality and safety, investigate and evaluate possible quality problems or other potential safety hazards, and recall in a timely manner any drugs with quality problems or other potential safety hazards. The MAH shall formulate a drug recall information disclosure system and voluntarily announce drug recall information pursuant to the law. Drug manufacturing enterprises, drug trading enterprises and drug users shall actively assist the MAH in the investigation and evaluation of drugs which may have quality problems or other potential safety hazards, and voluntarily cooperate with the MAH in performing recalls. Where a drug manufacturer, distributor or user discovers that a drug it manufactured, sold or used may have quality defects or other potential safety hazards, it shall notify the MAH promptly, and where necessary, suspend manufacturing, release, sale and use of the drug, and report the matter to the government of the province, autonomous region or municipality directly under the Central Government where it is located. Information in such notices and reports shall be truthful. MAHs, drug manufacturers, drug trading enterprises and drug users shall, in accordance with relevant provisions, establish and implement a drug traceability system and keep complete purchase and sales records to ensure the traceability of drugs launched on the market.

Two-Invoice System

Under the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement by Public Medical Institutions (For Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)》), issued on December 26, 2016, the Two-Invoice System is a system under which invoices are issued by drug manufacturers to drug distributors on a once-off basis while invoices are issued by drug distributors to medical institutions on a once-off basis. Wholly-owned or holding commercial companies (there shall be only one commercial company throughout the country) and domestic general agents of overseas drugs (there shall be only one domestic general agent throughout the country) that are established by drug manufacturers or group enterprises integrating scientific research, manufacturing, and trade to sell the drugs of such enterprise (groups) may be regarded as manufacturers. Within an enterprise that is a drug circulation group, the allocation of drugs between the group and its wholly-owned (holding) subsidiaries or between wholly-owned (holding) subsidiaries shall not be regarded as invoicing, but such allocation is allowed at most one invoice.

Under the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》), issued on January 24, 2017, on a priority basis, the Two-Invoice System shall be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) and pilot cities for public hospital reform, with the goal of implementing it nationwide by 2018. Pharmaceutical companies must comply with the Two-Invoice System in order to engage in procurement processes with public hospitals.

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Advertising of Pharmaceutical Products

Under the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), promulgated by the SAMR in December 2019 and effective March 1, 2020, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and lawful, and shall not contain any false or misleading content. Holders of registration certificates or filing certificates of drugs, medical devices, health food and formula food for special medical purposes as well as the manufacturing enterprises and operating enterprises authorized by such holders, shall be applicants for advertising.

The advertisement review authorities shall review the materials submitted by the applicant and shall complete the review within ten (10) business days from the date of acceptance. After review, for advertisements that are in compliance with laws, administrative regulations and measures, approval decisions for review shall be made and advertisement approval numbers shall be issued. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest validity period of the product registration certificate, filing certificate or production license. If no validity period is prescribed in the product registration certificate, filing certificate or production license, the validity period of the advertisement approval number shall be two (2) years.

Drug Labeling and Packaging

Under the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》), promulgated by the State Food and Drug Administration and effective June 1, 2006, the insert sheets and labels of drugs shall be reviewed and approved by the State Food and Drug Administration. A drug insert sheet shall include the important scientific data, conclusions and information concerning drug safety and efficacy in order to guide the safe and rational use of drugs. The inner label of a drug shall bear such information as the drug's name, indication or function, strength, dosage and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug shall indicate such information as the drug's name, ingredients, description, indication or function, strength, dosage and usage, adverse reactions, contraindications, precautions, storage, production date, batch number, expiry date, approval number and drug manufacturer. Under the Measures for the Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》), effective September 1, 1988, pharmaceutical packaging must comply with national and professional standards. If no national or professional standards are available, the enterprise may formulate its own standards and implement them after obtaining the approval of the food and drug administration and bureau of standards at the provincial level.

PRC LAWS AND REGULATIONS ON HEALTH SUPPLEMENTS

General Regulations on Food Safety and Licensing Requirements

Under the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), promulgated by the SCNPC on February 28, 2009 and last amended on September 12, 2025, and the Regulation on the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), promulgated by the State Council on July 20, 2009 and last amended on October 11, 2019, China adopts a licensing system for food production and trading, and an enterprise engaging in the production, sale of food, or catering services shall lawfully obtain a license, unless otherwise stipulated.

Food Production. Under the Administrative Measures for Food Production Licensing (《食品生產許可管理辦法》), promulgated on January 2, 2020 by the SAMR and effective March 1, 2020, a food production license shall be lawfully obtained to engage in food production activities within the territory of the PRC. For the production of health supplement products and infant formula foods: (i) applications for food production licenses shall be filed according to the food categories of health supplement products and infant formula foods; (ii) the food production license shall specify the

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product registration document number or the product record-filing registration number; and (iii) for the production of health supplement products on an entrusted basis, the name, place of business and other related information of the enterprise that entrusts the production shall also be specified. Food producers who have engaged in food production activities without a food production license shall be punished by the local market regulatory authority at or above the county level under Article 122 of the Food Safety Law.

Food Trading. In accordance with the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》), promulgated by the SAMR on June 15, 2023 and effective December 1, 2023, a food operation license shall be obtained to engage in food sales and catering services in the PRC. However, no license is required for those who engage in the sale of edible agricultural products or only sell pre-packaged food products. Food operators that sell only pre-packaged food are required to report to the food safety regulatory department of the local government at or above the county level for recordation.

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

Regulations on Health Supplement Products

Pursuant to the Food Safety Law, China implements strict supervision and administration over health supplements. Health supplement products with claimed health functions must have a scientific basis and must not cause acute, sub-acute or chronic harm to human health.

The List of Raw Materials for Health Supplement Products (《保健食品原料目錄》) and the Health Function Directory Alleged by Health Supplement Products as Allowed (《允許保健食品聲稱的保健功能目錄》), promulgated on December 27, 2016, must be formulated, adjusted and published by the SAMR, in conjunction with the Health Administrative Department under the State Council and the State Administrative Department of Traditional Chinese Medicine.

The raw materials included in the List of Raw Materials for Health Supplement Products may only be used in the production of health supplement products and not in other food products. On August 2, 2019, the Administrative Measures for the List of Raw Materials and the List of Healthcare Functions for Health Supplement Products (《保健食品原料目錄與保健功能目錄管理辦法》) was promulgated by the State Administration for Market Regulation and effective October 1, 2019. Under these measures, the State Administration for Market Regulation, in conjunction with the NHC and the National Administration of Traditional Chinese Medicine, is responsible for formulating, adjusting and releasing the List of Raw Materials for Health Supplement Products and the Health Function Directory Alleged by Health Supplement Products as Allowed. The formulation, adjustment and release of the aforementioned List and Directory must be guided by the objectives of safeguarding food safety and promoting public health, and must follow the principles of legality, scientificity, openness and impartiality.

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Pursuant to the Administrative Measures for the Registration and Record-Filings of Health Supplement Products (《保健食品註冊與備案管理辦法》), promulgated by the CFDA on February 26, 2016, amended by the SAMR on October 23, 2020 and effective on the same date, health supplement products that are made from raw materials not included in the List of Raw Materials for Health Supplement Products, or that are imported for the first time (excluding nutrients such as supplemental vitamins and minerals), must be registered with the SAMR. However, for health supplement products that are made from raw materials included in the List of Raw Materials for Health Supplement Products, or that are imported for the first time and are categorized as nutrients such as supplemental vitamins and minerals, such products must be submitted to the SAMR for record-filing. Other health supplement products must be submitted to the Market Regulation Administration of the people’s governments at provincial levels for record-filing. Violations of the registration and record-filing requirements governed by the Food Safety Law and other laws and regulations shall be subject to such laws and regulations.

According to the Measures on the Administration of Health Supplement Products (《保健食品管理辦法》) (the “**Health Supplement Products Law**”), which was promulgated by the Ministry of Health (the “**MOH**”) on March 15, 1996 and became effective on June 1, 1996, the term “health supplement” refers to food with specific healthcare functions, that is, food that is suitable for specific groups due to its body-regulating functions and is not intended for the purpose of disease treatment. The health authorities under the State Council apply an approval system for health supplement products and the product manuals. The MOH shall issue the Certificate of Approval for Health Supplement Products (《保健食品批准證書》) with the approval number for qualified and approved health supplement products.

Under the Administrative Measures for the Registration and Record-Filing of Health Supplement Products (《保健食品註冊與備案管理辦法》), promulgated by the CFDA on February 26, 2016, and amended by the SAMR on October 23, 2020 and effective on the same date, manufacturing or importation of the following health supplement products shall be subject to registration: (i) health supplement products being made from raw materials not included in the List of Raw Materials for Health Supplement Products, or (ii) health supplement products imported for the first time, excluding those categorized as supplement vitamins, minerals and other nutrients. The health functions claimed for the products claimed must be included in the Health Function Directory Alleged by Health Supplement Products as Allowed. The validity period of a registration certificate for health supplement products shall be five (5) years.

The manufacturing or importation of the following health supplement products is subject to record-filing with the relevant governmental authority in accordance with the law: (i) health supplement products being made from raw materials that are included in the List of Raw Materials for Health Supplement Products; or (ii) health supplement products categorized as supplement vitamins, minerals, and other nutrients imported for the first time. The formula, name, and dosage of raw and auxiliary materials, functions, and manufacturing process of a recorded product must comply with applicable laws, regulations, rules, compulsory standards, as well as the technical requirements specified in the List of Raw Materials for Health Supplement Products.

PRC LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Patent

Patents in the PRC are mainly protected by the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and effective 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》) (the “**Implementation Rules**”), promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and effective January 20, 2024. The Patent Law and the Implementation Rules provide for three types of patents, namely “invention,” “utility model” and “design.” “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the

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shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern, or color of a product, or any combination of two of these elements, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is twenty (20) years; the duration of a patent right for “utility model” is ten (10) years; and the duration of a patent right for “design” is fifteen (15) years, each calculated from the date of application. Under the Patent Law of the PRC, for public health purposes, the patent administrative department of the State Council may grant a compulsory license for patented drugs to be manufactured and exported to countries or regions that comply with the provisions of relevant international treaties to which the PRC is a party.

The newly amended Patent Law of the PRC introduces patent term extensions for invention patents relating to new drugs launched in the PRC and stipulates that the Patent Administration Department under the State Council shall, upon request of the patentee, extend the term of the relevant invention patent for a new drug approved for market listing in China in order to compensate for the time spent on the review, examination and approval of such listing.

The compensated extension shall not exceed five (5) years, and the total effective patent term after the new drug is approved for market listing shall not exceed fourteen (14) years. Such patent term extension rule benefits the Company by providing longer protection terms for patents applied for or registered in the PRC that are related to our product candidates. During the compensated extension period of an invention patent related to a new drug, the scope of protection of the patent is limited to that new drug and the technical solutions related to the approved indications of the new drug. Within that scope of protection, the rights and obligations of the patentee remain the same as they were before the compensated extension period.

Trademarks

Registered trademarks in the PRC are mainly protected by the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and effective November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and effective May 1, 2014. The Trademark Office is responsible for the registration and administration of trademarks throughout China and grants a term of ten (10) years to registered trademarks. Where it is necessary to continue using a registered trademark upon expiration of the period of validity, the trademark registrant shall apply for renewal within twelve (12) months before the expiration in accordance with applicable requirements. If such an application cannot be filed within that period, an extension period of six (6) months may be granted. The period of validity for each renewal of registration shall be ten (10) years commencing from the day after the expiration of the previous period of validity. If the formalities for renewal have not been completed upon expiration of the period of validity, the registered trademark will be deregistered.

Trade Secret

Under the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC, as amended and effective as of April 23, 2019, the term “trade secrets” refers to technical and business information that is unknown to the public, has commercial utility, may generate business interests or profits for its lawful owners or holders, and is maintained as confidential by its lawful owners or holders. Under the Anti-Unfair Competition Law of the PRC, business operators are prohibited from infringing the trade secrets of others by: (i) acquiring a trade secret from the rightful holder by theft, bribery, fraud, coercion, electronic intrusion, or any other improper means; (ii) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in item (i) above; (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 rightful holder for keeping the trade secret confidential; and (iv) abetting, luring, or inducing another person to acquire, disclose, use or allow another person to use the trade

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secret of the rightful holder in violation of the other person’s non-disclosure obligation or the requirements of the rightful holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses, or discloses the trade secrets of others, that third party is deemed to have misappropriated those trade secrets. A party whose trade secrets have been misappropriated may petition for administrative remedies, and the relevant regulatory authorities may order the cessation of illegal activities and impose fines on the infringing parties.

PRC LAWS AND REGULATIONS ON FOREIGN INVESTMENT

The Company Law, amended by the SCNPC on December 29, 2023 and effective July 1, 2024, provides for the establishment, corporate structure and corporate management of companies, and also applies to foreign-invested enterprises in the PRC. The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), promulgated by the National People’s Congress of the PRC (the “**NPC of the PRC**”) and effective January 1, 2020, serves as the basic law regulating foreign-invested enterprises wholly or partially invested in by foreign investors. The Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-Owned Enterprises and the Law of the PRC on Sino-Foreign Cooperative Joint Ventures were abolished at the same time. The organizational form, institutional framework, and standards of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law and other laws. The PRC government implements the management system of pre-entry national treatment and the Negative List for foreign investment, replacing the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry that is no less favorable than the treatment accorded to domestic investors and their investments. The Negative List refers to special administrative measures for the entry of foreign investment in specific sectors as prescribed by the PRC. The PRC accords national treatment to foreign investment outside the scope of the Negative List. The current Negative List is the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision) (《外商投資准入特別管理措施(負面清單) (2024年版)》), issued by the NDRC and the MOFCOM on September 6, 2024 and effective November 1, 2024, setting forth the special management measures for foreign investment access in industries regulated by the Negative List, such as equity requirements and senior management requirements. While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and provides for the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM.

Under the Foreign Investment Information Reporting Method (《外商投資信息報告辦法》), jointly issued by the MOFCOM and the SAMR and effective January 1, 2020, the MOFCOM is responsible for coordinating and guiding the reporting of foreign investment information nationwide. The competent commercial department of the local people’s government at or above the county level, as well as the relevant agencies of the pilot Free Trade Zone and the National Economic and Technological Development Zone, is responsible for the administration of foreign investment information reporting in their respective regions. Foreign investors who directly or indirectly conduct investment activities in China must submit investment information to the competent commercial department through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Foreign investors who establish foreign-invested enterprises in China or acquire domestic non-foreign-invested enterprises through equity merger or acquisition shall submit initial reports through the Enterprise Registration System when applying for the registration of the establishment of those foreign-invested enterprises or the registration of the change of the acquired enterprises. Foreign-invested listed companies are required to report information on changes in investors and their shareholdings only when the cumulative change in the foreign investors’ shareholding ratio exceeds 5% or the foreign parties’ controlling or relative holding status has changed.

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We are primarily engaged in the research and development, production and sale of biopharmaceuticals, functional ingredients and nutritional products, which do not fall within the business fields explicitly prohibited or restricted from foreign investment as specified in the Negative List. In accordance with the provisions of the Negative List, where a domestic enterprise engaged in businesses within sectors prohibited for foreign investment intends to issue shares and seek listing overseas, it will be subject to the review and approval of the competent regulatory authorities. As our existing businesses do not fall within the sectors prohibited for foreign investment under the Negative List, we are not subject to the review and approval of competent regulatory authorities such as the NMPA in connection with the [REDACTED] and the [REDACTED] of our [REDACTED] on the Stock Exchange.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, which sets forth the security review mechanism for foreign investment, including the types of investments subject to review, the scope of review, and the procedures for review.

PRC REGULATIONS ON PRODUCT LIABILITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018 (the “**Product Quality Law**”), is the principal law governing the supervision and administration of product quality. Under the Product Quality Law, manufacturers are liable for the quality of products they produce, and sellers must take measures to ensure the quality of the products they sell. A manufacturer is liable to compensate for any bodily injuries or damage to property, other than to the defective product itself, resulting from defects in the product. A seller is liable to compensate for any bodily injuries or damage to the property of others caused by defects in the product if such defects are attributable to the seller. A seller must pay compensation if it fails to identify either the manufacturer or the supplier of the defective product. A person who is injured or whose property is damaged by defects in the product may claim compensation from either the manufacturer or the seller.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC of the PRC on May 28, 2020 and effective January 1, 2021, where a defect is caused by the manufacturer, the seller who has paid compensation has the right to seek indemnification against the manufacturer. If a defect is caused by the fault of the seller, the manufacturer who has paid compensation has the right to seek indemnification against the seller.

PRC REGULATIONS ON PRODUCTION AND FIRE SAFETY

The Production 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, last amended on June 10, 2021 and effective September 1, 2021, is the basic law governing production safety. It provides that any entity whose production safety conditions do not meet the applicable requirements may not engage in production or business operation activities. Production and business operation entities must provide education and training to employees on production safety to ensure that employees possess the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and safe operation, have mastered the skills of safe operation in their respective positions, understand emergency measures, and are aware of their rights and duties in respect of production safety. Employees who fail to pass the education and training programs on production safety may not begin working in their positions. Safety facilities for new construction, reconstruction, or expansion projects (the “**construction projects**”) must be designed, constructed, and put into operation simultaneously with the main body of the project. Investment in safety facilities must be included in the budget of the construction project.

Under the Fire Safety Law of the PRC (《中華人民共和國消防法》), promulgated by the SCNPC in April 1998, last amended and effective on April 29, 2021, and the Interim Provisions on Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the “**Interim Provisions**”), promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and last amended on August 21, 2023, the fire protection design and construction of a construction project must conform to the national fire protection technical standards, and construction projects are subject to the fire protection design review and acceptance system. Special construction projects as defined in the Interim Provisions

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must apply to the fire control department for fire protection design review and complete the fire protection acceptance procedures upon completion of the construction project. The construction unit of other construction projects must complete the filing of the fire protection design and the completion acceptance within five (5) business days after the completion acceptance of the construction project. If a construction project does not pass the fire safety inspection before it is put into use, or does not meet the fire safety requirements after the inspection, the relevant authority must order the suspension of construction and use of the project, or the suspension of production and business, and may impose a fine.

PRC REGULATIONS ON ENVIRONMENTAL AND OCCUPATIONAL PROTECTION

Under 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, last amended on April 24, 2014 and effective January 1, 2015, 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 on December 29, 2018, and the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998, last amended on July 16, 2017 and effective October 1, 2017, enterprises planning to undertake construction projects shall engage qualified professionals to prepare assessment reports, assessment forms, or registration forms on the environmental impact of such projects. Such assessment reports, assessment forms, or registration forms must be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Under the Administrative Measures on Pollutant Discharge Permit, issued by the Ministry of Ecology and Environment on April 1, 2024 and effective July 1, 2024, enterprises, public institutions, and other producers and operators subject to the pollutant discharge permit administration system shall apply for pollutant discharge permits and discharge pollutants in accordance with the requirements thereof; those who have not obtained a pollutant discharge permit may not discharge pollutants. Under the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the manufacturing of biological drugs and products falls within the classification management scope for fixed source pollution permits.

The Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), promulgated by the SCNPC on October 27, 2001 and last amended on December 29, 2018 (the “**Prevention and Control of Occupational Diseases Law**”), is the basic law for the prevention and control of occupational diseases. Under the Prevention and Control of Occupational Diseases Law, the budget for facilities for the prevention and control of occupational diseases in a construction project must be included in the overall project budget, and such facilities must be designed, constructed, and put into operation simultaneously with the main body of the project. The entity responsible for the project must carry out an assessment of the effectiveness of measures for the prevention and control of occupational diseases prior to the final acceptance of the construction project. In addition, employers must take the requisite administrative measures to prevent and control occupational diseases in the workplace.

PRC REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Under the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and effective July 1, 2013, employers shall execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers are required to establish a comprehensive management system to protect employee rights, including an occupational health and safety system that provides employees with occupational training to help prevent occupational injury. Employers are required to truthfully inform prospective employees of the job description, working conditions, working location, occupational hazards, safe production status, remuneration, and other relevant conditions.

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Under the Social Security Law of the PRC (《中華人民共和國社會保險法》), promulgated on October 28, 2010 and amended on December 29, 2018, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, and work-related injury insurance. If an employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit, together with a surcharge of 0.05% of the unpaid social insurance premium from the due date. If the employer fails to pay within that time limit, the relevant administrative authorities shall impose a fine ranging from one to three times the total outstanding amount.

Under the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), promulgated on July 20, 2018, starting from January 1, 2019, all social insurance premiums including the premiums for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, and basic medical insurance shall be collected by the tax authorities. Under the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》), promulgated by the General Office of the State Administration of Taxation on September 13, 2018, and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), promulgated by the General Office of the Ministry of Human Resources and Social Security on September 21, 2018, all local authorities responsible for the collection of social insurance are strictly forbidden from conducting self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), promulgated by the State Taxation Administration on November 16, 2018, reiterates that tax authorities at all levels may not organize self-collection of arrears from taxpayers, including private enterprises, for previous years. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated on April 1, 2019, requires steady advancement of the reform of the social security collection system. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily under the existing collection system to stabilize the payment method. It also emphasizes that historical unpaid arrears of enterprises shall be properly addressed. During the reform of the collection system, authorities are prohibited from conducting self-collection of historical unpaid arrears from enterprises and from adopting any method that increases the actual payment burden of small and micro enterprises, so as to avoid causing difficulties in their production and operation.

Under the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), promulgated on April 3, 1999 and last amended on March 24, 2019, employers are required to make contributions to housing provident funds for their employees. If an employer fails to pay housing provident fund contributions, the housing provident fund administration center may order the employer to make payment within a prescribed time limit. If the employer still fails to pay, the housing provident fund administration center may apply to a court for compulsory enforcement of the unpaid amount.

PRC REGULATIONS ON INFORMATION SECURITY AND DATA PRIVACY

Data Security and Export

The NPCSC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) on June 10, 2021 (effective September 1, 2021), a data classification and grading protection system is established for classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with applicable laws and regulations, establish a comprehensive data security management system, organize data security education and training, and take corresponding technical and other necessary measures to ensure data security.

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Under the Measures for Security Assessment of Data Export (《數據出境安全評估辦法》), issued by the Cyberspace Administration of China on July 7, 2022 and effective September 1, 2022, a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for security assessment of the outbound data transfer through the local provincial cyberspace administration: (i) the data processor provides important data abroad; (ii) the data processor is a critical information infrastructure operator or has processed the personal information of more than 1 million individuals and provides personal information abroad; (iii) the data processor has cumulatively provided the personal information of more than 100,000 individuals or the sensitive personal information of more than 10,000 individuals since January 1 of the previous year and provides personal information abroad; or (iv) any other circumstance requiring security assessment of outbound data transfer as prescribed by the national cyberspace administration.

Under the Measures for Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》), issued by the Cyberspace Administration of China on February 22, 2023 and effective June 1, 2023, to provide personal information to an overseas recipient through a standard contract, a personal information processor is required to meet all of the following requirements: (i) it is not a critical information infrastructure operator; (ii) it has processed the personal information of fewer than one million individuals; (iii) it has cumulatively provided the personal information of fewer than 100,000 individuals to overseas recipients since January 1 of the previous year; and (iv) it has cumulatively provided the sensitive personal information of fewer than 10,000 individuals since January 1 of the previous year.

PRC REGULATIONS ON ANTI-UNFAIR COMPETITION AND ANTI-BRIBERY

Under the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC and most recently amended on April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), promulgated by the State Administration for Industry and Commerce on November 15, 1996, business operators are prohibited from providing or promising to provide economic benefits (including cash, other property, or other forms of value) to a counterparty or a third party capable of influencing the transaction, for the purpose of securing transactional opportunities or competitive advantages. Business operators that violate these anti-bribery rules may be subject to administrative penalties or criminal liability, depending on the severity of the violation.

The Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), promulgated by the National Health and Family Planning Commission (currently the NHC) and effective as of March 1, 2014, require government authorities to maintain adverse records of commercial bribery. Medicine production and operation enterprises or agents involved in criminal, investigational, or administrative proceedings for commercial bribery will be listed in these adverse records, resulting in the following consequences for a period of two years from the publication date: (i) their products may not be purchased by public medical institutions or medical and health institutions receiving financial subsidies within the relevant province; and (ii) their products will receive reduced scores in centralized tender processes conducted by such institutions in other provinces. Enterprises or agents listed in adverse records twice within five years face more severe restrictions: their products may not be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years from the publication date.

PRC REGULATIONS ON OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

According to the Overseas Listing Trial Measures issued by the CSRC on February 17, 2023 and effective from March 31, 2023, a domestic company seeking overseas securities issuance and listing must file with the CSRC in compliance with such measures. Specifically, for an overseas initial public offering or listing, the issuer shall file with the CSRC within three (3) business days after submitting its application documents for overseas securities issuance and listing.

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According to the Provisions on Strengthening 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》) jointly issued by the CSRC and other relevant departments on February 24, 2023, and effective as of March 31, 2023, in their overseas offering and listing activities, domestic enterprises as well as securities companies and securities service institutions providing corresponding services shall strictly comply with the applicable laws and regulations of the People’s Republic of China and meet the requirements of these provisions. They shall enhance their legal awareness regarding the safeguarding of state secrets and the strengthening of archives administration, establish and improve their confidentiality and archives work systems, and take necessary measures to fulfill their confidentiality and archives administration obligations. Such entities shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic enterprise that, whether directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals any documents and materials involving state secrets or work secrets of state organs must obtain approval from the competent authority with the power of examination and approval according to law, and must report to the administrative department for confidentiality at the same level for filing. A domestic enterprise that, whether directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals other documents and materials whose divulgence will have adverse impact on national security or public interest must complete the relevant procedures in accordance with relevant state regulations.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are a leading innovation-driven researcher, developer and manufacturer of a diverse offering of biopharmaceuticals, functional ingredients and nutritional products. Since March 2019, our A Shares have been listed on the SZSE ChiNext Market with the stock code of 300765.

OUR KEY MILESTONES

The following table sets out a summary of the key milestones in our corporate and business development:

Year	Event
2006	We were founded as a limited liability company in China.
2016	We acquired 100% equity interests in Hebei GWK and Zhongnuo Taizhou and expanded into nutritional product segment.
2019	Our A Shares have been listed on the SZSE ChiNext Market with the stock code of 300765.
2020	We were named as the “Most Growing Listed Company in the Greater Health Industry” (大健康產業最具成長上市公司) by the National Business Daily.
2022	We completed the acquisition of CSPC Shengxue.
2023	We agreed to grant an exclusive license to Corbus Pharmaceuticals, Inc., a U.S.-based clinical-stage biopharmaceutical company, to develop and commercialize SYS6002 in specified regions. SARS-CoV-2 mRNA vaccine (brand name: Duentai (度恩泰®)) containing BA.5 key mutations developed by Megalith Biopharmaceutical was included for emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2, becoming the first mRNA vaccine launched in China.
2024	In January 2024, we completed the acquisition of 51% of the equity interest in Megalith Biopharmaceutical, and extended our business to biopharmaceutical industry. Our A Shares were selected as constituents of the Shenzhen Component Index and the ChiNext Index and were included in the FTSE Global Equity Index Series. Enyitan was approved for the treatment of chronic spontaneous urticaria in adults and adolescents (12 years of age and older) who remain symptomatic despite H1 antihistamine treatment. Enshuxing was conditionally approved by the NMPA for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 (CPS≥1) expression who have previously failed to respond to platinum-based chemotherapy. We were selected as one of the top 100 food companies most trusted by consumers in China.

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Year	Event
2025	We completed the acquisition of additional 29% of the equity interest in Megalith Biopharmaceutical. Enyitan was further approved for the treatment of moderate to severe persistent allergic asthma. The NMPA granted the Breakthrough Therapy Designation granted to SYS6010 for its intended indication as a monotherapy for the treatment of EGFR mutation-positive advanced NSCLC.
2026	Our subsidiary, Megalith Biopharmaceutical, together with the Licensor Group, entered into a strategic collaboration and license agreement with AstraZeneca. Under this agreement, the Licensor Group agreed to grant AstraZeneca an exclusive license to develop, manufacture and commercialize its once-monthly injectable weight management portfolio in the territories outside of the Greater China Region. In addition, the parties will also collaborate on four new programs leveraging the Licensor Group’s proprietary technologies. Enyike, our ustekinumab biosimilar, was approved by the NMPA for the treatment of adult patients with moderate-to-severe plaque psoriasis who have not responded to, have contraindications to, or are intolerant of other systemic therapies, including cyclosporine, methotrexate, or PUVA treatment, as well as pediatric patients aged 6 years and older (weighing 60 kg to 100 kg) with moderate-to-severe plaque psoriasis who have had an inadequate response to or are intolerant of other systemic therapies or phototherapy.

OUR MAJOR SUBSIDIARIES

Details of the major subsidiaries of our Company which, among other things, made a material contribution to our results of operations during the Track Record Period, are set out below.

Name of company	Date and place of establishment	Equity interest attributable to our Group	Principal business activities
Megalith Biopharmaceutical . . .	April 16, 2019 PRC	80%	R&D, manufacturing and sale of biopharmaceutical products
CSPC Shengxue	March 30, 2002 PRC	100%	R&D and manufacturing of functional ingredients

HISTORY AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of our Company and Conversion into a Joint Stock Limited Liability Company

In April 2006, our Company was established in the PRC as a limited liability company with an initial registered share capital of RMB8.3 million contributed by CSPC Holdings Company Limited (石藥控股集團有限公司), and Shijiazhuang Pharmaceutical Group Import & Export Trading Co., Ltd. (石家莊製藥集團進出口貿易有限公司) (“**CSPC Import & Export**”), a company incorporated in the PRC on May 19, 1999 and deregistered on October 18, 2019.

In March 2008, our Company accomplished all procedures required to convert from a limited liability company to a joint stock limited liability company. Upon completion of the conversion, the registered capital of our Company reached RMB150.00 million divided into 150,000,000 Shares with a nominal value of RMB1.00 each, and CSPC Holdings Company Limited and CSPC Import & Export held as to approximately 98.69% and 1.31% of our Company’s total number of issued Shares at the time, respectively.

Listing on the SZSE ChiNext Market

As approved by the CSRC, we completed the initial public offering and separate listing of our A Shares on the SZSE ChiNext Market (stock code: 300765) (the “**A Share Listing**”) in March 2019 as a spin-off from CSPC Pharmaceutical, pursuant to which we issued an aggregate of 50,000,000 A Shares, accounting for approximately 25.00% of our Company’s share capital immediately following the A Share Listing. Immediately following the A Share Listing, our registered share capital increased to RMB200 million divided into 200,000,000 A Shares with a nominal value of RMB1.00 each, and NBP Pharmaceutical, a wholly-owned subsidiary of CSPC Pharmaceutical and our Controlling Shareholder, held an aggregate of approximately 75.00% of our Company’s total number of issued Shares at the time (consisting of approximately 74.02% of the issued Shares directly held and approximately 0.98% of the issued Shares indirectly held through its wholly-owned subsidiary, CSPC Ouyi and has remained as our Company’s Controlling Shareholder since then.

As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shenzhen Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the SZSE ChiNext Market. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with our Directors’ confirmation with regard to the compliance records of our Company on the SZSE ChiNext Market. Our PRC Legal Adviser is of the view that the confirmation of our Directors above with regard to our compliance record is accurate and reasonable.

Capital Reserve Capitalization in 2020 and 2021

As approved by the 2019 annual general meeting of the Shareholders on April 13, 2020, our Company issued 11 new A Shares for every 10 existing A Shares to Shareholders by way of capital reserve capitalization on April 29, 2020, representing a total increase of 220,000,000 A Shares. The total share capital of our Company was then increased from 200,000,000 to 420,000,000 A Shares. Further, as approved by, among others, the 2020 annual general meeting of the Shareholders on March 26, 2021, our Company issued 3 new A Shares for every 10 existing A Shares to Shareholders by way of capital reserve capitalization, representing a total increase of 126,000,000 A Shares. The total share capital of our Company was then increased from 420,000,000 to 546,000,000 A Shares.

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Acquisition of CSPC Shengxue through Issuance of A Shares in November 2022

In July 2021, the Company entered into an agreement with NBP Pharmaceutical, our Controlling Shareholder, pursuant to which NBP Pharmaceutical agreed to transfer 100% of the shareholding of CSPC Shengxue to the Company at a total consideration of approximately RMB800 million (in the form of 71,942,446 consideration A Shares (subsequently adjusted to 72,926,162 consideration A Shares) issued to NBP Pharmaceutical) determined based on income approach valuation (the “CSPC Shengxue Acquisition”). Immediately following the completion of the CSPC Shengxue Acquisition and the issuance of A Shares in November 2022, (i) CSPC Shengxue became a wholly-owned subsidiary of the Company, (ii) the Company’s total issued share capital increased to 618,926,162 A Shares, and (iii) NBP Pharmaceutical’s shareholding in our Company increased to approximately 77.95% of our Company’s total issued share capital at the time (consisting of approximately 77.08% of the issued Shares directly held and approximately 0.87% of the issued Shares indirectly held through CSPC Ouyi).

CSPC Shengxue is principally engaged in the R&D, manufacturing and sale of functional ingredients in the health and wellness sector. Its primary products include acarbose and anhydrous glucose, which are utilized for sugar intake management and nutritional regulation in health and wellness applications. The CSPC Shengxue Acquisition has enabled our existing health business and product portfolio to expand further, and we believe the CSPC Shengxue Acquisition will be beneficial to our Company’s profitability and sustainable development. The consideration for the CSPC Shengxue Acquisition was determined based on arm’s length negotiation between the parties with reference to the valuation of CSPC Shengxue at the relevant time as appraised by an independent professional valuer. The CSPC Shengxue Acquisition (including the issuance of 72,926,162 consideration A Shares to NBP Pharmaceutical) was approved by the CSRC, and the Directors confirm that the CSPC Shengxue Acquisition was properly and legally completed.

Private Placement of A Shares in March 2023

As approved by the CSRC, in March 2023, our Company conducted a private placement of its A Shares to raise funds for the acarbose green factory project of CSPC Shengxue, which mainly includes the construction of new major production facilities for acarbose, and the working capital requirements of the Company. A total of 31,486,146 A Shares were issued in the placement to 16 investors, all of whom were Independent Third Parties. The placement raised net proceeds of approximately RMB488.20 million, which had been fully utilized as of the Latest Practicable Date. Following the completion of the private placement, the Company’s total issued share capital increased to 650,412,308 A Shares.

Capital Reserve Capitalization in 2023 and 2024

As approved by the 2022 annual general meeting of the Shareholders on April 7, 2023, our Company issued 8 new A Shares for every 10 existing A Shares to Shareholders by way of capital reserve capitalization on April 27, 2023, representing a total increase of 551,815,992 A Shares. The total share capital of our Company was then increased from 650,412,308 to 1,170,742,154 A Shares. Further, as approved by the 2023 annual general meeting of the Shareholders on April 9, 2024, our Company issued 2 new A Shares for every 10 existing A Shares to Shareholders by way of capital reserve capitalization on April 25, 2024, representing a total increase of 233,850,790 A Shares. The total share capital of our Company was then increased from 1,170,742,154 to 1,404,592,944 A Shares.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In September 2023, the Company entered into an agreement with Megalith Biopharmaceutical and NBP Pharmaceutical, pursuant to which the Company subscribed for newly issued share capital representing 51% of the equity interest of Megalith Biopharmaceutical by way of capital injection

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of approximately RMB1.87 billion (the “**Megalith Biopharmaceutical Acquisition I**”). Immediately following the completion of the Megalith Biopharmaceutical Acquisition I in January 2024, Megalith Biopharmaceutical was held as to 51% by the Company and 49% by NBP Pharmaceutical.

Further, in September 2025, the Company entered into an agreement with NBP Pharmaceutical, pursuant to which the Company acquired an additional 29% of the equity interest of Megalith Biopharmaceutical from NBP Pharmaceutical at a total cash consideration of RMB1.1 billion (the “**Megalith Biopharmaceutical Acquisition II**”, together with Megalith Biopharmaceutical Acquisition I, the “**Megalith Biopharmaceutical Acquisitions**”). Immediately following the completion of the Megalith Biopharmaceutical Acquisition II in November 2025, Megalith Biopharmaceutical was held as to 80% by the Company and 20% by NBP Pharmaceutical.

Megalith Biopharmaceutical is principally engaged in the biopharmaceutical innovation sector, creating a platform for innovative biopharmaceutical R&D. The current pipeline under development includes ADC, mRNA vaccines, and antibody-based therapeutics. The Megalith Biopharmaceutical Acquisitions have enabled the Company to expand its business to innovative biopharmaceuticals and establish a biomedical innovation industry platform. This initiative has further deepened our Company’s strategic layout in the greater health sector and helped enhance its competitiveness. We believe the Megalith Biopharmaceutical Acquisitions are beneficial to our Company’s profitability and sustainable development. The considerations for the Megalith Biopharmaceutical Acquisitions were determined based on arm’s length negotiation between the parties with reference to the valuation of Megalith Biopharmaceutical at the relevant time as appraised by the independent professional valuers. The Megalith Biopharmaceutical Acquisitions have complied with the necessary disclosure requirements as prescribed by the CSRC and the Shenzhen Stock Exchange, and the Directors confirm that the Megalith Biopharmaceutical Acquisitions were properly and legally completed.

Save as disclosed above, we had not carried out any major acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period and up to the Latest Practicable Date.

As Megalith Biopharmaceutical and the Group have consistently been under the common control of CSPC Pharmaceutical Group both before and after the Megalith Biopharmaceutical Acquisitions within the Track Record Period, the consolidated financial statements of the Group for each of the years ended December 31, 2023, 2024 and 2025 and as of December 31, 2023, 2024 and 2025 include Megalith Biopharmaceutical due to the accounting treatment. For details, please see Note 2 to the Accountants’ Report in Appendix I to this document.

REASONS FOR THE [REDACTED] ON THE [REDACTED]

Our Company seeks to be [REDACTED] on the [REDACTED] in order to provide further capital for the development and expansion of our business, provide an additional fundraising platform for our Company should the need arise, which will increase our financing flexibility, allow us to gain access to a broader [REDACTED] base and strengthen our capability to raise capital independently. See “Business—Our Strategies” and “Future Plans and [REDACTED]” in this document for more details.

[REDACTED]

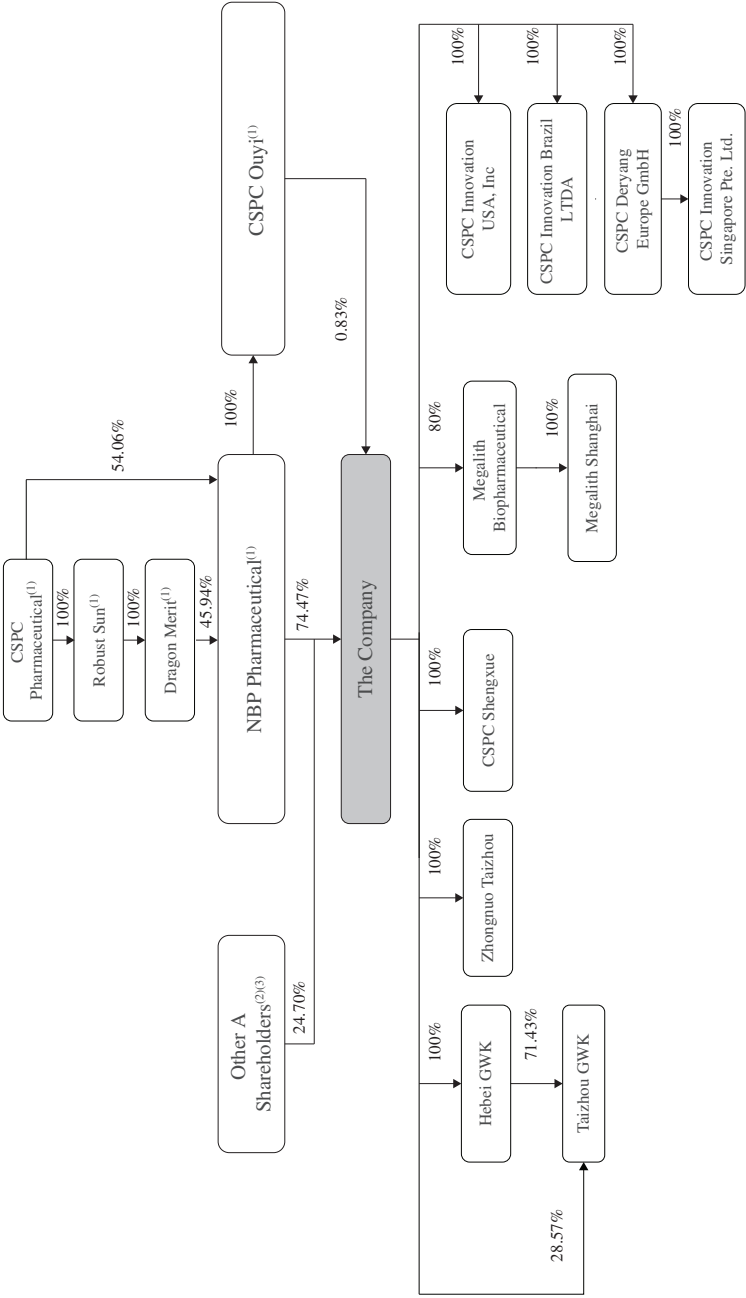
HISTORY AND CORPORATE STRUCTURE

[REDACTED]

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure as of the Latest Practicable Date:

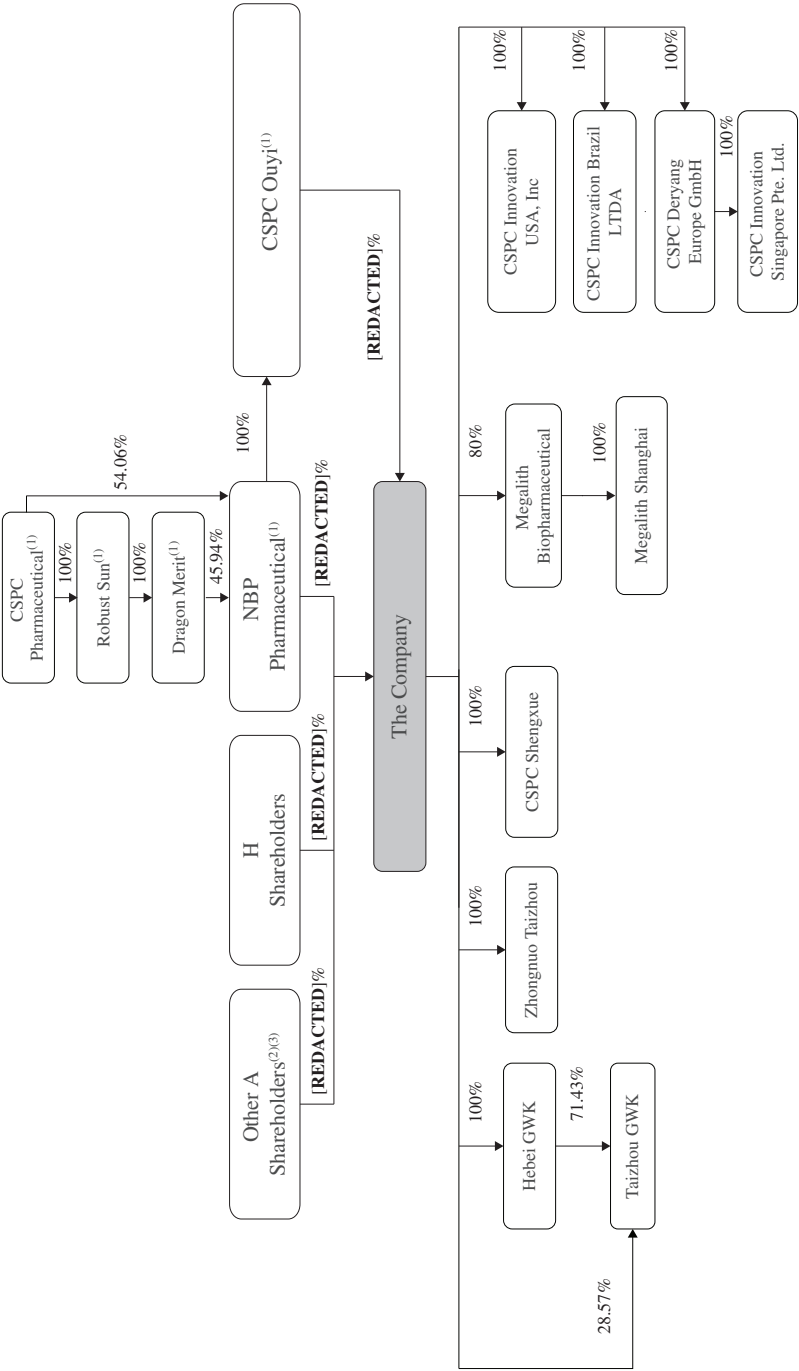


Notes:

- (1) As of the Latest Practicable Date, NBP Pharmaceutical, our Controlling Shareholder, held in aggregate 1,048,645,506 A Shares, representing approximately 75.30% of the total issued Shares of our Company (excluding 12,000,225 A Shares repurchased and held in our Company's stock repurchase account), consisting of approximately 74.47% of the issued Shares directly held and approximately 0.83% of the issued Shares indirectly held through its wholly-owned subsidiary, CSPPC Ouyi. NBP Pharmaceutical was owned as to 45.94% and 54.06% by Dragon Merit and CSPPC Pharmaceutical, respectively. Dragon Merit was wholly owned by Robust Sun which was in turn wholly owned by CSPPC Pharmaceutical. As such, NBP Pharmaceutical, CSPPC Ouyi, Robust Sun, Dragon Merit and CSPPC Pharmaceutical constitute a group of Controlling Shareholders.
- (2) To the best knowledge of our Directors, as of the Latest Practicable Date, these other holders of A Shares are Independent Third Parties.
- (3) The shareholding structure is exclusive of 12,000,225 A Shares repurchased and held in our Company's stock repurchase account as of the Latest Practicable Date. For details, please refer to the section headed "Share Capital" and sub-section headed "Statutory and General Information—A. Further Information About Our Group—2. Changes in our share capital" in Appendix VI to this document.

HISTORY AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes (1) to (3): Please refer to the details on the preceding page.

BUSINESS

WHO WE ARE

We are an innovation-driven researcher, developer, and manufacturer of a diverse offering of caffeine and other functional ingredients, nutritional products, and biopharmaceuticals. We pride ourselves on our commitment to health and wellness:



Since our inception in 2006, we have dedicated ourselves to the research and production of high-quality caffeine. From 2020 to 2025, we have been the world’s largest producer of chemically synthesized caffeine, both in terms of revenue and shipment volume, according to Frost & Sullivan. As of the Latest Practicable Date, our caffeine had been sold to 73 countries and regions worldwide, with our main markets being North America and Europe. We primarily produce caffeine for use as a food additive in functional beverages. We have been a global caffeine supplier to industry giants such as The Coca-Cola Company since 2006, PepsiCo since 2007 and Red Bull GmbH since 2008.

In 2016, we expanded our business into nutritional products. This marked our strategic pivot to satisfy mass consumers’ diverse needs for essential nutrients. Our nutritional products are formulated to support key health areas, such as enhancing immunity, strengthening bones, providing antioxidant support, supplementing minerals, and promoting eye health. Today, Guoweikang (果维康®) has been recognized as a well-known trademark (馳名商標) in China and our sales network of nutritional products has covered over 270 chain pharmacies nationwide.

In 2022, we acquired a 100% equity interest in CSPC Shengxue. Since then, we have broadened our product portfolio to include other functional ingredients, such as acarbose and anhydrous glucose, which are used as APIs or food additives. From 2020 to 2025, we have been one of the largest domestic companies in China certified for manufacturing acarbose as an API, both in terms of revenue and shipment volume, according to Frost & Sullivan.

In 2024, we acquired a controlling equity interest in Megalith Biopharmaceutical, and established ourselves as a new force in the biopharmaceutical industry. We primarily focus on developing novel therapies against differentiated targets with versatile modalities. Today, we have built our expertise in the fields of antibody drugs, antibody drug conjugates (“ADCs”), and mRNA vaccines. We have commercialized three antibody drugs, namely Enshuxing (恩舒幸®) (an anti-PD-1 mAb), a Category 1 innovative drug, Enyitan (恩益坦®), the first omalizumab biosimilar in China, and Enyike (恩益克®), a ustekinumab biosimilar. Our two mRNA vaccines, namely Duentai (度恩泰®), the first domestically developed mRNA COVID-19 vaccine, and Duentai 2, our bivalent mRNA COVID-19 vaccine targeting the then-dominant variants represented by XBB.1.5, were included for emergency use in China in 2023. As of the Latest Practicable Date, we had a strong pipeline of over 15 drug candidates in clinical or later stages of development, including nine ADC drug candidates and one mRNA vaccine candidate.

OUR COMPETITIVE STRENGTHS

Our Established Leadership in Caffeine

We are the world’s largest manufacturer of chemically synthesized caffeine, according to Frost & Sullivan. During the chemical synthesis process, we employ optimized catalytic hydrogenating reduction as an alternative to the traditional iron powder reduction, significantly reducing metal impurities and pollution. We utilize patent-protected reactors in multiple processes to enhance the reaction efficiency, and employ advanced solid-liquid separation equipment to effectively reduce residual moisture and impurities. Leveraging advanced grinding equipment and granulation process,

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we can fine-tune key product attributes, such as bulk density, dissolution time, and particle size distribution, to meet specific downstream customer needs. All solvents and cleaning agents used in production are limited to drinking or purified water, eliminating toxicity risks from organic solvents. Our final products meet strict endotoxin and microbial limits and comply with major pharmacopeial standards across China, Japan, the United States, and Europe. This enables us to serve a broad international customer base.

We have established a strong global customer base. Notably, we are a trusted global supplier to three international beverage giants: PepsiCo, The Coca-Cola Company, and Red Bull GmbH. We earn unwavering customer loyalty and market leadership through reliable supply, consistent quality, and responsive customer service. Our large-scale caffeine production capacity allows us to effectively meet the long-term, large-volume procurement needs of key customers, while minimizing risks of supply shortages or delayed order fulfillment. Our commitment to quality ensures the safety and integrity of our customers’ products, fostering the trust that leads to lasting partnerships. We have built an international service and logistics network, including overseas operations, warehousing, and localized teams, to shorten delivery lead times, reduce costs, and respond more quickly to customer needs. This integrated global capability strengthens our key partnerships and solidifies our position in the international caffeine market.

We also build our competitive edge in environmental compliance and sustainable practices. Our caffeine production facilities are certified as a “Green Factory.” We refine our practices to meet our customers’ core requirements for green, low-carbon, and compliant supply chains. This commitment sets us apart from competitors and cements long-term partnerships with key global clients.

Driven by our leadership in caffeine, our functional ingredients and nutritional products business generates stable cash flow. This financial strength provides a solid foundation for the long-term development of our biopharmaceutical business, offering both platform synergies and direct financial support. In 2025, our functional ingredients and nutritional products business contributed over RMB1.9 billion in revenue. Additionally, the extensive channel network developed through this business provides a significant strategic advantage, which will be leveraged to empower the future commercial rollout of our novel therapeutics.

Advanced ADC Platform Demonstrated by Diverse Pipeline Products

ADCs are an established therapeutic approach in oncology. They selectively deliver potent chemotherapeutic cytotoxins directly to tumor cells, with the goal of maximizing activity in tumor cells while minimizing toxicity to healthy cells. We have built an advanced antibody engineering and ADC platform that stands out in the following two major aspects:

- *Advanced antibody discovery and engineering.* We leverage bacteriophages to perform high-throughput screening of large-scale antibody libraries. In parallel, we use yeast display technology to ensure proper folding of antibodies while supporting eukaryotic post-translational modifications. This approach significantly shortens the initial discovery cycle and accelerates hit identification. Hit antibody candidates are then optimized using our computational engineering tools to enhance their key therapeutic properties, including binding affinity, as well as efficacy and safety profile.
- *Proprietary conjugation technology.* Globally, we pioneered a novel conjugation technique using an engineered microbial transglutaminase to enable the site-specific modification of certain glutamine amino acids in proteins. Working on native antibodies without any need for engineering, our proprietary conjugation technology results in minimal impact on the properties of the antibodies, leading to favorable selectivity and reactivity toward the target sites.

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Our ADC portfolio is strategically focused on high-prevalence indications, such as lung cancer and breast cancer, and on cancers with unmet medical needs, such as gastric cancer, colorectal cancer, and ESCC. We have nine clinical-stage ADC drug candidates, directed at EGFR, Nectin-4, HER2, B7-H3, HER3, FR α , ROR1, DLL3, and TF. Notably, we have advanced three ADC drug candidates into Phase II or III clinical trials, including two lead drug candidates—SYS6010 and SYS6002.

- SYS6010, potentially the first EGFR ADC in China to be approved for the treatment of NSCLC. According to Frost & Sullivan, approximately 30% to 40% of NSCLC patients worldwide have activating EGFR mutations. EGFR tyrosine kinase inhibitors (“TKI”) are the most common targeted therapies used in the treatment of NSCLC patients who carry a mutation in EGFR. However, nearly 50% of patients who benefit from EGFR TKI therapy eventually develop drug resistance, resulting in disease progression. To address this challenge, our ADC drug candidate SYS6010 employs a different mechanism. EGFR is not the direct drug target but serves as a homing beacon, guiding the delivery of a conjugated cytotoxic payload to kill cancer cells directly. By bypassing a common resistance mechanism whereby cancer cells reduce EGFR expression on their surface to evade targeted therapies, our strategy could render SYS6010 effective even in drug-resistant patients. In April 2023, we obtained IND approval from the NMPA for the Phase I clinical trial of SYS6010 in patients with advanced solid tumors and preliminary results from the trial were presented at the AACR Annual Meeting in April 2025. SYS6010 demonstrated a tolerable safety profile with high efficacy in patients with advanced solid tumors, particularly in nsq-NSCLC subjects with EGFR TKI resistance or EGFR wild type. The ORR and DCR in the 4.8 mg/kg group in EGFR-mutant nsq-NSCLC were 46.9% and 93.9%, respectively. The ORR and DCR in the 4.2, 4.8 and 6.4 mg/kg groups in EGFR wild type nsq-NSCLC were 71.4% and 85.7%, respectively. As of the Latest Practicable Date, SYS6010 had been granted three fast track designations by the U.S. FDA and two breakthrough therapy designations by the NMPA.
- SYS6002 is a Nectin-4 ADC that directs the potent mitotic inhibitor MMAE specifically to Nectin-4 expressing cancer cells. As of the Latest Practicable Date, we were conducting multiple clinical studies in China to evaluate SYS6002 as monotherapy or in combination with other agents. We presented preliminary results of the clinical trial at the 2024 ASCO Conference. Responses available in metastatic urothelial cancer patients dosed at ≥ 1.2 mg/kg (n=9) demonstrated an emerging ORR of 44% and a DCR of 78%. Responses available in cervical cancer patients dosed at ≥ 1.2 mg/kg (n=7) demonstrated an emerging ORR of 43% and a DCR of 86%. In February 2023, we agreed to grant an exclusive license to Corbus Pharmaceuticals to develop and commercialize SYS6002 in specified regions. Corbus Pharmaceuticals is conducting a Phase I/II clinical trial in the U.S. and Europe to evaluate this drug candidate for the treatment of advanced solid tumors known to be associated with high Nectin-4 expression. As of September 1, 2025, responses available in HNSCC, cervical cancer, and metastatic urothelial cancer patients dosed at 3.6 mg/kg (n=21, 16 and 9) demonstrated an ORR of 47.6%, 37.5%, and 55.6%, respectively. Such efficacy profile is comparable to the ORR of 40.6% reported in the Phase III clinical trial of enfortumab vedotin for urothelial cancer, preliminarily validating the clinical value of SYS6002.

In addition, we are exploring next-generation ADC-immunotherapy combination therapy to address the challenges of tumor heterogeneity and immune evasion via checkpoint pathway alteration. ADCs enhance tumor-specific cytotoxicity by targeted payload delivery, thereby reducing off-target effects. Immune checkpoint inhibitors, such as PD-(L)1 mAbs, in parallel, stimulate an anti-tumor immune response. This synergistic approach is being explored to overcome drug resistance and improve clinical efficacy in cancer therapy. As validated in a Phase III clinical trial, the combination of enfortumab vedotin and pembrolizumab demonstrated survival benefit for patients with advanced bladder cancer, nearly doubling median overall survival and median PFS compared to chemotherapy.

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Our strong portfolio of both antibody and ADC drug assets opens up significant potential for this therapeutic strategy. Enshuxing (enlonstobart injection) is our commercialized anti-PD-1 mAb. It reverses the PD-1 pathway-mediated immunosuppressive response, thereby activating the body’s anti-tumor immune response. As of the Latest Practicable Date, SYS6010, our lead ADC drug candidate, was being evaluated in combination with enlonstobart, our anti-PD-1 mAb, in a Phase I/II clinical trial in China, for the treatment of EGFR wild-type locally advanced or metastatic NSCLC and other advanced solid tumors.

Strong mRNA Vaccine Development Capability

In 2023, our two mRNA vaccines, namely (i) Duentai, the first domestically developed mRNA COVID-19 vaccine, according to Frost & Sullivan, and (ii) Duentai 2, our bivalent mRNA COVID-19 vaccine targeting the then-dominant variants represented by XBB.1.5, were included for emergency use in China. The success of our mRNA vaccine is supported by our advanced mRNA development platform, which features the following core properties:

- *Modular approach.* We strategically organize our mRNA vaccine development platform into five modules—(i) mRNA sequence design, (ii) plasmid synthesis, (iii) mRNA synthesis and purification, (iv) LNP formulation preparation, and (v) quality control and analysis. This modular approach enables us to prepare drug substances and formulations for different molecules concurrently, thereby accelerating our drug development process.
- *Scientific sequence designs.* We have developed algorithms that leverage free energy minimization to predict optimal RNA secondary structures. In addition, our approach enables the precise modulation of local spatial folding in critical regions, such as the 5’ untranslated region and the start codon context, thereby overcoming the limitations of traditional methods that focus solely on codon composition. By establishing more favorable local structures, our strategy facilitates efficient ribosomal initiation and elongation.
- *Advanced LNP delivery.* We in-licensed technologies for LNP delivery systems from CSPC Zhongqi, a subsidiary of CSPC Pharmaceutical. Access to these technologies allows us to generate LNPs with uniform particle size, good stability, and high mRNA encapsulation, enabling enhanced uptake by the immune system. Our consistent production of high-quality LNPs provides a solid support for the development and commercialization of mRNA vaccines.

We proactively capitalize on the breadth of the mRNA opportunity. As of the Latest Practicable Date, we were conducting a Phase II clinical trial in China to evaluate the safety and immunogenicity of SYS6017, our lead mRNA vaccine candidate, for preventing herpes zoster infections.

We are among the trailblazers in China who have achieved the industrialization of mRNA vaccines. Leveraging our state-of-the-art mRNA manufacturing platform, we are able to produce over-99%-purity mRNA vaccines. We are also able to shorten our *in vitro* transcription and LNP processes, the key processes in mRNA vaccine production, to two days, achieving a GMP batch production cycle of under one month.

Strong Manufacturing Capability Supported by Global-Standard Quality Management

We believe that operating our own commercial manufacturing facilities will provide us with enhanced control of material supply for both clinical trials and the commercial market, enable the more rapid implementation of any process changes, and allow for better long-term cost margins.

As of the Latest Practicable Date, we had established two manufacturing bases in Luancheng District, Shijiazhuang for the production of caffeine products and other functional ingredients, as well as one manufacturing base in Taizhou, Jiangsu Province for the production of nutritional products. Notably, through the implementation of initiatives such as the “Green Factory Xanthine Series Upgrade Project,” we have continuously advanced key process innovations and equipment upgrades. Following the upgrades, we enhanced the production capacity of caffeine products,

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particularly caffeine and pentoxifylline, while lowering the unit production costs. By enhancing automation and digitalized production management, we have improved labor productivity and accelerated our transition to intelligent manufacturing. In addition, strengthened environmental, safety, and quality systems enable us to reinforce compliance, mitigate operational risks, and advance sustainable manufacturing practices.

In the field of biopharmaceuticals, complex modalities such as ADC and mRNA therapeutics present higher barriers to production at commercial scale compared to traditional modalities. They require sophisticated strategies of chemistry, manufacturing, and controls to meet desired purity and stability standards. Our manufacturing base for biopharmaceuticals is strategically located at the International Biomedical Park in Shijiazhuang, Hebei Province. As of the Latest Practicable Date, this manufacturing base covered over 192.6 thousand square meters, and we had equipped it with four production lines for antibody drug substance, one production line for payload-linkers, and one isolated filling line to produce the liquid and lyophilized dosage forms of ADCs. We are also among the trailblazers in China who have achieved the industrialization of mRNA vaccines.

We maintain a global-standard quality management system. We closely monitor our production processes, perform comprehensive testing, and enforce stringent quality control over our supply chain. As of December 31, 2025, we had over 1,350 manufacturing and quality personnel, with extensive experience in drug development, production, quality management, and regulatory compliance. Their in-depth industry expertise enables us to continuously fine-tune our drug development and manufacturing, promoting a compliant and economically sound production process. We are certified under ISO 9001 (Quality Management), ISO 14001 (Environmental Management), ISO 22000 (Food Safety), and ISO 45001 (Occupational Health and Safety) standards. We have also obtained various overseas certifications, including the Japanese PMDA Foreign Manufacturer Accreditation, British Retail Consortium Global Standard Certification, European Pharmacopoeia Suitability (Certification of Suitability), HALAL, and KOSHER certifications. In 2025, we successfully passed 15 inspections by the NMPA and its local counterparts in China, 12 audits by third-party quality certification agencies, and 122 audits by our business partners in China and overseas.

Effective Global Sales and Distribution Network to Unlock Full Commercial Potential

We have established a highly effective commercialization infrastructure. As of December 31, 2025, we had built an experienced in-house sales team with nearly 500 professionals, and a strong network of 546 distributors to strengthen our market penetration and coverage in China and major markets globally.

We are a trusted global supplier of functional ingredients and nutritional products. Our established customer loyalty is demonstrated by our role as a global caffeine supplier to industry leaders such as The Coca-Cola Company since 2006, PepsiCo since 2007, and Red Bull GmbH since 2008. In operating our functional ingredients business, we primarily employ a proactive, direct sales approach to intimately understand and address our valued customers’ most critical needs. Our client-centric model is further supported by a strategic global infrastructure of four subsidiaries across the United States, Germany, Brazil, and Singapore, ensuring unparalleled local support and accelerating our penetration in our focused markets.

With respect to our commercialized drugs, our marketing efforts are focused on academic promotions through our in-house sales team. As of December 31, 2025, we had 222 sales experts who are dedicated to the commercialization of our biopharmaceutical products. They work in tandem with our R&D professionals to educate the medical community about the clinical benefits of our products. We regularly participate in a range of domestic and international academic conferences and seminars, such as the ASCO Meeting and the AACR Annual Meeting, to enhance awareness of our products and strengthen our brand recognition. Thanks to these efforts, we have established sales channels to nearly 3,900 hospitals and retail pharmacies across 30 provincial regions in China as of the Latest Practicable Date.

With a global vision, we have accelerated our expansion into the global market, unlocking the potential of our product matrix. On the one hand, we strategically pursue overseas registrations of our drug candidates. As of the Latest Practicable Date, we obtained various facilitated regulatory

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pathways for our drug assets, including three fast track designations from the U.S. FDA and two breakthrough therapy designations from the NMPA. On the other hand, we proactively collaborate with leading pharmaceutical companies to unlock the full commercial potential of our drug assets. We have been seeking out-licensing collaborations with global partners to maximize the commercial potential of our drug assets worldwide. Notably, we, together with certain other parties, entered into a strategic collaboration and license agreement with AstraZeneca. In addition, we agreed to grant an exclusive license to Corbus Pharmaceuticals to develop and commercialize SYS6002 (a Nectin-4 ADC) in specified regions. For details, see “—Material Collaboration and Licensing Arrangements—Strategic Collaboration and License Agreement with AstraZeneca” and “—Exclusive License Agreement with Corbus Pharmaceuticals.”

Visionary Management and Talent to Fuel Our Long-Term Growth

We are led by a team of seasoned industry veterans with a common goal of enhancing global health with safe, effective, and accessible solutions. Their visionary leadership, combined strengths, and proven experience are vital to maintaining our strong growth momentum. They bring us a wealth of expertise in advancing the discovery, R&D of ADCs, mRNA vaccines, and other innovative therapeutics. Key members of our executive management include:

- *Dr. Bing Yao*, our executive Director and chairman of the Board. Dr. Yao has over 20 years of experience in the R&D of new drugs and business management. Prior to joining us, Dr. Yao served as the executive president of CSPC Pharmaceutical, where he led the team to obtain dozens of IND and production approvals for innovative drugs. Dr. Yao is a member of the Monoclonal Antibody Committee of the China Medicinal Biotechnology Association, and a member of the Oncology Committee of the Chinese Pharmaceutical Association. His expertise has been instrumental in building up our technology platforms for antibody drugs, ADCs, and mRNA vaccines.
- *Dr. Xiwu Hui*, our deputy general manager. Dr. Hui is a top-notch scientist with over a decade of experience in the development of biopharmaceuticals. His work has resulted in more than ten publications in high-impact journals, as well as over 30 patent applications, eight of which have already been issued. Dr. Hui possesses extensive R&D expertise across multiple domains, including ADCs, bispecific antibodies, antibody fusion proteins, innovative mAbs, and biosimilars, as well as long-acting or subcutaneous protein formulations. Dr. Hui has led the development and successful launch of multiple pharmaceutical products.

We embrace innovation, professionalism and global vision. Our corporate culture attracts high-caliber talent globally. As of December 31, 2025, our strong pool of R&D talent consisted of over 400 professionals, 48% of whom held a master’s degree or a Ph.D. from world-renowned universities and institutes, such as Heidelberg University, Tsinghua University, Peking University, Peking Union Medical College, and the Chinese Academy of Sciences. Many have led or participated in key R&D initiatives at national or provincial levels. Their collective expertise, spanning the entire drug development cycle, has been pivotal in advancing our R&D programs on various drug modalities in different therapeutic areas. Their research has been published in renowned academic journals such as the *Journal of Immunotherapy* and *Oncotargets and Therapy*. Our robust portfolio of over 100 issued patents and patent applications worldwide also stands as a testament to their critical role in driving our innovation.

CSPC Pharmaceutical, our Controlling Shareholder, is a leading innovation-driven pharmaceutical enterprise in China. CSPC Pharmaceutical has introduced strategic initiatives aimed at accelerating growth, enhancing profitability, fostering innovation, developing talent, increasing efficiency and implementing best-in-class corporate governance practices that we believe position us well for sustainable long-term growth.

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OUR STRATEGIES

Solidify Our Leadership in Functional Ingredients Business

Our functional ingredients business commands a significant global market share and contributes a substantial and consistent cash inflow. We believe the profitability of this business segment will provide solid financial support, accelerating our rise to a global leader in innovative biopharmaceuticals.

To capitalize on our strength in this sector, we plan to enrich our specialized ingredients portfolio and explore their commercial opportunities in high-end markets. In recent years, we have successfully expanded into the offering of other premium xanthine products, such as theobromine, doxophylline, and diprophylline. While driving their growth in high-end pharmaceutical markets, we are also exploring their applications in new fields such as skincare, cosmetics, and hair care.

Advance Biopharmaceutical R&D With a Focus on Frontier Technologies

We aim to build our leadership in the biopharmaceutical industry through continuous technological breakthroughs and innovation. ADCs, mRNA vaccines, and other frontier therapeutics will remain our key focus in the near future. We intend to invest heavily in related technologies, accelerate our drug discovery and R&D progress, and offer differentiated therapies to address unmet medical needs.

We will continue to advance our antibody engineering and conjugation technologies, with the objective of establishing an advanced ADC development engine capable of generating a strong pipeline of best-in-class and first-in-class drug candidates. We believe an expansive library of ADC building blocks is crucial for enabling a more flexible drug design process and facilitating the creation of differentiated ADC therapeutics. Accordingly, we plan to continue diversifying our portfolio of novel payloads, linkers, and conjugation methods. Our strategic initiatives include (i) leveraging advanced computational-aided drug design, molecular modeling software, and other cutting-edge computational tools to optimize the efficacy, safety, and pharmacokinetic properties of antibodies; (ii) developing novel payloads with diverse mechanisms of action tailored to different indications and therapeutic areas; (iii) developing novel linkers to optimize the payload release within different tumor microenvironments, thereby enhancing drug stability and lowering off-target toxicity; and (iv) advancing our proprietary site-specific conjugation technologies, while exploring other conjugation methods to diversify molecular design and create more treatment options.

In addition, we plan to further unlock the potential of our mRNA vaccine development platform. To this end, we plan to enhance mRNA sequence and modification by exploring more effective sequencing algorithms and nucleic acid modification techniques. In parallel, we will continue investing in the research and optimization of the delivery system for mRNA vaccines. Through these initiatives, we intend to continuously maximize protein expression, reduce immunogenicity, and improve the overall safety profile of our constructs, while ensuring an efficient, scalable manufacturing of mRNA vaccines.

Accelerate Drug Development to Address Indications in Areas of High Unmet Medical Need

We will continue building our strategic portfolio of drug assets to address unmet medical needs in lung cancer, breast cancer, gastric cancer, colorectal cancer, and other essential cancer types. Through a disciplined approach, we expect to propel our rollout of therapies with enhanced efficacy and safety profiles, particularly those with best-in-class or first-in-class potential. This also allows us to maximize the commercial potential of our drug assets through strategic collaborations.

Moving forward, we will continue optimizing the molecular structure of clinically validated drugs and drug candidates. Between 2026 and 2028, we expect to submit to the NMPA the BLAs of DP303c (a HER2 ADC), SYS6010 (an EGFR ADC), and SYS6002 (a Nectin-4 ADC), and advance several ADC drug candidates to pivotal trials, including SYS6043 (a B7-H3 ADC), SYS6023 (a HER3 ADC), SYS6040 (a DLL3 ADC), SYS6005 (an ROR1 ADC), and SYS6041 (an FR α ADC). Moreover, we will continue exploring opportunities in combining our ADCs with other therapies, particularly with immunotherapies. We also intend to expand the indications of our drug assets for earlier lines of treatment and develop our ADCs as add-on therapies to the current

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standard of care for different cancers. For example, we have been investigating SYS6010 in combination with other therapies for earlier lines of treatment, which target a larger treatment population. These include a Phase Ib/III clinical trial in China to evaluate SYS6010 in combination with osimertinib for the first-line treatment of EGFR-mutated advanced NSCLC and a Phase II/III clinical trial in China to evaluate SYS6010 in combination with enlonstobart and chemotherapy versus the standard of care for the first-line treatment of esophageal squamous cell carcinoma (“ESCC”).

Additionally, we intend to continue our research into mRNA vaccines. We will keep pace with technological breakthroughs to optimize the translation, stability, and immunogenicity of mRNA. By advancing our mRNA development platform, we aim to deliver more mRNA vaccines with significant clinical value and high market potential.

Establish World-Class Manufacturing System

We are committed to establishing a world-class biopharmaceutical manufacturing system to support product launches and our overall business growth. To this end, we plan to expand our manufacturing facilities, upgrade production lines, and enhance automated manufacturing, while maintaining rigorous global-standard quality management.

Currently, we are in the process of expanding our Shijiazhuang biopharmaceutical manufacturing base. As part of our expansion plan, we are building a GMP-compliant workshop dedicated to ADC production. We have completed the construction of the workshop and are in the process of procuring advanced equipment and machinery, including bioreactors, disc stack centrifuges, purification and filling systems, from renowned international and domestic brands. We expect to complete the expansion in the second half of 2026.

In addition, we will continue to implement comprehensive quality management practices throughout the entire product development lifecycle. These include stringent and effective procurement inspections, in-process production controls, and rigorous product release testing to ensure consistent quality at every stage. We will adhere to applicable GMP requirements in China and overseas and maintain ISO and other global-standard certifications for quality management. Our unwavering commitment to quality will strengthen our brand reputation and earn enduring trust.

Accelerate Our Expansion Into the Global Biopharmaceutical Market

Guided by our commitment to global health, we plan to provide broader access to our innovative drug portfolio through a multi-faceted strategy. As part of our global strategy, we will continue proactively seeking collaboration and licensing opportunities overseas. By partnering with global peers, we expect to accelerate the development and commercialization of our innovative drug candidates in major markets, including North America, the European Union, Australia, and Japan. At the same time, we will consider co-development opportunities with partners possessing complementary technologies to enhance our drug discovery efforts. Furthermore, we will continue carrying out and advancing multi-regional clinical trials for more drug candidates, particularly those with first-in-class or best-in-class potential.

With a global outlook, we will keenly identify opportunities to in-license or acquire attractive pipeline assets, although we currently have no agreements, commitments, or understandings with respect to any such transaction. This will strategically strengthen our advantage in ADCs, mRNA medicines, and other cutting-edge fields, thereby enhancing our overall competitiveness globally.

Enhance Commercialization Capabilities and Strengthen Our Brand Recognition

As our drug candidates progress toward late-stage clinical development or regulatory approval, we are proactively investing in our global sales and marketing capabilities. We plan to recruit seasoned sales experts and expand the size of our sales teams, supporting our academic promotion and engagement with the local medical community. Furthermore, to deepen our market penetration, we intend to collaborate with distributors that have proven capabilities to reach a broad network of medical institutions in these markets.

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Consistent with our track record, we will augment our academic promotion. We intend to sponsor and participate in academic conferences and seminars, where we can showcase our research results and innovative therapies. We also plan to continue collaborating with key opinion leaders, leading research institutes, and scholars on clinical trials, research studies, and publications, centering on our drugs and drug candidates. Taken together, these efforts will promote awareness of the clinical benefits of our innovative therapies among patients, physicians, and the medical community. We believe these efforts are also instrumental in driving revenue uptake of our newly launched products and expanding the social impact of our brand.

OUR FUNCTIONAL INGREDIENTS AND NUTRITIONAL PRODUCTS BUSINESS

Sales of functional ingredients and nutritional products accounted for 96.5%, 92.9%, and 86.1% of our total revenue in 2023, 2024, and 2025, respectively. The following table sets forth the sales volume of products we offered in this business line for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
Functional Ingredients:			
Caffeine Products* (tons)	14,883	14,750	18,192
Acarbose (tons)	194	143	120
Anhydrous Glucose (tons)	31,103	36,426	32,134
Nutritional Products (million tablets/capsules)	150,068	67,999	110,037

Note:

* Caffeine products are broadly defined in this document to include caffeine and other xanthine derivatives, including theophylline, aminophylline, diprophylline, doxofylline, theobromine, and pentoxifylline.

Caffeine Products

Caffeine

Caffeine is a xanthine alkaloid compound and a central nervous system stimulant that has various effects including refreshing and awakening the mind, anti-depression, weight control, promoting digestion, diuresis, improving constipation, pain relief, and enhancing physical agility. It is primarily used as a food or beverage additive and as a pharmaceutical raw material. In recent years, due to its antioxidant, soothing, and anti-hair loss properties, the application of caffeine has continued to expand, with widespread use in cosmetics, daily chemicals, and other fields.

China is the most important producer of caffeine, with production mainly concentrated in several enterprises with designated caffeine production qualifications. Caffeine is classified as a Class II psychotropic drug in China and is subject to national control. Production of caffeine is subject to the approval from the NMPA. Caffeine manufacturers in China are required to maintain appropriate production facilities and storage conditions, as well as implement stringent safety management measures.

In 2023, 2024 and 2025, our average selling price of caffeine per kilogram was RMB93.0, RMB68.3 and RMB64.8, respectively. The price of caffeine is subject to fluctuations in upstream raw material costs and changes in market supply and demand. Historically, due to rising raw material costs and strong market demand, the average selling price of caffeine saw a significant increase beginning in the second half of 2021, culminating in a peak in 2022. As cost pressure subsided in 2023, the average selling price of caffeine gradually declined and returned to normal levels in 2025.

We primarily produce caffeine for use as a food additive in functional beverages. From 2020 to 2025, we have been the world’s largest producer of chemically synthesized caffeine, both in terms of revenue and shipment volume, according to Frost & Sullivan. As of the Latest Practicable Date, our caffeine had been sold to 73 countries and regions worldwide, with our main markets being North America and Europe. With stable product quality, cost advantages brought by large-scale production, and a comprehensive supply chain, we have developed strong relationships with leading players in the international beverage sector. Notably, we have been a global caffeine supplier to industry giants such as The Coca-Cola Company since 2006, PepsiCo since 2007, and Red Bull GmbH since 2008.

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Other Caffeine Products

During the Track Record Period, we proactively diversified our offering of other caffeine products. These xanthine derivatives are primarily used as APIs. Below is a description of other caffeine products we offered during the Track Record Period, ranked by their revenue contribution in 2025.

- *Theobromine*. It functions to promote diuretic, myocardial stimulant, vasodilatory, and smooth muscle relaxant effects.
- *Theophylline*. It functions to promote cardiotonic and diuretic effects, coronary vasodilation, bronchial smooth muscle relaxant effects, and central nervous system stimulant effects. It is commonly used in drugs indicated for the treatment of bronchial asthma, emphysema, bronchitis, and cardiac dyspnea.
- *Diprophylline*. Similar to aminophylline, it functions to promote bronchodilation, coronary vasodilation, and cardiotonic and diuretic effects. It is commonly used in drugs indicated for the treatment of bronchial asthma, asthmatic bronchitis, chronic emphysema, and related conditions.
- *Aminophylline*. It functions to exert relaxant effect on the smooth muscles of the respiratory tract, enabling bronchodilation and improving vital capacity, with a relatively sustained action. It is particularly effective in relieving bronchial spasms. Additionally, aminophylline dilates the coronary arteries, improves myocardial blood supply, and enhances cardiac contractility.
- *Pentoxifylline*. It is used in the management of peripheral vascular disease. It improves blood flow by reducing viscosity and enhancing red blood cell flexibility.
- *Doxofylline*. It primarily provides asthma relief and is commonly used in drugs indicated for cough suppression and asthma treatment.

Acarbose

Acarbose, an alpha-glucosidase inhibitor, functions by delaying carbohydrate digestion in the small intestine, thereby preventing sharp postprandial blood glucose spikes and enabling effective blood glucose management for individuals with diabetes or those at risk of developing diabetes. From 2020 to 2025, we have been one of the largest domestic companies in China certified for manufacturing acarbose as an API, both in terms of revenue and shipment volume, according to Frost & Sullivan.

The NMPA’s associated review and approval system imposes requirements on chemical APIs, excipients, and packaging materials. Drug manufacturers are required to specify their API supplier when submitting a drug registration application. The NMPA will then conduct concurrent review on APIs. For details, see “Regulatory Overview—PRC Laws and Regulations on Pharmaceutical Products—New Drug Application.” Benefiting from the quality of our acarbose, we have established stable partnerships with a majority of domestic acarbose formulation manufacturers.

Anhydrous Glucose

Anhydrous glucose, also known as dextrose anhydrous, is a refined, crystallized form of glucose with no water content. In the pharmaceutical industry, it can be prepared into oral liquid or intravenous injection as nutritional supplement. In the food industry, it can be used as sweetener in the form of edible sugar, or function as a reducing agent or a component for biological culture medium preparation.

We have been continuously enhancing the quality of our anhydrous glucose products, while deepening our penetration into the Asia-Pacific region, including markets such as Singapore, Japan, and Korea.

BUSINESS

Nutritional Products

We develop a diverse range of nutritional products that meet modern health needs and genuinely connect with consumers. During the Track Record Period, we offered a comprehensive portfolio of nutritional products that are formulated to support key health areas, such as enhancing immunity, strengthening bones, providing antioxidant support, supplementing minerals, and promoting eye health.

Our products are known for favorable efficacy, diverse consumer base, pleasant taste, and optimal absorption. Today, Guoweikang (果維康®) has been recognized as a well-known trademark (馳名商標) in China and our sales network of nutritional products has covered over 270 chain pharmacies nationwide. Below is a description of our major nutritional products, ranked by their revenue contribution in 2025.

Product	Sample Picture	Packaging	Reference Retail Price as of the Latest Practicable Date (RMB/Unit)	Main Ingredients
Guoweikang Vitamin C Buccal Tablets (果維康®維生素C含片) . . .		60 (tablets)	48.6	Vitamin C
Fuxinlang Coenzyme Q10 Soft Capsule (輔欣朗®輔酶Q10軟膠囊) . .		30 (capsules)	68.0	Coenzyme Q10
Guoweikang Vitamin B Complex Buccal Tablets (果維康®B族維生素含片) . . .		50 (tablets)	59.8	Vitamin B1, vitamin B2, vitamin B6, vitamin B12, niacinamide, folic acid, biotin, and pantothenic acid
Shiyaopai Glucosamine Chondroitin Sulfate Calcium Tablet (石藥牌氨基糖硫酸軟骨素鈣片)		60 (tablets)	128.0	Calcium carbonate, D-glucosamine hydrochloride, sodium chondroitin sulfate, and vitamin D3 powder (cholecalciferol, gelatin, starch)
Shiyao Calcium Iron Zinc Oral Liquid (石藥牌鈣鐵鋅口服液)		20 (vials)	49.6	Calcium, iron, zinc

OUR BIOPHARMACEUTICAL BUSINESS

We strategically focus on antibody drugs, ADCs and mRNA vaccines, covering therapeutic areas with significant growth potential, including oncology, autoimmune diseases, and infectious diseases. As of the Latest Practicable Date, we had commercialized three antibody drugs, two mRNA vaccines, and had a strong pipeline of over 15 drug candidates in clinical or later stages of development, including nine ADC drug candidates and one mRNA vaccine candidate.

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Drug Name/ Code	Target(s)	Indication (Line of Treatment)	Mono/ Combo	Preclinical	IND	Phase I	Phase II	Phase III	NDABLA	Approval	Current Status/Next Milestone	Commercialization Regions
Antibody Drugs												
Embasart ¹ (SYSN1802)	PD-1	Advanced cervical cancer (2L+) Recurrent metastatic cervical cancer (1L)	Mono +Chemo +Bevacizumab								NMPA approval obtained in June 2024 ⁽¹⁾ Phase III trial initiated in January 2023; expected BLA submission in 2028	Greater China Region ⁽²⁾
Onjalimab ¹ (SYSA1903)	IgE	Chronic spontaneous urticaria Moderate-to-severe persistent allergic asthma	Mono								NMPA approval obtained in September 2024 NMPA approval obtained in February 2025	Chinese Mainland ⁽³⁾
Urbasumab (SYSU0002)	IL-12/IL-23/p40	Moderate-to-severe psoriasis	Mono								NMPA approval obtained in May 2026	Global
Peruzumab (SYSU1901)	HER2	HER2 positive early or locally advanced breast cancer	+Trastuzumab and docetaxel								BLA accepted in November 2025; expected approval in 2027	Global
Secukinumab	IL-17A	Moderate-to-severe plaque psoriasis	Mono								Phase III: initiated in June 2024; completed in January 2026; Phase II trial: initiated in January 2024	Global
SYS6090	PD-1/IL15	Advanced malignant neoplasm	Mono								Phase II trial: initiated in March 2026; expected completion in 2028	Global
Dopigumab (SYSU0003)	IL-4Ra	Moderate to severe atopic dermatitis	Mono								Phase I trial: initiated in October 2025; expected completion in 2026	Global
ADC Drugs												
SYS6010 ⁽⁴⁾ 	EGFR	EGFR mutated advanced NSCLC (2L)	Mono								Phase III trial: initiated in March 2025; expected completion in 2026	Global
		EGFR mutated advanced NSCLC (1L)	+Osimertinib								Phase III trial: initiated in March 2026; expected completion in 2029	
		Esophageal squamous cell carcinoma (2L)	Mono								Phase III trial: initiated in March 2026; expected completion in 2028	
		HER2 negative, EGFR positive breast cancer	Mono								Phase III trial: initiated in March 2026; expected completion in 2028	
		EGFR negative, EGFR positive breast cancer	Mono								Phase III trial: initiated in March 2026; expected completion in 2029	
		EGFR wild-type nsq-NSCLC (2L)	Mono								Phase III trial: initiated in March 2026; expected completion in 2029	
		EGFR wildtype advanced NSCLC (1L) and advanced solid tumors	+PD-1								Phase II trial: initiated in September 2024; expected completion in 2027	
		Esophageal squamous cell carcinoma (1L)	+PD-1+Chemo								Phase II trial: initiated in November 2025; expected completion in 2028	
		HNSCC (1L)	+PD-1								Phase II trial: initiated in November 2025; expected completion in 2027	
		Neoadjuvant treatment of EGFR mutated nsq-NSCLC	+Osimertinib								Phase II trial: initiated in November 2025; expected completion in 2027	
		Advanced solid tumors (gastric cancer, lung cancer, breast cancer, etc.)	Mono or +SYH2051 (a selective ATM inhibitor)								Phase II trial: initiated in November 2025; expected completion in 2027	
		Multiple advanced solid tumors	Mono								Phase II trial: initiated in November 2025; expected completion in 2027	
		Cervical cancer (2L+)	Mono vs. Chemo								Phase II trial: initiated in November 2024; expected completion in 2026	
		Advanced urothelial carcinoma (1L) and other solid tumors	+PD-1								Phase I trial: initiated in May 2023; expected completion in 2028	
SYS6002	Nectin-4	Advanced urothelial carcinoma (1L) and other solid tumors	Mono vs. Chemo								Phase III trial: initiated in December 2025; expected completion in 2027	Excluding the U.S., the EU, and seven other countries and regions
DP403c	HER2	HER2 positive advanced breast cancer (2L+)	+PD-1								Phase I trial: initiated in November 2022; expected completion in 2026	Global
SYS6043	B7-H3	Multiple advanced solid tumors	Mono								Phase III trial: initiated in January 2024; expected completion in 2026	Global
SYS6043	B7-H3	Multiple advanced solid tumors	Mono								Phase II trial: initiated in August 2025; expected completion in 2027	Global
SYS6023	HER3	SCLC and other advanced solid tumors	+PD-(L1), +Chemo								Phase II trial: initiated in March 2026; expected completion in 2028	Global
SYS6023	HER3	Advanced breast cancer	+Atezolizumab								Phase II trial: initiated in May 2026; expected completion in 2028	Global
SYS6041	FRα	Multiple advanced solid tumors	Mono								Phase I trial: initiated in August 2024; expected completion in 2028	Global
SYS6045	ROR1	Multiple advanced solid tumors	Mono								Phase I trial: initiated in February 2025; expected completion in 2026	Global
SYS6040	DL13	Multiple advanced malignancies	Mono								Phase I trial: initiated in February 2025; expected completion in 2027	Excluding the U.S., the EU, and 11 other countries and regions
SYS6051	TF	Multiple advanced solid tumors	Mono								Phase I trial: initiated in April 2025; expected completion in 2027	Global
SYS6017	TF	Multiple advanced solid tumors	Mono								Phase I trial: initiated in May 2026; Phase II trial: expected initiation in 2027	Global
mRNA Vaccines												
SYS6006	/	BA.5 variant strain of COVID-19 (SYS6006)	Mono								NMPA approval obtained in March 2023	Global
Dental 2 (SYS6006.32)	/	XBBI.5PQ.1 variant strain of COVID-19	Mono								NMPA approval obtained in December 2023	Global
SYS6017	/	varicella zoster virus	Mono								Phase II trial: initiated in January 2026; expected completion in 2027	Global

 NMPA Breakthrough Therapy Designation

 U.S. FDA Fast Track Designation

 In-licensed products

BUSINESS

Notes:

† The list is non-exhaustive

- (1) In June 2024, enlonstobart was approved by the NMPA for the treatment of recurrent or metastatic cervical cancer, conditioned upon confirmatory randomized controlled clinical trial results demonstrating its clinical benefit.
- (2) In 2018, CSPC Ouyi entered into an exclusive agreement with Sumgen to develop and commercialize enlonstobart (then known as SYSA1802) in the Greater China Region. In May 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Ouyi, pursuant to which we obtained all of CSPC Ouyi’s rights to enlonstobart. For details, see “—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Enlonstobart.”
- (3) In 2019, CSPC Baike entered into an exclusive agreement with Synermore to develop and commercialize omalizumab (then known as SYSA1903) in Chinese Mainland. In April 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Baike, pursuant to which we obtained all of CSPC Baike’s rights to omalizumab. For details, see “—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Omalizumab.”
- (4) The NMPA has granted two breakthrough therapy designations to SYS6010 for its intended indication as a monotherapy for (i) the treatment of EGFR mutation-positive advanced NSCLC after failure of EGFR TKIs and platinum-based chemotherapy, and (ii) the treatment of patients with unresectable locally advanced or metastatic ESCC who have experienced treatment failure after receiving first-line platinum-containing chemotherapy and immune checkpoint inhibitors. The U.S. FDA has granted three fast track designations to SYS6010 for the treatment of (i) metastatic NSCLC patients with EGFR mutations who are relapsed/refractory to or ineligible for EGFR targeting therapy such as third generation EGFR inhibitors including osimertinib; (ii) patients with recurrent or metastatic squamous NSCLC with EGFR over-expression that has progressed on or after treatment with platinum-based chemotherapy and anti-PD-(L)1 therapy; and (iii) adult patients with advanced or metastatic nsq-NSCLC without EGFR mutations or other actionable genomic alterations, with prior disease progression on platinum-based chemotherapy and an anti-PD-(L)1 antibody.
- (5) In February 2023, we entered into an out-licensing agreement with Corbus Pharmaceuticals, pursuant to which we agreed to grant Corbus Pharmaceuticals the exclusive rights to develop and commercialize SYS6002 in the United States, the European Union, United Kingdom, Canada, Australia, Iceland, Liechtenstein, Norway, and Switzerland. For details, see “—Material Collaboration and Licensing Arrangements—Exclusive License Agreement with Corbus Pharmaceuticals.”

ADCs

SYS6010

SYS6010 is potentially the first EGFR ADC in China to be approved for the treatment of NSCLC. It comprises an EGFR-specific antibody conjugated to a topoisomerase I inhibitor as its payload via a cleavable linker at a drug-to-antibody ratio (“**DAR**”) of 8.

SYS6010 targets EGFR, a transmembrane receptor tyrosine kinase overexpressed in malignancies such as lung, breast, gastric, and colorectal cancers. After binding to the EGFR receptor on the surface of tumor cells, it enters the cell via endocytosis and is degraded by proteases in the lysosome, releasing JS-1. JS-1 is a novel topoisomerase I inhibitor that induces DNA damage, leading to apoptosis. Additionally, it exerts a bystander effect, nonspecifically killing surrounding tumor tissue cells.

According to Frost & Sullivan, approximately 30% to 40% of NSCLC patients worldwide have activating EGFR mutations. EGFR TKI drugs are the most common targeted therapies used in the treatment of NSCLC patients who carry a mutation in EGFR. However, nearly 50% of patients who benefit from EGFR TKI therapy eventually develop drug resistance, resulting in disease progression. In April 2025, preliminary results of a Phase I clinical trial of SYS6010 as monotherapy for advanced solid tumors were presented at the AACR Annual Meeting. SYS6010 demonstrated a tolerable safety profile with high efficacy in patients with advanced solid tumors, particularly in nsq-NSCLC subjects with EGFR TKI resistance or EGFR wild type:

	Patient Subgroup			
	EGFR mutant nsq-NSCLC (n=49)	EGFR mutant nsq-NSCLC with TKI resistance (n=9)	EGFR mutant nsq-NSCLC with TKI and platinum resistance (n=38)	EGFR Wild Type nsq-NSCLC (n=7)
Dose	4.8 mg/kg	4.8 mg/kg	4.8 mg/kg	4.2, 4.8, 6.4 mg/kg
ORR (%), 95% CI	46.9 (32.5-61.7)	88.9 (51.8-99.7)	34.2 (19.6-51.4)	71.4 (29.0-96.3)
DCR (%), 95% CI	93.9 (83.1-98.7)	100 (66.4-100)	92.1 (78.6-98.3)	85.7 (42.1-99.6)
Median DoR (months) . .	4.8	Not reached	4.8	Not reached
Median PFS (months) . .	7.6	Not reached	7.6	Not reached

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In the same Phase I clinical trial, we had enrolled a total of 56 patients with nasopharyngeal carcinoma as of September 15, 2025, of which 34 patients were dosed at 4.2 mg/kg Q3W and 22 patients were dosed at 4.8 mg/kg Q3W. 37 patients had received second or later lines of therapy. Of the 54 evaluable patients with nasopharyngeal carcinoma, the ORR was 31.5%, the DCR was 87.0%, and the median PFS was 7.5 months.

Recognizing the benefits of ADC-IO combination therapies, we seek to explore the combination of SYS6010 with different immune checkpoint inhibitors. As of the Latest Practicable Date, SYS6010 was being evaluated in combination with enlonstobart (our anti-PD-1 mAb) in a Phase I/II clinical trial in China for the treatment of EGFR wild-type locally advanced or metastatic NSCLC and other advanced solid tumors. We also intend to explore the therapeutic potential of SYS6010 in combination with SYS6090 (our anti-PD-1/IL-15 bi-functional fusion protein).

To target a larger treatment population, we have been investigating SYS6010 in combination with other therapies for earlier lines of treatment of a wide range of malignancies. As of the Latest Practicable Date, we were conducting (i) a Phase Ib/III clinical trial in China to evaluate SYS6010 in combination with osimertinib for the first-line treatment of EGFR-mutated advanced NSCLC, and (ii) a Phase II/III clinical trial in China to evaluate SYS6010 in combination with enlonstobart and chemotherapy versus the standard of care for the first-line treatment of ESCC.

The NMPA has granted two breakthrough therapy designations to SYS6010 for its intended indication as a monotherapy for (i) the treatment of EGFR mutation-positive advanced NSCLC after failure of EGFR TKIs and platinum-based chemotherapy, and (ii) the treatment of patients with unresectable locally advanced or metastatic ESCC who have experienced treatment failure after receiving first-line platinum-containing chemotherapy and immune checkpoint inhibitors. The U.S. FDA has also granted three fast track designations to SYS6010 for the treatment of (i) metastatic NSCLC patients with EGFR mutations who are relapsed/refractory to or ineligible for EGFR targeting therapy such as third generation EGFR inhibitors including osimertinib; (ii) patients with recurrent or metastatic squamous NSCLC with EGFR over expression that has progressed on or after treatment with platinum-based chemotherapy and anti-PD-(L)1 therapy; and (iii) adult patients with advanced or metastatic nsq-NSCLC without EGFR mutations or other actionable genomic alterations, with prior disease progression on platinum-based chemotherapy and an anti-PD-(L)1 antibody.

SYS6002

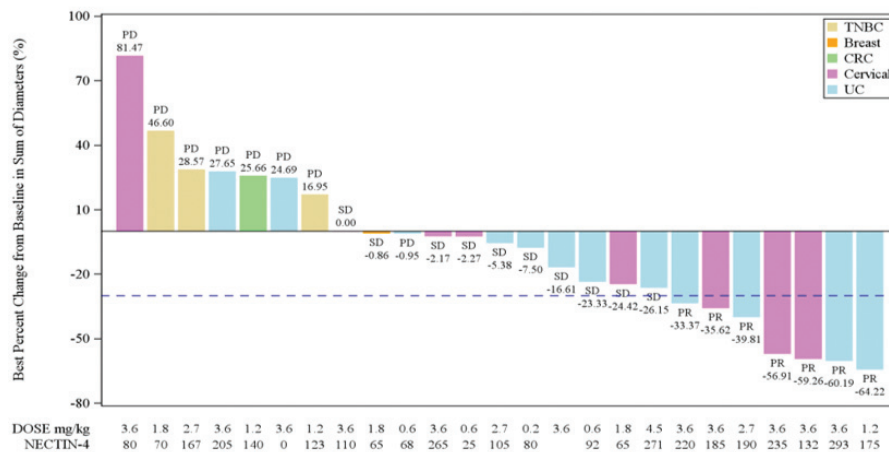
SYS6002 is a Nectin-4 ADC that comprises a Nectin-4-specific antibody conjugated to monomethyl auristatin E (“MMAE”) as its payload site-specifically via a cleavable linker at a DAR of 2.

Nectin-4 promotes tumor proliferation, angiogenesis, lymphangiogenesis, and lymphatic metastasis, and its expression is at a very low level in healthy adult human tissues. However, in many types of cancer including bladder, triple negative breast, lung, colorectal, pancreatic, and ovarian cancers, high-level expression of Nectin-4 is reactivated. The upregulation of Nectin-4 is also an independent biomarker for poor overall survival in several types of cancer. Due to its selective expression in cancer, Nectin-4 has become a promising therapeutic target for various cancers.

SYS6002 can direct the potent mitotic inhibitor MMAE specifically to Nectin-4 expressing cancer cells. SYS6002 is also designed with a reduced and homogeneous DAR, which improves blood stability and tumor-specific drug release for a better safety profile and efficacy. More importantly, to maximize the intra-tumoral delivery of ADCs, linkers need to be highly stable in the systemic circulation yet allow for efficient drug release at the target site. We apply our novel, site-specific, cleavable transglutaminase conjugation technology in the drug design. This enables a favorable stability of the linker, while overcoming dose-limiting toxicities observed with the commonly approved linker payload system involved in therapies such as enfortumab vedotin. As of the Latest Practicable Date, enfortumab vedotin was the only marketed Nectin-4 ADC worldwide, according to Frost & Sullivan, which was approved for the treatment of urothelial cancer and bladder cancer.

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As of the Latest Practicable Date, we were conducting (i) a Phase III clinical trial in China to evaluate SYS6002 as a monotherapy for the treatment of cervical cancer, (ii) a Phase I/II clinical trial in China to evaluate SYS6002 in combination with anti-PD-1 mAb for the treatment of urothelial cancer and other solid tumors, and (iii) a Phase I clinical trial in China to evaluate SYS6002 as a monotherapy for the treatment of advanced solid tumors. The Phase I clinical trial of SYS6002 in China opened for enrollment in January 2023 and concluded dose escalation in July 2024. We presented preliminary results of the clinical trial at the 2024 ASCO Conference. 37 participants were enrolled and 25 were evaluable as of the data cut-off date. We enrolled patients with metastatic urothelial cancer, cervical cancer, and other solid tumors. Preliminary results indicated that SYS6002 demonstrated clear efficacy signals and good tolerability in advanced solid tumors. The following waterfall plot presents a clinical update on the efficacy of SYS6002 in its Phase I clinical trial as of May 2024.



Source: Clinical update on the first-in-human trial of SYS6002 (CRB-701), a next-generation, Nectin-4 targeting, MMAE bearing, antibody drug conjugate, ASCO 2024—Abstract 3151

Abbreviations: CRC=colorectal cancer; PD=progressive disease; PR=partial response; SD=stable disease; UC=urothelial cancer; TNBC=triple-negative breast cancer

Anti-tumor responses across multiple doses were observed, with the first confirmed stable disease at 0.6 mg/kg and the first confirmed partial response at 1.2 mg/kg. Responses available in metastatic urothelial cancer patients dosed at ≥ 1.2 mg/kg (n=9) demonstrated an emerging ORR of 44% and a DCR of 78%. Responses available in cervical cancer patients dosed at ≥ 1.2 mg/kg (n=7) demonstrated an emerging ORR of 43% and a DCR of 86%. In addition, SYS6002 was well tolerated in escalation. It exhibited a longer ADC half-life and a lower free-MMAE exposure relative to enfortumab vedotin at comparable dose levels.

In February 2023, we agreed to grant an exclusive license to Corbus Pharmaceuticals to develop and commercialize SYS6002 (also known as CRB-701) in specified regions. For details, see “—Material Collaboration and Licensing Arrangements—Exclusive License Agreement with Corbus Pharmaceuticals.” In December 2024 and September 2025, CRB-701 was granted two fast track designations by the U.S. FDA for the treatment of (i) relapsed or refractory metastatic cervical cancer, and (ii) patients with recurrent or metastatic HNSCC whose disease has progressed following treatment with platinum-based chemotherapy and an anti-PD-(L)1 antibody. In May 2026, Corbus Pharmaceuticals announced its broad alignment with the U.S. FDA on the registration path for CRB-701 in HNSCC and cervical cancers and continued interactions with the U.S. FDA to finalize the protocols and statistical analysis plans for the registrational studies. Monotherapy data from the Phase I/II study of CRB-701 in both HNSCC and cervical cancers were presented at the 2026 ASCO Annual Meeting. As of September 2025, 60 patients with HNSCC were enrolled across the dose escalation and dose optimization parts. The confirmed ORR was 33.3% (4/12 patients) at the 2.7 mg/kg dose, and 33.3% (7/21 patients) at the 3.6 mg/kg dose.

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DP303c

DP303c is a HER2 ADC, comprising an anti-HER2 antibody conjugated to MMAE as its payload site-specifically via a cleavable linker at a DAR of 2.

Despite advances in anti-HER2 therapy, treatment options remain limited for patients with HER2-positive advanced breast cancer who have progressed on at least trastuzumab and taxane in China. DP303c is a steady and homogeneous ADC that showed a high affinity with HER2 and is predicted to deliver a significant amount of the highly active MMAE inhibitor to tumor cells effectively.

As of the Latest Practicable Date, DP303c was being evaluated versus T-DM1 in a Phase III trial in China for the treatment of patients with HER2-positive advanced breast cancer who had received prior trastuzumab and taxane therapy. The primary endpoint was PFS assessed by a blinded independent review committee (BIRC). Between March 28, 2024 and April 25, 2025, 448 patients were randomized (DP303c, n=226; T-DM1, n=222). At interim analysis (cut-off date: July 8, 2025), BIRC-assessed PFS was significantly improved with DP303c (median PFS 8.8 months; 95% CI: 7.20, 9.92) versus T-DM1 (median PFS 5.8 months; 95% CI: 4.67, 7.10) ($p<0.0001$), with a stratified hazard ratio (HR) of 0.56 (95% CI: 0.42, 0.75).

SYS6043

SYS6043 is a B7-H3 ADC, comprising an anti-B7-H3 mAb conjugated to a topoisomerase I inhibitor as its payload via a cleavable linker at a DAR of 6.

B7-H3 has been found to be overexpressed in small cell lung cancer (“SCLC”) and many other solid tumors such as breast cancer, HNSCC, prostate cancer, and hepatocellular carcinoma, making it an attractive therapeutic target. However, as of the Latest Practicable Date, there were no approved ADCs that target B7-H3, according to Frost & Sullivan.

SYS6043 incorporates a novel topoisomerase I inhibitor, which leads to a potent bystander effect. Antibody-dependent cellular cytotoxicity relies on the interaction between the Fc portion of an antibody and immune cells to eradicate targets. However, the internalization of ADCs into target-negative cells may cause the off-target toxicity. To address this, the Fc-engineering of SYS6043 silences its Fc-mediated effector functions. This design mitigates the potential risk of activating Fc- γ receptors (“Fc- γ Rs”) on immune cells, thereby preventing its internalization into target-negative cells via Fc- γ Rs.

SYS6043 was undergoing a Phase I/II clinical trial in China as a monotherapy for the treatment of multiple advanced solid tumors. We presented preliminary results of the clinical trial at the 2026 ASCO Annual Meeting. As of March 31, 2026, a total of 627 patients were enrolled, including those with lung cancer, gynecological tumor, breast cancer, nasopharyngeal carcinoma, HNSCC, ESCC, liver cancer, and other solid tumors. SYS6043 demonstrated clinically meaningful anti-tumor activity in multiple solid tumors. Among the 533 efficacy-evaluable patients dosed at 1.2 mg/kg, 2.4 mg/kg, 4 mg/kg, 6 mg/kg, 8 mg/kg, and 10 mg/kg Q3W, as well as 4 mg/kg and 6 mg/kg Q2W, the ORR was 41.8% and the DCR was 81.4%. Notably, 134 lung cancer patients demonstrated an ORR of 46.3% and a DCR of 82.8%, 125 breast cancer patients demonstrated an ORR of 56.8% and a DCR of 93.6%, and 139 patients with gynecologic tumor demonstrated an ORR of 42.4% and a DCR of 85.6%. SYS6043 demonstrated a favorable safety profile and was generally well-tolerated, with grade 3 toxicities being low and manageable.

In addition, to explore the potential benefit of ADC-IO combination therapies, SYS6043 was undergoing a Phase I/II clinical study in combination with PD-(L)1 inhibitor, with or without chemotherapy, for the treatment of advanced solid tumor. In January 2025, we also obtained IND approval for the clinical trial of SYS6043 from the U.S. FDA.

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SYS6023

SYS6023 is a HER3 ADC, comprising a HER3 antibody conjugated to topoisomerase I inhibitor as its payload via a cleavable linker at a DAR of 8.

SYS6023 is expected to be indicated for the treatment of several advanced solid tumors, including breast cancer, NSCLC, and ovarian cancer. As of the Latest Practicable Date, SYS6023 was undergoing (i) a Phase I clinical trial in China as a monotherapy for the treatment of advanced solid tumors, and (ii) a Phase II clinical trial in combination with anbenitamab in China for the treatment of unresectable locally advanced or metastatic breast cancer. In July 2024, we also obtained IND approval for the clinical trial of SYS6023 from the U.S. FDA.

SYS6041

SYS6041 is an FR α ADC, comprising a farletuzumab mAb conjugated to exatecan as its payload via a cleavable linker at a DAR of 8.

FR α is a protein involved in DNA synthesis, cell proliferation, and repair, which are important for tumor growth. FR α has been found to be overexpressed in many cancers, making it an attractive therapeutic target.

SYS6041 is expected to be indicated for the treatment of advanced solid tumors, including ovarian cancer, endometrial cancer, breast cancer, and NSCLC. As of the Latest Practicable Date, SYS6041 was undergoing a Phase I clinical study in China as a monotherapy for the treatment of multiple advanced solid tumors. In April 2025, we also obtained IND approval for the clinical trial of SYS6041 from the U.S. FDA.

SYS6005

SYS6005 is an ROR1 ADC, comprising an anti-ROR1 mAb conjugated to the potent mitotic inhibitor MMAE as its payload site-specifically via a cleavable linker at a DAR of 4.

The aberrant expression of ROR1 and associated pro-proliferative signaling observed in a variety of hematological malignancies and solid tumors make ROR1 an attractive therapeutic target. SYS6005 can bind to specific receptors on the tumor surface and achieve tumor cell killing by entering the cells through endocytosis and releasing toxins. Utilizing our proprietary enzyme-catalyzed site-specific antibody conjugation technology, SYS6005 is able to direct the potent mitotic inhibitor MMAE specifically to ROR1 expressing cancer cells. The stability of the linker can also facilitate the delivery of high concentration of MMAE into the tumor and reduce side effects with the decrease in undesirable systemic exposure.

SYS6005 is expected to be indicated for the treatment of advanced tumors, including hematologic tumors, ovarian cancer, and NSCLC. As of the Latest Practicable Date, SYS6005 was undergoing a Phase I clinical study in China as a monotherapy for the treatment of multiple advanced malignancies.

SYS6040

SYS6040 is a DLL3 ADC, comprising a DLL3 humanized antibody conjugated to exatecan as its payload via a cleavable linker at a DAR of 8.

DLL3 has emerged as a promising therapeutic target for the treatment of SCLC and other neuroendocrine tumors. As of the Latest Practicable Date, SYS6040 was undergoing a Phase I clinical study in China as a monotherapy for the treatment of advanced solid tumors. On June 10, 2025, we also obtained IND approval for the clinical trial of SYS6040 from the U.S. FDA.

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SYS6051

SYS6051 is a tissue factor (“TF”) ADC, comprising a humanized TF-targeting IgG1 antibody conjugated to exatecan as its payload site-specifically via a cleavable linker at a DAR of 6.

SYS6051 specifically binds to TF expressed on the surface of tumor cells, undergoes receptor-mediated internalization, and subsequently releases a cytotoxic payload intracellularly, thereby exerting potent anti-tumor activity. As of the Latest Practicable Date, SYS6051 was undergoing a Phase I clinical study in China as a monotherapy for the treatment of multiple advanced solid tumors. In April 2026, we also obtained IND approval for the clinical trial of SYS6051 from the U.S. FDA.

mRNA Vaccines

COVID-19 mRNA Vaccine (containing BA.5 key mutations) (Duentai) (新冠狀病毒變異株 mRNA 疫苗(含BA.5 核心突變位點)(度恩泰®))

Duentai is an mRNA vaccine preventing COVID-19 caused by the infection of SARS-CoV-2.

During development, core mutations of prevalent variants were specifically incorporated into Duentai’s antigen design. In preclinical studies, Duentai induced neutralizing antibodies against the SARS-CoV-2 wild-type strain, as well as the Delta and Omicron BA.2 variants in mice or non-human primates. It also induced SARS-CoV-2-specific memory B cell immunity, activated T follicular helper cells and Th1 cells, and did not induce a CD4⁺ Th2 cell response in non-human primates. Furthermore, the vaccine significantly reduced viral RNA loads and completely prevented lung lesions induced by Delta variant infection in human angiotensin-converting enzyme 2 transgenic mice.

In 2023, Duentai was included in emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2, which was the first domestically developed mRNA COVID-19 vaccine, according to Frost & Sullivan.

COVID-19 mRNA Bivalent Vaccine (XBB.1.5/BQ.1 Variant Strain) (Duentai 2) (二價新冠病毒 mRNA 疫苗(XBB.1.5/BQ.1 變異株)(度恩泰2®))

Duentai 2 is a bivalent mRNA vaccine designed for the prevention of COVID-19 caused by the infection of SARS-CoV-2 XBB.1.5 and BQ.1 variants.

Developed on the foundation of Duentai, Duentai 2 not only induced high antibody titers against the dominant variants EG.5 and XBB.1.5, with live virus neutralizing antibody level 48 and 34 times of the level before vaccination, and 4.9 and 5.0 times the level induced by Duentai respectively, but also induced broad-spectrum cross-variant immunity against variants including XBB.1.16, BA.5, XBB.2.3, and BA.2.86. Clinical trials indicated that Duentai 2 may provide good protection against the then-dominant strains and potential prevalent strains. Duentai 2 also demonstrated a good safety profile, especially in the elderly group.

In 2023, Duentai 2 was included in emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2.

SYS6017

SYS6017 is an mRNA vaccine preventing herpes zoster caused by the reactivation of latent VZV.

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SYS6017 comprises mRNA molecules encoding the glycoprotein E (gE) of the varicella-zoster virus (“VZV”) encapsulated in a lipid nanoparticle and is designed to prevent herpes zoster infections. Preclinical studies demonstrated that SYS6017 could effectively induce humoral and cellular immune responses. After administration, the LNPs deliver the mRNA into cells, where it is translated into the gE antigen. The antigen triggers both cellular and humoral immune responses: intracellular processing presents peptides via MHC class I to activate cytotoxic T cells, while extracellular antigen presentation via MHC class II activates helper T cells, which in turn stimulate antibody production by B cells and enhance phagocyte activity. The vaccine also induces long-lasting memory B cells, enabling rapid protection against future VZV infections.

As of the Latest Practicable Date, there were no mRNA vaccines targeting VZV infections worldwide, according to Frost & Sullivan. As of the same date, we were conducting a randomized, blinded, placebo- and active-controlled, adaptive Phase II clinical study in China to evaluate the immunogenicity and safety of SYS6017 (a herpes zoster mRNA vaccine) in healthy participants aged 40 years and above.

Antibody Drugs

Enlonstobart Injection (Enshuxing) (恩朗蘇拜單抗注射液(恩舒幸®))

Enlonstobart is a recombinant fully human anti-PD-1 mAb belonging to IgG4 mAb drug. It reverses the PD-1 pathway-mediated immunosuppressive response, thereby activating the body’s anti-tumor immune response.

In June 2024, enlonstobart was conditionally approved by the NMPA for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 ($\text{CPS} \geq 1$) expression who have previously failed to respond to platinum-based chemotherapy. The approval was mainly based on a pivotal Phase II clinical trial. The enrolled patients were recurrent or metastatic cervical cancer patients with positive PD-L1 expression who have failed to respond to at least first-line platinum-based chemotherapy previously (36.5% of them had previously received ≥ 2 lines of systemic therapy). The results showed that enlonstobart significantly improved the ORR in the treatment of advanced cervical cancer. The ORR assessed by the independent imaging review committee reached 29%, including 2 cases of complete response and 29 cases of partial response, with a median duration of response of 16.6 months. Additionally, enlonstobart demonstrated a good safety profile.

As of the Latest Practicable Date, a Phase III clinical trial was in progress to evaluate the use of enlonstobart in combination with platinum-based chemotherapy, with or without bevacizumab, for the first-line treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 ($\text{CPS} \geq 1$) expression. In addition, multiple clinical trials of enlonstobart in combination with nanomedicines, antibody drugs or ADCs, small molecule drugs, and other therapies for the treatment of different solid tumors were being conducted simultaneously.

In November 2018, CSPC Ouyi entered into an exclusive agreement with Sumgen to develop and commercialize enlonstobart (then known as SYSA1802) in the Greater China Region. In May 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Ouyi, pursuant to which we obtained all of CSPC Ouyi’s rights to enlonstobart. For details, see “—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Enlonstobart.”

SYS6090

SYS6090 is a recombinant fully human anti-PD-1/IL-15 bi-functional fusion protein.

SYS6090 relieves immunosuppression on PD-1 positive tumor infiltrating immune cells caused by the interaction of PD-1 and PD-L1, and further promotes the proliferation and activation of related immune cells through PD-1 antibody binding-dependent activation of the IL-15 downstream signaling pathway, thereby achieving enhanced anti-tumor efficacy.

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As of the Latest Practicable Date, we were conducting (i) a Phase I/II trial in China for the treatment of advanced malignant tumors, (ii) a Phase I/II trial in China for the treatment of unresectable or metastatic melanoma, and (iii) a Phase I trial in the United States for the treatment of advanced malignant tumors.

Biosimilars

In addition to innovative biologics, we have also developed a portfolio of biosimilars, which are expected to broaden our therapeutic area coverage as the indications of their respective originator drugs expand. Following below is a description of our biosimilar drugs and drug candidates.

- *Omalizumab for Injection (Enyitan)* (注射用奧馬珠單抗(恩益坦®)). Enyitan is a humanized anti-immunoglobulin E (IgE) mAb, which is an omalizumab biosimilar to Xolair. Enyitan is the first omalizumab biosimilar in China approved by the NMPA as a Class 3.3 therapeutic biological product, according to Frost & Sullivan.

Enyitan was developed in accordance with the research guidelines for biosimilar drugs. Through a series of progressive studies, including pharmaceutical, nonclinical and head-to-head pharmacokinetic comparisons, and clinical equivalence trials in patients with chronic spontaneous urticaria, it has scientifically, rigorously, comprehensively, and systematically confirmed the high similarity between Enyitan and the originator drug (Xolair) in terms of quality, safety, and efficacy.

In September 2024, Enyitan was approved for the treatment of chronic spontaneous urticaria in adults and adolescents (12 years of age and older) who remain symptomatic despite H1 antihistamine treatment. In February 2025, it was also approved by the NMPA for the treatment of moderate to severe persistent allergic asthma.

In August 2019, CSPC Baike entered into an exclusive agreement with Synermore to develop and commercialize omalizumab (then known as SYSA1903) in Chinese Mainland. In April 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Baike, pursuant to which we obtained all of CSPC Baike’s rights to omalizumab. For details, see “—Material Collaboration and Licensing Arrangements—Rights Transfer Agreement for Omalizumab.”

- *Ustekinumab Injection (Enyike)* (烏司奴單抗注射液(恩益克®)). Enyike is a fully human IgG1k mAb (an IL-12/IL-23 p40 inhibitor), which is a ustekinumab biosimilar to Stelara.

Phase III clinical trial results demonstrated that Enyike was highly consistent with the originator drug, Stelara, in terms of efficacy for the treatment of subjects with moderate to severe plaque psoriasis, and had a good safety profile. Enyike demonstrated good efficacy in the treatment of plaque psoriasis, with a dosing interval of once every 12 weeks during the stabilization period, possessing a distinct advantage in clinical application.

In May 2026, Enyike was approved for the treatment of adult patients with moderate-to-severe plaque psoriasis who have not responded to, have contraindications to, or are intolerant of other systemic therapies, including cyclosporine, methotrexate, or PUVA treatment, as well as pediatric patients aged 6 years and older (weighing 60 kg to 100 kg) with moderate-to-severe plaque psoriasis who have had an inadequate response to or are intolerant of other systemic therapies or phototherapy.

- *Secukinumab (SYS6012)*. SYS6012 is a fully human mAb against human interleukin-17A (IL-17A), which is a secukinumab biosimilar to Cosentyx. SYS6012 is categorized as a Class 3.3 therapeutic biological product. It is expected to be indicated for the treatment of moderate-to-severe plaque psoriasis in adult patients who are candidates for systemic therapy or phototherapy. Through pharmaceutical and non-clinical studies according to the relevant research guidelines for biosimilars, SYS6012 has been scientifically and

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rigorously proven to be highly similar to the innovator drug in terms of quality, safety, and efficacy, which supports follow-up clinical studies. In June 2024, the Phase III clinical trial of SYS6012, in comparison to Cosentyx, for the treatment of moderate-to-severe plaque psoriasis was initiated in China. As of the Latest Practicable Date, SYS6012 was undergoing a Phase III clinical trial.

- *Pertuzumab (SYSA1901)*. SYSA1901 is a mAb against HER2, which is a pertuzumab biosimilar to Perjeta, indicated for the treatment of HER2-positive breast cancer. We have submitted a BLA to the NMPA for the registration of pertuzumab injection as a Class 3.3 therapeutic biological product indicated for the treatment of HER2-positive early-stage or locally advanced breast cancer.
- *Dupilumab (SYS6033)*. SYS6033 is a recombinant fully human mAb against IL-4R α , which is a dupilumab biosimilar to Dupixent, indicated for the treatment of moderate-to-severe atopic dermatitis in adults. As of the Latest Practicable Date, SYS6033 was undergoing a Phase I clinical trial.

MATERIAL COLLABORATION AND LICENSING ARRANGEMENTS

Strategic Collaboration and License Agreement with AstraZeneca

In January 2026, Megalith Biopharmaceutical, a subsidiary of our Company, together with CSPC Pharmaceutical Group Limited and CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (“**CSPC Zhongqi**”) (together, the “**Licensors Group**”), entered into a strategic collaboration and license agreement with AstraZeneca Ireland Limited (“**AstraZeneca**”). The key information of this collaboration is summarized as follows:

Collaborator	AstraZeneca (LSE/STO/NASDAQ: AZN) is a global biopharmaceutical company that has extensive expertise in the research, development, and commercialization of biological and pharmaceutical products.
Collaboration and License	The Licensors Group agreed to grant an exclusive license to develop, manufacture and commercialize in the territories outside of the Greater China Region (the “ RoW Territory ”) its once-monthly injectable weight management portfolio, comprising a long-acting GLP1R/GIPR agonist progressing into Phase I and three preclinical programs designed to provide extended therapeutic benefits for people living with obesity and weight-related conditions (together, “ Existing Programs ”). Both parties will also collaborate on four new programs leveraging the Licensors Group’s proprietary sustained-release delivery technology and AI-driven peptide drug discovery capability (together, “ Additional Programs ”). In addition, AstraZeneca has optionality to pursue future programs leveraging the Licensors Group’s proprietary technology (together, “ AZ Molecule Programs ”).
Allocation of Responsibilities	Under the agreement, the Licensors Group will progress ongoing development of the Existing Programs through Phase I completion in the RoW Territory, unless AstraZeneca elects otherwise. Following successful completion of Phase I, AstraZeneca will be responsible for their further development and commercialization in the RoW Territory.
Consideration	Upfront payment: AstraZeneca agreed to make upfront payment of US\$1.2 billion to the Licensors Group, including US\$420 million payable to Megalith Biopharmaceutical (the “AZ Upfront Payment”). In May 2026, Megalith Biopharmaceutical received the US\$420 million upfront payment in full. Milestone payments: In respect of the Existing Programs and the Additional Programs, the Licensors Group is eligible to receive development and regulatory milestone payments of up to US\$3.5 billion, and sales milestone payments of up to US\$13.8 billion. Royalties: The Licensors Group is entitled to receive up to double-digit royalties based on the annual net sales of the relevant licensed products.

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Exclusive License Agreement with Corbus Pharmaceuticals

In February 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into an exclusive license agreement with Corbus Pharmaceuticals, Inc. (“**Corbus**”). The key information of this collaboration is summarized as follows:

Collaborator	Corbus (NASDAQ: CRBP), headquartered in the United States, is a clinical stage company focused on promising new therapies in oncology and obesity.
License	We granted Corbus an exclusive license to develop, manufacture, and commercialize SYS6002 in the United States, the European Union, United Kingdom, Canada, Australia, Iceland, Liechtenstein, Norway, and Switzerland (the “ Collaborative Territory ”). We retain the full rights to develop, manufacture, and commercialize SYS6002 outside the Collaborative Territory.
Allocation of Responsibilities	Corbus will be responsible for all aspects of the research and development of SYS6002 in the Collaborative Territory, including conducting clinical trials, conducting regulatory submissions, and obtaining regulatory approvals. We will provide such technical assistance to Corbus as it reasonably requests regarding the licensed intellectual property rights and SYS6002. For research and development activities and clinical trials initiated by Corbus, see “—Our Biopharmaceutical Business—ADCs—SYS6002.”
Intellectual Properties	Each party will retain sole ownership of any new intellectual property rights created solely by itself in the course of performance of its activities under the agreement. Any intellectual property rights developed jointly by the parties will be jointly owned.
Consideration	Corbus agreed to make upfront non-refundable payments of US\$7.5 million (the “ Upfront Fee ”). We have received the Upfront Fee in full. In addition, we will be eligible to receive up to US\$130 million in potential development and regulatory milestone payments and up to US\$555 million in potential sales milestone payments. We will also be eligible to receive tiered double-digit royalties based on annual net sales of SYS6002 in the specified regions.
Duration and Termination	The agreement will expire on the date of expiration of the last royalty term of SYS6002, and may be terminated earlier under agreed circumstances.
Dispute Resolution	Any dispute will be resolved by final and binding arbitration under the commercial arbitration procedures of the American Arbitration Association (“ AAA ”) and administered by AAA in accordance with its Commercial Arbitration Rules as then in effect, except as they may be modified herein or by mutual agreement of both parties.

Rights Transfer Agreement for Enlonstobart

In November 2018, CSPC Ouyi entered into an IP transfer and product development agreement with Sumgen Biotech Co., Ltd. (“**Sumgen**”). Sumgen is a private biotechnology company headquartered in China, which is focused on the development and commercialization of innovative antibody drugs for the treatment of cancers and other major diseases. Under this agreement, CSPC Ouyi received exclusive development and commercialization rights for the oncology indications of enlonstobart (then known as SG001, also known as SYSA1802), an anti-PD-1 mAb, in the Greater China Region.

Under this agreement, CSPC Ouyi agreed to provide Sumgen with an upfront payment of RMB55.0 million and potential development and regulatory milestone payments of up to RMB110.0 million. In addition, CSPC Ouyi agreed to provide single-digit royalties to Sumgen based on the sales of enlonstobart in the Greater China Region.

In May 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Ouyi, pursuant to which we obtained all of CSPC Ouyi’s rights to enlonstobart for a total consideration of RMB128.9 million. This consideration has been paid in full.

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Rights Transfer Agreement for Omalizumab

In August 2019, CSPC Baike (Shandong) Biopharmaceutical Co., Ltd. (“**CSPC Baike**”) entered into an IP license and product development agreement with Synermore Biologics (Suzhou) Co., Ltd. (“**Synermore**”). Synermore is a leading private biopharmaceutical company headquartered in China, which is primarily engaged in the research, development, production, and sales of innovative monoclonal antibody drugs and biosimilars for the treatment of cancers, autoimmune diseases, and infectious diseases. Under this agreement, CSPC Baike received exclusive development and commercialization rights for the moderate to severe persistent allergic asthma and all potential indications of omalizumab (then known as SYN008, also known as SYSA1903), a biosimilar of omalizumab, in Chinese Mainland.

Under this agreement, CSPC Baike agreed to provide Synermore with an upfront payment of RMB10.0 million and potential development and regulatory milestone payments of up to RMB50.0 million. In addition, CSPC Baike agreed to provide double-digit royalties to Synermore based on the sales of omalizumab in Chinese Mainland.

In April 2023, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a rights transfer agreement with CSPC Baike, pursuant to which we obtained all of CSPC Baike’s rights to omalizumab for a total consideration of RMB66.8 million. This consideration has been paid in full.

License Agreement with CSPC Zhongqi

In September 2025, Megalith Biopharmaceutical, a subsidiary of our Company, entered into a license agreement with CSPC Zhongqi, a subsidiary of CSPC Pharmaceutical. Under this agreement, Megalith Biopharmaceutical obtained, for nil consideration, a worldwide, non-exclusive, and non-transferable license to the patent family relating to LNP technology.

RESEARCH AND DEVELOPMENT

Overview

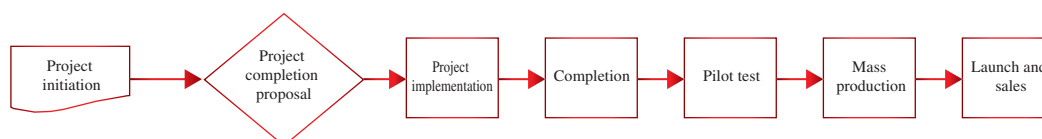
Innovation and R&D are at the core of our business growth. We have assembled an R&D team with extensive experience and creativity. As of December 31, 2025, we had a total of 403 R&D personnel, representing approximately 17% of the total number of our employees. The following table sets forth a breakdown of our R&D personnel by function:

	As of December 31,		
	2023	2024	2025
Functional ingredients and nutritional products ⁽¹⁾	279	220	188
Biopharmaceuticals	104	195	215
Total	383	415	403

Note:

- (1) We reduced headcount engaged in fundamental, repetitive work to optimize our R&D workflow, as the core technology in this business is sufficiently developed and operationally proven. This strategic optimization was in line with our overall R&D plans and expenses in this business, as well as our strategic pivot to the biopharmaceutical business.

The diagram below sets out the key components of the R&D process for our functional ingredients and nutritional products business.

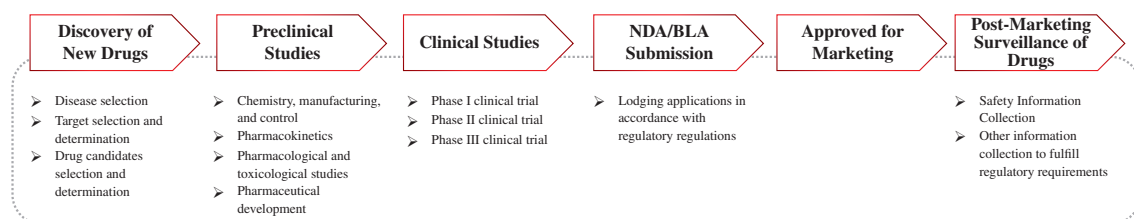


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Key R&D initiatives considered material for our functional ingredients and nutritional products business are listed as follows:

Focus Area	Start Time	End Time	Current Status
Membrane concentration technology for the treatment of primary mother liquor .	January 2023	November 2024	Completed
Novel separation technology for intermediates	February 2023	July 2024	Completed
Continuous methylation reaction system . .	January 2024	December 2025	Completed
Clear oral preparation of coenzyme Q10 with high bioavailability	January 2026	Expected in December 2026	Project implementation, bench-scale testing
Caffeine water-washing process using membrane separation technology	January 2026	Expected in April 2027	Project implementation, bench-scale testing
Two-stage retention technology for caffeine-reduced products	January 2026	Expected in May 2027	Project implementation, bench-scale testing

The diagram below sets out the key components of the R&D process for our biopharmaceutical business:



R&D Collaboration

In line with industry practice, we engage CROs and SMOs to manage and conduct some non-core standardized R&D functions necessary for our preclinical studies and clinical trials. We select these partners based on factors such as their qualifications, credentials, professional experience, and industry reputation. Based on the service requirements of each project, we typically select multiple CROs or SMOs to participate in competitive biddings and negotiations, to ensure that we have alternative suppliers for each required service. In 2023, 2024, and 2025, we engaged seven, seven, and ten CROs, as well as 20, 22, and 32 SMOs, respectively. We incurred related research and development expenses of RMB29.9 million, RMB106.2 million, and RMB115.5 million for the same periods, respectively, generally in line with our research and development activities of biopharmaceuticals.

The following sets forth salient terms of our arrangements with these CROs and SMOs:

- *Scope of services.* In line with industry practice, CROs support us in matters such as trial design, site selection, trial execution, data management and analysis, and compliance with regulatory requirements. According to China’s Good Clinical Practice (“GCP”) guidelines and common industry practice, we also engage SMOs, working together with trial sites in trial site management, including assisting in recruiting trial participants, coordinating site staff to confirm site process compliance, collecting clinical trial documents, and maintaining data integrity at each site.
- *Our responsibilities.* As part of sponsor oversight of critical partners, we closely monitor the CROs’ performance and compliance with our protocols and applicable laws, regulations, and guidelines, to ensure the integrity and authenticity of our clinical trial data. We also provide specific directions to ensure the quality and efficiency of the trial execution.

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- *Payment.* We typically make an initial payment within a specified timeframe upon the execution of the agreement and make subsequent payments contingent upon achieving specific study milestones. We generally reconcile all payments against the deliverables they provide at the conclusion of the study.
- *Intellectual property.* All clinical results, reports, publications, and related rights and interests, including all intellectual property rights in connection with the performance of the agreements, are owned by us.
- *Confidentiality.* CROs and SMOs are obligated to keep all non-public information and data from clinical trials confidential.

Since 2024, we have engaged a subsidiary of CSPC Pharmaceutical as our CRO. As CSPC Pharmaceutical is our Controlling Shareholder, its subsidiary that rendered services to us as CRO during the Track Record Period is our connected person. As of the Latest Practicable Date, such subsidiary of CSPC Pharmaceutical remained one of our CROs, and we expect to continue to have connected transactions with certain subsidiaries of CSPC Pharmaceutical after the [REDACTED]. For details, please see the section headed “Connected Transactions—Non-exempt Continuing Connected Transactions—5. Mutual Provision of Services and Products Framework Agreement.”

Our Technologies

Caffeine Production Technologies

We have developed an integrated suite of caffeine production technologies throughout the entire production process, including reaction, crystallization, separation, purification, drying, and environmental treatment. These technologies deliver consistent advantages across our operations: high yield, low energy consumption, precise impurity control, and environmental sustainability.

During chemical synthesis, we employ our proprietary catalytic hydrogenating reduction technology as a substitute for traditional iron powder reduction. This technology uses uric acid as a raw material and employs mild pressurized hydrogenation, specialized catalysis, and an aqueous reaction system. These features enable efficient intermediate synthesis with adequate process stability, impurity control, and yield. This technology has received the Excellent Award at the Hebei Provincial Patent Awards.

In addition, we established a continuous methylation reaction system. This system integrates secondary refinement, membrane separation purification, and waste liquid resource recovery into a unified process. This significantly enhances product purity, crystal form consistency, and overall yield, enabling us to explore and enter high-value application fields such as cosmetics.

Antibody Engineering and ADC Platform

Antibody engineering enables the precise modification of key properties such as affinity, effector functions, plasma half-life, immunogenicity, specificity, and stability—ultimately enhancing the efficacy, safety, and pharmacokinetic profiles of antibody-based therapeutics. Our antibody engineering modification platform is built upon computer-aided drug discovery. Leveraging this platform, we aim to generate pH-dependent antibodies, probodies, long-acting mAbs, as well as other engineered formats with the goal of developing safer and more effective antibody and ADC therapies.

Phage and Yeast Display Technologies

Our antibody engineering and ADC platform incorporates phage and yeast display technologies, both powerful and well-established tools in protein engineering and antibody discovery, each offering distinct advantages:

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- *Phage display.* By utilizing bacteriophages to present target proteins on their surface, this technology enables the high-throughput screening of large-scale libraries. This capability significantly shortens antibody discovery cycles, accelerating hit identification; and
- *Yeast display.* Yeast display technology presents proteins on the surface of yeast cells, providing critical benefits for antibody development. This ensures the proper folding of antibodies and other eukaryotic proteins, while also supporting eukaryotic post-translational modifications such as glycosylation, a key feature for mimicking the natural structure and function of human proteins. When integrated with fluorescence-activated cell sorting, yeast display enables the simultaneous detection and screening of candidates, facilitating highly efficient selection of optimal antibody molecules.

Leveraging the strengths of both phage display and yeast display technologies, we have completed several antibody discovery, affinity maturation, and other engineering modification programs. We have established a closed-loop screening system for specific mAbs, further streamlining the discovery of tumor-targeting antibodies.

Site-Specific Modification Technology

We have developed an advanced site-specific modification technology to accelerate the development of biologic macromolecules. It mainly supports three core applications: (i) site-specific PEGylation, (ii) site-specific antibody-drug conjugation for ADC production, and (iii) bispecific antibody preparation.

Our proprietary conjugation technology utilizes an engineered microbial transglutaminase (mTgase), which enables the precise site-specific modification of specific glutamine (Gln, Q) amino acid residues in proteins. Unlike conventional ADC technologies, our approach allows the use of native mAbs without the need for prior protein engineering, which minimizes any potential impacts on the inherent properties, such as binding affinity and stability, of the parent antibodies. By optimizing ADC molecular design, our strategy enhances both the selectivity of the ADC for target sites and the reactivity of the conjugation process, laying a solid foundation for developing next-generation safe and effective ADC therapies.

mRNA Vaccine Development Platform

We have created a module-based platform to develop mRNA vaccines with favorable profile in terms of expression, stability and immunogenicity. Our modular approach covers the following five pillars for the development of mRNA vaccines.

mRNA Sequence Design

We leverage the following three core techniques to achieve an efficient and precise sequence design.

- *Free energy optimization.* We have developed algorithms that leverage free energy minimization to predict optimal RNA secondary structures. This optimization significantly enhances both the intrinsic stability of the mRNA molecule and its translational potential.
- *Translation elements optimization.* Our approach enables fine-tuned modulation of local spatial folding in key regions, such as the 5' untranslated region and the start codon context, moving beyond a mere focus on codon composition. By establishing more favorable local structures, our strategy enhances the efficiency of both ribosomal initiation and elongation.

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- *Translation efficiency prediction.* We employ pre-trained models to predict translation efficiency, allowing for an intelligent, high-throughput screening of different design options. This informs and optimizes upstream design, significantly accelerating our identification of high-performing mRNA constructs.

Plasmid Synthesis

Plasmid synthesis is a critical upstream process in mRNA production. It serves to provide high-quality DNA templates with intact sequence, high purity, and low endotoxin levels for subsequent mRNA production. By optimizing and screening for high-yield, high-stability, and high-copy-number cell strains, we ensure stable and scalable amplification of target sequences.

mRNA Synthesis and Purification

Our mRNA synthesis and purification processes feature favorable cost-effectiveness and streamlined workflows. We have established various routes adaptable to mRNAs of varying lengths, modifications, and specific requirements. In addition, our proprietary terminal modification technology significantly enhances the intracellular stability of linear mRNA molecules. It enables linear mRNA to achieve stability and expression duration comparable to circular RNA, while substantially improving the translation efficiency of target proteins. Leveraging our state-of-the-art technologies, we are able to produce over-99%-purity mRNA vaccines.

LNP Formulation Preparation

We in-license technologies for LNP delivery systems from CSPC Zhongqi, a subsidiary of CSPC Pharmaceutical. For details, see “—Material Collaboration and Licensing Arrangements—License Agreement with CSPC Zhongqi.” Access to these technologies allows us to generate LNPs with uniform particle size, good stability, and high mRNA encapsulation, enabling enhanced uptake by the immune system.

Quality Control and Analysis

Our quality control system for mRNA vaccines is built upon the “Quality by Design” principle. From early development stages, we identify critical quality attributes and critical process parameters. Our end-to-end testing capabilities cover raw materials, drug substances, and final products. Specifically, we implement strict release standards for key inputs such as plasmids and lipids. We perform comprehensive quality characterization of mRNA drug substances and final products. In addition, we have established quality control protocols for multivalent vaccines, enabling a precise quantification of individual component ratios in complex formulations.

INTELLECTUAL PROPERTY

We seek to provide comprehensive and long-term patent protection for our products and technologies. With respect to our biopharmaceutical business, we implement a multi-layered patent strategy that focuses on seeking coverage for our drug compounds, formulations and preparation processes through a combination of primary and secondary patents. As of the Latest Practicable Date, we had a total of 119 issued patents (including 53 invention patents) and 34 patent applications pending in Chinese Mainland, and 36 issued patents and 175 patent applications in the United States and other jurisdictions (including 14 international applications strategically filed under the Patent Cooperation Treaty). Invention patents we held in Chinese Mainland as of the same date which we considered to be material to our business will expire between December 23, 2035 and November 17, 2042.

We proactively seek trademark protection for our Company and our corporate logo in jurisdictions where such protection is available and appropriate. As of the Latest Practicable Date, we had a total of 280 registered trademarks in Chinese Mainland and one registered trademark in Hong Kong.

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We may rely, in some circumstances, on trade secrets and confidential information to protect aspects of our algorithm and technology. We have entered into confidentiality agreements with our key employees who have access to trade secrets or confidential information in relation to our business. Our standard employment contract also contains a confidentiality clause as well as an assignment clause, under which we own all the rights to all inventions, technology, know-how, and trade secrets derived during the course of such employee’s work.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. See “Risk Factors—Risks Related to Our Business and Industry—If we are unable to adequately protect our intellectual property, if the scope of our intellectual property fails to sufficiently protect our proprietary rights, or if we are subject to intellectual property infringement claims, our competitors could compete against us more effectively, our management’s attention could be diverted, and we could be exposed to substantial liability, which may have a material adverse impact on our business and results of operations.” As of the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights, or any disputes or claims against us in relation to the infringement of intellectual property rights of third parties, that were pending or threatened and would, individually or in the aggregate, have a material adverse impact on our business, financial condition, or results of operations.

SALES, MARKETING AND DISTRIBUTION

We promote our products primarily through our experienced, well-resourced in-house sales team. As of December 31, 2025, we had an in-house sales and marketing team of 499 professionals, with 277 members for our functional ingredients and nutritional products business, and 222 members for our biopharmaceutical business. We organize regular trainings for our sales staff to enhance their understanding of our products and refine our marketing strategies for each business line.

Marketing

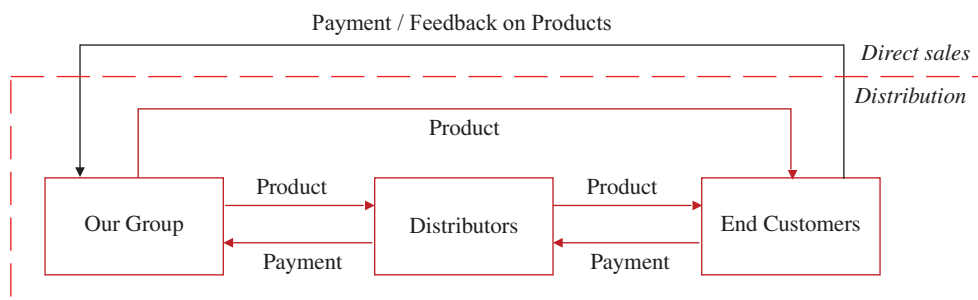
With respect to functional ingredients and nutritional products, we focus on customer relationship management, market-driven product development and proactive expansion into emerging sectors. For key customers, we have assembled dedicated teams that provide one-on-one support and conduct regular on-site visits to precisely address customer needs and strengthen partnerships. For customers with high growth potential, we maintain consistent communication and offer timely professional technical support and tailored solutions. Our dynamic client management system enables us to regularly evaluate client relationship status, identify evolving customer needs, and promptly collect customer feedback. This enables the continuous optimization of our service approach. In addition, we have established a professional research team that monitors global regulatory trends, including pharmacopoeia standards and carbon reduction goals, while capturing direct customer insights on performance, purity, and cost. Complemented by competitor analysis, these strategies enable us to sharpen product positioning and enhance go-to-market execution. Furthermore, we conduct targeted research in emerging sectors such as beauty, personal care, and pet food to guide development efforts and ensure our offerings enter the market with a distinct competitive advantage.

With respect to biopharmaceuticals, we focus on academic promotion to encourage their market adoption and to gain insights on the latest developments in the industry. Our academic promotion initiatives primarily include participating in academic conferences and seminars, and collaborating with industry peers. We regularly participate in a range of domestic and international academic conferences and seminars, such as the ASCO Meeting and the AACR Annual Meeting, to enhance awareness of our products and strengthen our brand recognition. We also collaborate with key opinion leaders, leading research institutes, and scholars on clinical trials, research studies, and publications, to center on our drugs and drug candidates. Publications of our R&D results in renowned academic journals such as the *Journal of Immunotherapy* and *OncoTargets and Therapy* have been instrumental in promoting awareness of the clinical benefits of our innovative therapies among patients, physicians, and the medical community. As of the Latest Practicable Date, our sales network spanned nearly 3,900 hospitals and retail pharmacies across 30 provincial regions in China.

BUSINESS

Sales and Distribution

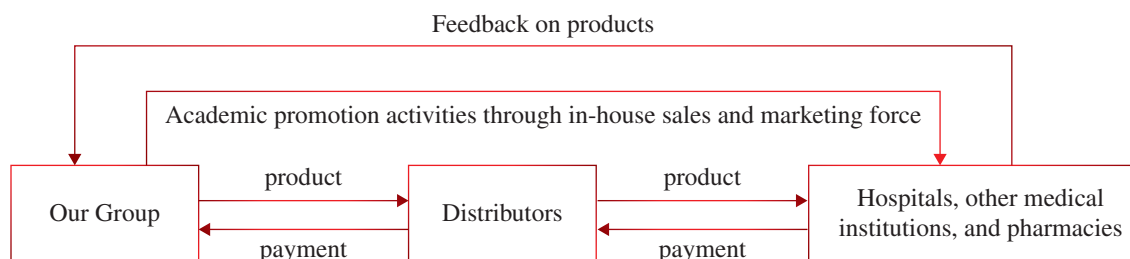
With respect to caffeine and other functional ingredients, we primarily engage in direct sales. We believe this approach allows us to intimately understand and address our valued customers’ most critical needs. With respect to nutritional products, we typically engage third-party distributors and leverage their local channel resources to expand our reach to more small- to medium-size local customers. The following diagram illustrates the sales flow in operating our functional ingredients and nutritional products business:



The following table sets forth a breakdown of our revenue generated from sales of functional ingredients and nutritional products by sales channel for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct sales	1,725,019	70.4	1,377,011	74.8	1,369,869	73.8
Sales to distributors	725,331	29.6	463,301	25.2	487,546	26.2
Total	2,450,350	100.0	1,840,312	100.0	1,857,415	100.0

With respect to pharmaceuticals, we primarily sell through distributors, who are our direct customers. We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and the marketing and promotion process. The following diagram illustrates the relationships among us, our distributors and the hospitals, other medical institutions, and pharmacies that purchase our products from the distributors:



In 2024 and 2025, sales to distributors accounted for 85.1% and 95.1%, respectively, of our total revenue from sales of pharmaceutical products. To a lesser extent, we also engage in the direct sales of pharmaceutical sample to our out-licensing partners.

BUSINESS

Contractual Arrangements

Direct Sales

The following summarizes salient terms for our direct sales:

- *Term.* Our sales agreements typically have a term ranging from one to two years.
- *Product requirements.* Our sales agreements typically set forth the respective rights and obligations of the supplier and the purchaser, as well as the specifications and quality standards of the products to be supplied.
- *Credit term.* We typically grant our customers a credit term of 30 to 120 days. The credit term is generally negotiated based on the length of our business relationship with a customer, its historical payment records and the scale of operations of such customer.
- *Purchase orders.* Our sales agreements with customers, or the purchase orders placed by customers under such agreements, typically set forth the detailed purchase amount or quantity, quality specifications, payment terms, unit prices, and delivery schedules.
- *Minimum purchase commitment.* Our sales agreements generally do not contain any minimum purchase commitment.
- *Confidentiality.* We are generally obliged to keep confidential the commercial and technical information that we receive from the customers, including to restrain from using such information for purposes other than those agreed under the sales agreements.
- *Product quality.* We are obligated to supply products that meet the quality standards and specifications detailed in the sales agreements or purchase orders. We are typically required to accept product returns or provide refunds in the event of quality issues.

Sales Through Distributors

The following sets forth salient terms of our arrangements with distributors for both our functional ingredients and nutritional products business and our biopharmaceutical business:

- *Term.* The typical duration of our distribution agreements is one year for our distributors.
- *Designated distribution area.* Distributors are generally not allowed to sell our products outside of their designated distribution areas.
- *Exclusivity.* Distributors are granted the distributorship right for specified types of products in their designated distribution areas, generally on a non-exclusive basis.
- *Sales target and minimum purchase requirement.* Our agreements with distributors generally do not specify an agreed annual sales target or minimum annual purchase amount.
- *Pricing and resale price management.* Our selling prices to distributors are generally fixed during the term of the distribution agreements. In particular, we set pricing terms for distributors of our biopharmaceuticals primarily based on the products’ selling prices to hospitals and other medical institutions, which may vary in different regions. However, in the event of a retail price change as a result of regulatory or policy changes during the term of the distribution agreement, we and the relevant distributors typically would negotiate price adjustments accordingly.
- *Credit terms.* We generally grant our distributors a credit term of up to 120 days.
- *Termination.* We may terminate the distribution agreements in the event of, among others, any material breach by our distributors of the agreement.

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- *Others.* Our distributors are not authorized to use our trade name or any other material which may lead others to believe that they are acting on our behalf. They are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and regulations.

Distributor Management

The following table sets forth the changes in the number of our distributors for each business line during the Track Record Period:

	For the Year Ended December 31,		
	2023	2024	2025
As of the beginning of the period	523	580	531
Functional ingredients and nutritional products	523	580	452
Biopharmaceuticals	—	—	79
Additions of new distributors	271	264	264
Functional ingredients and nutritional products	271	185	222
Biopharmaceuticals	—	79	42
Terminations of existing distributors⁽¹⁾	214	313	249
Functional ingredients and nutritional products	214	313	248
Biopharmaceuticals	—	—	1
Net increase/(decrease)	57	(49)	(16)
Functional ingredients and nutritional products ⁽²⁾	57	(118)	(57)
Biopharmaceuticals	—	79	41
As of the end of the period	580	531	546
Functional ingredients and nutritional products	580	452	426
Biopharmaceuticals	—	79	120

Notes:

- (1) Our sales arrangement with a distributor is regarded to be terminated when either party terminates the distribution agreement within the term of the agreement or chooses not to renew the agreement.
- (2) The decrease in the number of our distributors for functional ingredients and nutritional products from December 31, 2023 through December 31, 2025 was driven by our efforts in optimizing the distribution network for our nutritional products, which began in the second half of 2024 and have been enhanced since January 2025. As part of this process, we reviewed each distributor’s regional coverage and performance to better align our sales structure. Certain distributors were phased out as we optimized channel efficiency. During the Track Record Period, we did not have any disputes or disagreements with our outgoing distributors.

Relationship with Distributors

To the best knowledge of our Directors, save as described below, during the Track Record Period, all of our distributors were Independent Third Parties, and none of our distributors were wholly-owned or majority controlled by our former or current employees. In addition, to the best knowledge of our Directors, we do not have any other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) with the distributors engaged by us during the Track Record Period.

During the Track Record Period, we engaged (i) certain subsidiaries of CSPC Holdings Company Limited (石藥控股集團有限公司) (“CHL”) in China, and (ii) certain subsidiaries of CSPC Pharmaceutical in the United States, Germany and Spain as our distributors in operating our biopharmaceutical or nutritional products businesses. As CHL and CSPC Pharmaceutical are our connected persons, their subsidiaries who acted as our distributors during the Track Record Period are also our connected persons. In 2023, 2024, and 2025, our revenue generated from certain subsidiaries of CHL was RMB45.1 million, RMB23.7 million, and RMB33.8 million, respectively, and our revenue generated from certain subsidiaries of CSPC Pharmaceutical in the United States, Germany and Spain was an aggregate of RMB2.2 million, nil, and RMB1.3 million, respectively. As of the Latest Practicable Date, certain subsidiaries of CHL remained as our distributor, and we expect to continue to have connected transactions with certain subsidiaries of CHL after the [REDACTED]. For details, please see section headed “Connected Transactions—Partially-exempt Continuing Connected Transactions—4. Mutual Provision of Products Framework Agreement.”

BUSINESS

Prevention of Cannibalization

Our distributor agreements contain stringent provisions designed to prevent sales cannibalization. These provisions explicitly prohibit our distributors from engaging, directly or indirectly, in sales outside their designated territories or approved customer scopes. In the event of a breach, we are entitled to terminate the agreement and revoke authorization, among other available remedies.

Prevention of Channel Stuffing

We have a seller-buyer relationship with our distributors under a buy-out sale model. We transfer the full ownership of the goods upon delivery, and distributors are not allowed to return unsold inventory during the contractual term, except for product defects, incorrect deliveries, or damages. During the Track Record Period, we did not identify any material product returns from our distributors. This model shifts the risk of unsold inventory to the distributors. Since their capital is tied up in the inventory, the distributors are incentivized to order based on actual sales demand, thus reducing holding costs and the risk of overstocking or obsolescence.

Sub-distribution and “Two-Invoice System”

Under the Two-Invoice System in China, invoices are issued by drug manufacturers to drug distributors on a one-off basis, while invoices are issued by drug distributors to medical institutions on a one-off basis. The Two-Invoice System has been implemented by certain local authorities in China with respect to the purchase of drugs in the regions under their administration to control the prices of drugs by reducing layers of distribution and limiting price markups during the distribution process. While public medical institutions are required to adopt the Two-Invoice System, private medical institutions are encouraged but not required to adopt the Two-Invoice System. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, there were no clear provisions under applicable PRC laws and regulations specifying the legal consequences or liabilities if our distributors were found to have engaged sub-distributors for the sales of biopharmaceuticals to public medical institutions without our knowledge. However, pursuant to the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement By Public Medical Institutions (For Trial Implementation) and other relevant regulations, drug manufacturers and distributors that fail to comply with the Two-Invoice System may be disqualified from attending future bidding events or distributing drugs to hospitals or be blacklisted from drug procurement by public medical institutions. For more information on the Two-Invoice System, please refer to “Regulatory Overview—PRC Laws and Regulations on Pharmaceutical Products—Two-Invoice System” in this document.

We require our distributors to strictly comply with the Two-Invoice System in China. Specially, in areas where the Two-Invoice System is implemented, our distributors are prohibited from engaging sub-distributors for distribution of our products to public medical institutions. For distribution of our products to private medical institutions and pharmacies in China, we do not require our distributors to seek our prior approval to engage sub-distributors, since the Two-Invoice System is not mandatorily required to be implemented for these sales. We do not have contractual relationships with sub-distributors engaged by our distributors, nor do we manage such sub-distributors directly. Instead, we rely on our distributors to supervise their respective sub-distributors. Our existing distribution model is in line with the general practice in the industry, according to Frost & Sullivan.

We have adopted a series of internal control measures to monitor the implementation of the Two-Invoice System in different areas to ensure our continuous compliance with relevant rules, regulations, and policies. We generally monitor the types and/or identities of our end-customers through our distributors. Through such information, we gain insight into our sales related circumstances and continuously oversee our distribution network’s adherence to the Two-Invoice System. Should we detect any violations of the Two-Invoice System by a distributor, we will enforce stringent penalties (including suspension or termination of the distributor’s contract and request for liquidated damages) and potentially take other legal actions. In addition, our authorizations to our distributors typically specify the distribution area and period, and we reserve the right to adjust the distribution area and products authorized to each distributor. Therefore, even if the scope of application of Two-Invoice System is broadened in China in the future, we can collaborate with well-established local distributors and effectively adjust our local distributorship.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we (i) had not been deemed by competent authorities to have violated or circumvented any law, regulations, rules or policies in relation to the Two-Invoice System, (ii) had not been disqualified from participating in public tendering processes in any province in China, (iii) had not been subject to any administrative fines or penalties by competent authorities in relation to the Two-Invoice System, and (iv) had not received any warning or notice from any competent authorities in any provinces in relation to our compliance with the Two-Invoice System.

PRICING

We formulate and implement a reasonable pricing strategy for our marketed products to stay competitive and profitable:

With respect to caffeine and other functional ingredients, we take into account a number of factors in determining their prices, including (i) market supply and demand dynamics; (ii) production cost fluctuations; (iii) customer purchase volumes and quality requirements; (iv) short- and long-term demand patterns; (v) the domestic and international competitive landscape; and (vi) anticipated industry trends. We seek to enhance product competitiveness while optimizing our customer mix.

With respect to nutritional products, we primarily take into account production costs, competitor benchmarks, and customer factors to ensure market fit. We are committed to maintaining price stability and make only measured annual adjustments in response to prevailing market conditions and strategic objectives.

With respect to biopharmaceuticals, we primarily take into account our R&D, production and marketing costs and expenses, the perceived value of products, our market share, and the competitive landscape. Our pricing strategies are also affected by applicable regulations and policies, including medical insurance reimbursement standards and regulation of medical and pricing practices. Under the PRC national medical insurance program, program participants are eligible for full or partial reimbursement of the cost of drugs listed in China’s National Reimbursement Drug List (“NRDL”), or provincial or local medical insurance catalogs. Government authorities regularly review the inclusion or removal of medicines from the NRDL or other catalogs, and the tier under which a medicine will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those medicines. As of the Latest Practicable Date, all three of our commercialized drugs, namely Enshuxing, Enyitan, and Enyike, had been included in the NRDL. To achieve this, our products undergo a rigorous evaluation and approval procedure based on the NRDL’s selection criteria. Being part of the NRDL has substantial implications for us as it determines the medical insurance reimbursement standards for our products. However, this may also lead to a decrease in the price of our products in certain provinces due to the transparent, multi-party negotiation mechanism for pricing.

PRODUCT RETURNS AND COMPLAINTS

Our policy strictly limits product returns and exchanges. We will only accept returns for products with verified quality defects that are attributable to us. We do not allow any product returns due to issues caused by distributors’ storage, transport, force majeure, or other external factors. Distributors are required to seek our prior written consent before making any product returns. Unauthorized returns are at our distributors’ own expense and risk.

Distributors must notify us in writing of any consumer complaints within 24 hours of receipt and provide assistance in their resolution. Failure to report, if it leads to sales loss or reputational harm, may result in liability for the distributor. We handle claims only for quality issues under our control; liability is apportioned in cases of shared fault.

Our cumulative amount of actual product return for the revenue recognized during the Track Record Period accounted for less than 1% of our total revenue for the same period.

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MANUFACTURING AND QUALITY MANAGEMENT

Manufacturing Facilities

We consider our strong in-house manufacturing capability a crucial part of our success. The following table sets forth a summary of our four manufacturing facilities as of the Latest Practicable Date.

Location	Major Production	Site Area (thousand sq.m.)	Gross Floor Area (thousand sq.m.)
Shijiazhuang, Hebei Province	Antibody drugs, ADCs, mRNA vaccines	192.6*	85.5*
Taizhou, Jiangsu Province	Vitamin C and other nutritional products	115.5	40.1
Shijiazhuang, Hebei Province	Caffeine products	112.1	37.4
Shijiazhuang, Hebei Province	Acarbose, anhydrous glucose	85.2	52.5

Note:

- * These include a parcel of land with a site area of approximately 69.3 thousand sq.m. and several premises with an aggregate GFA of approximately 43.9 thousand sq.m., of which the transfer of legal title to us is pending completion. For details, see “—Land and Properties—Owned Properties.”

Caffeine Product Manufacturing Base

Our manufacturing base for caffeine products is located in Luancheng District, Shijiazhuang, Hebei Province. As of the Latest Practicable Date, we had equipped this manufacturing base with six production lines, comprising (i) two production lines dedicated to caffeine; (ii) one production line dedicated to aminophylline; (iii) one flexible production line for caffeine and theophylline; (iv) one flexible production line for caffeine and theobromine; and (v) one flexible production line for other products, such as diprophylline, pentoxifylline, and doxofylline.

The following table sets forth the designed production capacity, production volume and utilization rate of our caffeine product manufacturing base for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Caffeine Products			
Designed production capacity (tons) ⁽¹⁾	16,000	17,000	18,000
Production volume (tons)	15,655	16,500	17,970
Utilization rate (%) ⁽²⁾	97.8	97.0	99.8

Notes:

- (1) The designed production capacity for a production line is calculated based on 30 effective production days per month, assuming four teams rotate on a double shift basis (12 hours per shift).
- (2) Utilization rate equals actual production volume divided by designed production capacity.

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Nutritional Product Manufacturing Base

Our manufacturing base for nutritional products is located in Taizhou, Jiangsu Province. As of the Latest Practicable Date, we had equipped this manufacturing base with five production lines, comprising (i) two production lines dedicated to solid tablet and granule nutritional products; (ii) one production line dedicated to soft capsule nutritional products; (iii) one production line for liquid and powder formulas for foods for special medical purposes; and (iv) one production line dedicated to oral liquid nutritional products.

The following table sets forth the designed production capacity, production volume and utilization rate of our nutritional product manufacturing base for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
Nutritional Products			
Designed production capacity (million tablets) ⁽¹⁾	2,527	2,527	2,527
Production volume (million tablets)	1,504	878	965
Utilization rate (%) ⁽²⁾	59.5	34.7	38.2

- Notes:
- (1) The designed production capacity for a production line is calculated based on 30 effective production days per month on a double shift basis (i.e., eight hours per shift).
 - (2) Utilization rate equals actual production volume divided by designed production capacity. As demand in the consumer discretionary sector has weakened since 2023, we have strategically reduced production of nutritional products, leading to a decrease in the utilization rate.

Biopharmaceutical Manufacturing Base

Our manufacturing base for biopharmaceuticals is strategically located at the International Biomedical Park in Shijiazhuang, Hebei Province, as shown in the picture below.



As of the Latest Practicable Date, we had equipped this manufacturing base with the following major production lines:

- four production lines for antibody drug substance, designed with 12*2,000L bioreactor systems. These production lines also support the production of antibody components of ADCs;

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- one production line for payload-linkers, designed with a capacity of up to 100L per batch; and
- one isolated filling line to produce the liquid and lyophilized dosage forms of ADCs, with a designed capacity of 7,200 to 12,000 vials per hour.

We commercialized Enshuxing and Enyitan in July and October 2024, respectively. The following table sets forth the designed production capacity, production volume and utilization rate of their respective production lines for the periods indicated:

	Year Ended December 31,	
	2024	2025
Designed production capacity (vials)		
Enshuxing	480,000	480,000
Enyitan	900,000	900,000
Production volume (vials)		
Enshuxing	29,869	163,072
Enyitan	49,877	263,289
Utilization rate (%)		
Enshuxing	6.2	34.0
Enyitan	5.5	29.3

In preparation for the upcoming launch of more drug candidates, we are in the process of building a GMP-compliant workshop dedicated to ADC production. We plan to equip the workshop with the following major production lines:

- two production lines for antibody drug substance, together designed with 4*2,000L bioreactor systems;
- two production lines for payload-linkers; and
- one filling line to produce the liquid and lyophilized dosage forms of ADCs, with a designed annual capacity of approximately 800,000 vials.

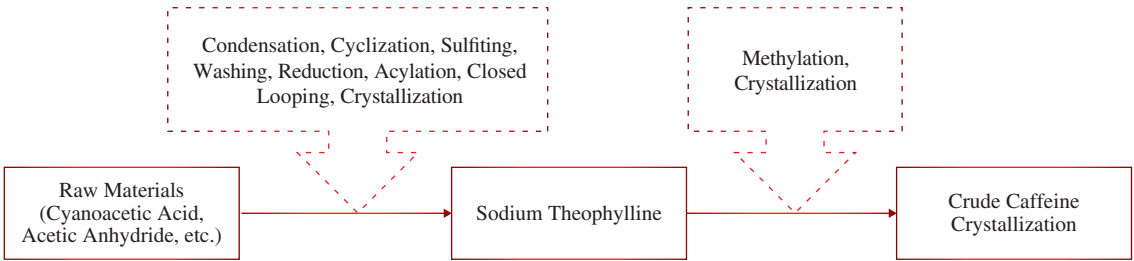
Our estimated total capital expenditure for this expansion plan is RMB400 million. We have completed the construction of the workshop and are in the process of procuring advanced equipment and machinery, including bioreactors, disc stack centrifuges, and purification and filling systems, from renowned international and domestic brands. We expect to complete the expansion in the second half of 2026.

Manufacturing Process

The following charts illustrate the manufacturing process of our major products.

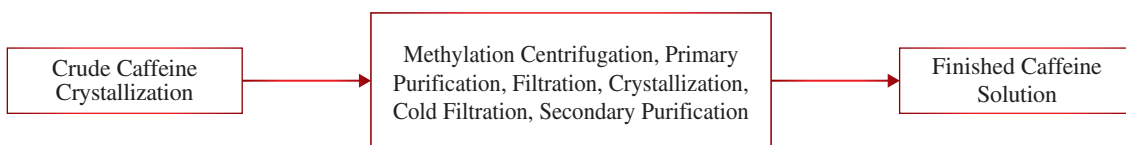
Caffeine

(1) Crude caffeine crystallization

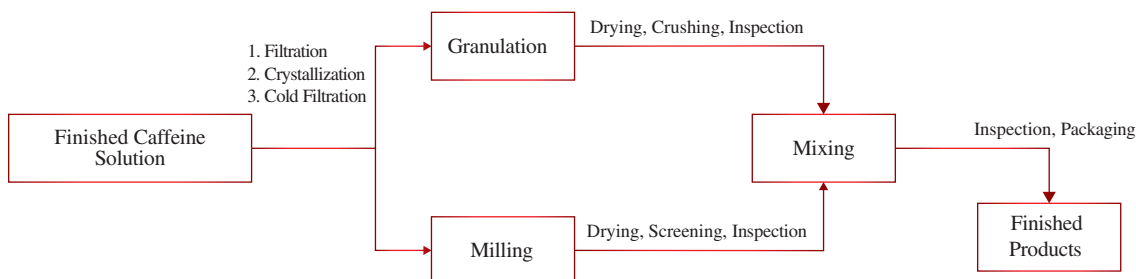


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(2) Finished caffeine solution



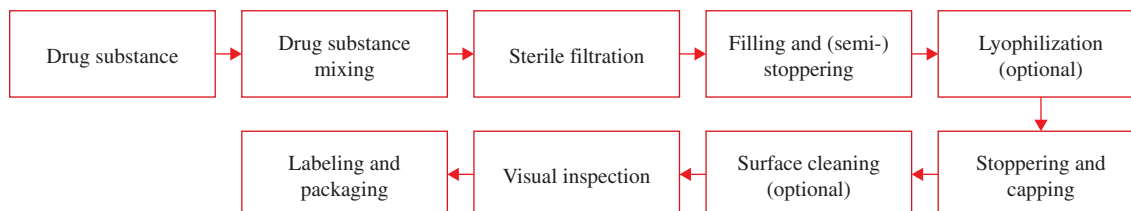
(3) Finished products



Nutritional Products



Biopharmaceuticals



Quality Management

We design our quality management system in accordance with applicable GMP and ISO standards. We strictly adhere to our quality management system, continuously refine our R&D, production, and inspection processes, and implement rigorous quality control for raw materials, in-process products, and finished goods. Our Standard Operating Procedure documents encompass production, materials, equipment and facilities, inspection, packaging and labeling, and quality assurance. We conduct a periodical review of our quality management documents, and timely update the quality standards for each product in accordance with applicable pharmacopoeia revisions.

We implement a three-tier quality management, maintaining sufficient quality controls at corporate, departmental, and operational levels. Our quality management team is structured into two key functions, comprising (i) quality assurance professionals who oversee managerial activities, including supplier audits, complaint and return handling, and traceability management; and (ii) quality control professionals who conduct inspection-related tasks, such as finished product testing and raw material testing.

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The following sets forth our key quality control procedures, which ensure stability and controllability across production and operations, and deliver consistent, safe, and reliable product quality.



- *Material management.* We source raw materials from qualified suppliers. Incoming materials are warehoused only after passing acceptance inspection and stored under specified conditions. During the process, materials released and materials under quarantine are clearly labeled, and rejected materials will bear prominent identification and are safely segregated to prevent production use. Only materials tested compliant and formally released by quality management department may be issued to our production areas.
- *Manufacturing quality.* Our manufacturing process is in full compliance with applicable GMP and ISO standards. We house validated, advanced manufacturing equipment, maintain optimized manufacturing processes, and equip a comprehensive quality testing system that ensures a rigorous quality control of raw materials, excipients, and finished products.
- *Product release.* Our products are manufactured under strict adherence to pharmacopoeia requirements in China, Europe, the United States, Japan, the United Kingdom, and India, among others, as well as applicable food additive standards and Food Chemicals Codex requirements. We implement rigorous internal control standards, ensuring that only batches fulfilling these specifications are released for market distribution. In 2025, we achieved a 100% batch compliance.

We are certified under ISO 9001 (Quality Management), ISO 14001 (Environmental Management), ISO 22000 (Food Safety), and ISO 45001 (Occupational Health and Safety) standards. We have also obtained various overseas certifications, including the Japanese PMDA Foreign Manufacturer Accreditation, British Retail Consortium Global Standard Certification, European Pharmacopoeia Suitability (Certification of Suitability), HALAL, and KOSHER certifications. In 2025, we successfully passed 15 inspections by the NMPA and its local counterparts in China, 12 audits by third-party quality certification agencies, and 122 audits by our business partners in China and overseas.

Inventory Management

Our inventory primarily includes raw materials, work in progress, and finished goods. We procure inventories for our commercialized products based on a sales-driven model, formulating production plans based on sales orders and routine stock requirements. Finished goods are manufactured to meet sales demand while maintaining reasonable inventory levels. We procure inventories for our products under development based on a research-driven production model, producing small-scale, pilot, and clinical trial batches according to the needs of each stage of the respective development projects.

OUR CUSTOMERS

Our customers primarily consist of customers who purchase functional ingredients directly from us and distributors through which we sell our pharmaceutical products and nutritional products. In 2023, 2024, and 2025, we generated revenue of RMB1,009.0 million, RMB678.8 million, and RMB602.3 million from our five largest customers, respectively, representing 39.7%, 34.3%, and 27.9% of our total revenue for these respective years.

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The following tables set forth details of our five largest customers in each year during the Track Record Period.

For the Year Ended December 31, 2023

Rank	Customer	Registered Capital	Type of Sales	Payment Type	Credit Period	Revenue Contribution (RMB in millions)	As a Percentage of Our Total Revenue (%)
1 . .	Certain subsidiaries and connected persons of CSPP Pharmaceutical ⁽¹⁾	N/A	Functional ingredients and nutritional products	Bank transfer and bills	30-150 days	346.4	13.6
2 . .	Customer A ⁽²⁾	N/A	Functional ingredients	Bank transfer	120 days	309.3	12.2
3 . .	Customer B ⁽³⁾	N/A	Functional ingredients	Bank transfer	60-120 days	219.7	8.7
4 . .	Customer C ⁽⁴⁾	RMB36.1 million	Functional ingredients	Bank transfer and bills	60 days	76.7	3.0
5 . .	Customer D ⁽⁵⁾	N/A	Functional ingredients	Bank transfer	120 days	56.9	2.2
Total						1,009.0	39.7

For the Year Ended December 31, 2024

Rank	Customer	Registered Capital	Type of Sales	Payment Type	Credit Period	Revenue Contribution (RMB in millions)	As a Percentage of Our Total Revenue (%)
1 . .	Certain subsidiaries and connected persons of CSPP Pharmaceutical ⁽¹⁾	N/A	Functional ingredients and nutritional products	Bank transfer and bills	30-150 days	199.7	10.1
2 . .	Customer E ⁽⁶⁾	RMB159.6 million	Functional ingredients	Bank transfer and bills	30-60 days	150.9	7.6
3 . .	Customer B ⁽³⁾	N/A	Functional ingredients	Bank transfer	60-120 days	134.5	6.8
4 . .	Customer A ⁽²⁾	N/A	Functional ingredients	Bank transfer	120 days	131.4	6.6
5 . .	Customer C ⁽⁴⁾	RMB36.1 million	Functional ingredients	Bank transfer and bills	60 days	62.3	3.2
Total						678.8	34.3

For the Year Ended December 31, 2025

Rank	Customer	Registered Capital	Type of Sales	Payment Type	Credit Period	Revenue Contribution (RMB in millions)	As a Percentage of Our Total Revenue (%)
1 . .	Customer E ⁽⁶⁾	RMB159.6 million	Functional ingredients	Bank transfer and bills	30-60 days	154.9	7.2

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Rank	Customer	Registered Capital	Type of Sales	Payment Type	Credit Period	Revenue Contribution (RMB in millions)	As a Percentage of Our Total Revenue (%)
2	Customer B ⁽³⁾	N/A	Functional ingredients	Bank transfer	60-120 days	152.6	7.1
3	Customer A ⁽²⁾	N/A	Functional ingredients	Bank transfer	120 days	110.5	5.1
4	Certain subsidiaries and connected persons of CSPC Pharmaceutical ⁽¹⁾	N/A	Functional ingredients and nutritional products	Bank transfer and bills	30-150 days	96.2	4.5
5	Customer F ⁽⁷⁾	RMB25.5 billion	Functional ingredients, nutritional products and biopharmaceutical products	Bank transfer	30-60 days	88.1	4.0
Total						602.3	27.9

Notes:

- (1) CSPC Pharmaceutical is a public company listed on the Hong Kong Stock Exchange, with its principal business located in China and focused on the R&D, manufacturing, and sale of pharmaceutical products. We commenced our business relationship with certain subsidiaries and connected persons of CSPC Pharmaceutical in 2006.
- (2) Customer A is a public company listed on the New York Stock Exchange, with its principal business located in the United States and focused on the manufacturing and sale of non-alcoholic ready to-drink beverages. Customer A is a Global Fortune 500 company. We commenced our business relationship with Customer A in 2006.
- (3) Customer B is a public company listed on the Nasdaq Stock Market LLC, with its principal business located in the United States and focused on the manufacturing and sale of beverages and snacks. Customer B is a Global Fortune 500 company. We commenced our business relationship with Customer B in 2007.
- (4) Customer C is a private company with its principal business located in China and focused on the R&D, manufacturing, and sale of oral generic drugs and Chinese proprietary medicines. We commenced our business relationship with Customer C in 2020.
- (5) Customer D is a public company listed on the Nasdaq Stock Market LLC, with its principal business located in the United States and focused on the manufacturing and sale of beverages, including ready-to-drink beverages, single-serve coffee systems, liquid concentrates, and syrups. We commenced our business relationship with Customer D in 2019.
- (6) Customer E is a private company with its principal business located in China and focused on the manufacturing of vitamin B12 APIs, specifically in the form of cyanocobalamin, as well as feed additives and food additives, and the manufacturing and sale of maltose. We commenced our business relationship with Customer E in 2020.
- (7) Customer F is a private company with its principal business located in China and focused on the R&D, manufacturing, logistics, and retail of pharmaceuticals and the provision of healthcare services. We commenced our business relationship with Customer F in 2016.

To the best knowledge of our Directors, except for certain subsidiaries (including two members of our Controlling Shareholder Group) and certain connected persons of CSPC Pharmaceutical, each of our five largest customers in each year during the Track Record Period was an Independent Third Party. Save as described above, none of our Directors, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest customers in each year during the Track Record Period.

BUSINESS

OUR SUPPLIERS

Our suppliers primarily consist of suppliers of raw materials and providers of technical, construction and engineering services. In 2023, 2024, and 2025, our aggregate purchases from our five largest suppliers amounted to RMB883.1 million, RMB496.5 million, and RMB490.5 million, respectively, representing 39.5%, 25.3%, and 9.7% of our total purchase for these respective years.

The following tables set forth details of our five largest suppliers in each year during the Track Record Period.

For the Year Ended December 31, 2023

Rank	Supplier	Registered Capital	Type of Purchases	Payment Type	Credit Period	Purchase Amount <i>(RMB in millions)</i>	As a Percentage of Our Total Purchase <i>(%)</i>
1	Certain subsidiaries and connected persons of CSPC Pharmaceutical ⁽¹⁾	N/A	Raw materials, equipment and R&D services	Bank transfer and bills	30-120 days	551.7	24.7
2	Supplier A ⁽²⁾	RMB139.0 million	Raw materials	Bank transfer and bills	30 days	125.8	5.6
3	Supplier B ⁽³⁾	RMB30.4 million	Raw materials	Bank transfer and bills	7 days	81.5	3.6
4	Supplier C ⁽⁴⁾	RMB3,120.7 million	Raw materials	Bank transfer	N/A	64.3	2.9
5	Supplier D ⁽⁵⁾	RMB3.0 million	Raw materials	Bank transfer and bills	75 days	59.8	2.7
Total						883.1	39.5

For the Year Ended December 31, 2024

Rank	Supplier	Registered Capital	Type of Purchases	Payment Type	Credit Period	Purchase Amount <i>(RMB in millions)</i>	As a Percentage of Our Total Purchase <i>(%)</i>
1	Certain subsidiaries and connected persons of CSPC Pharmaceutical ⁽¹⁾	N/A	Raw materials, equipment and R&D services	Bank transfer and bills	30-120 days	157.1	8.0
2	Supplier A ⁽²⁾	RMB139.0 million	Raw materials	Bank transfer and bills	30 days	116.8	6.0
3	Supplier E ⁽⁶⁾	RMB15.2 million	Construction services	Bank transfer	30 days	91.5	4.7
4	Supplier B ⁽³⁾	RMB30.4 million	Raw materials	Bank transfer and bills	7 days	85.8	4.4
5	Supplier D ⁽⁵⁾	RMB3.0 million	Raw materials	Bank transfer and bills	75 days	45.3	2.2
Total						496.5	25.3

BUSINESS

For the Year Ended December 31, 2025

Rank	Supplier	Registered Capital	Type of Purchases	Payment Type	Credit Period	Purchase Amount (RMB in millions)	As a Percentage of Our Total Purchase (%)
1 . .	Certain subsidiaries and connected persons of CSPC Pharmaceutical ⁽¹⁾	N/A	Raw materials, equipment and R&D services	Bank transfer and bills	30-120 days	178.7	3.5
2 . .	Supplier A ⁽²⁾	RMB139.0 million	Raw materials	Bank transfer and bills	30 days	112.3	2.2
3 . .	Supplier B ⁽³⁾	RMB30.4 million	Raw materials	Bank transfer and bills	7 days	95.0	1.9
4 . .	Supplier F ⁽⁷⁾	RMB333.0 million	Raw materials	Bank transfer and bills	15 days	58.5	1.2
5 . .	Supplier G ⁽⁸⁾	RMB1,133.0 million	Construction services	Bank transfer and bills	30 days	46.0	0.9
Total						490.5	9.7

Notes:

- (1) CSPC Pharmaceutical is a public company listed on the Hong Kong Stock Exchange, with its principal business located in China and focused on the R&D, manufacturing, and sale of pharmaceutical products. We commenced our business relationship with certain subsidiaries and connected persons of CSPC Pharmaceutical in 2006.
- (2) Supplier A is a private company with its principal business located in China and focused on the R&D, manufacturing, and sale of hydrogen cyanide derivatives through a focus on cyanide technology. We commenced our business relationship with Supplier A in 2006.
- (3) Supplier B is a private company with its principal business located in China and focused on the R&D, manufacturing, and sale of corn starch and starch sweeteners. We commenced our business relationship with Supplier B in 2016.
- (4) Supplier C is a public company listed on the Hong Kong Stock Exchange, with its principal business located in China and focused on the distribution, logistics, sale, and supply chain management of pharmaceuticals, medical devices and health products. We commenced our business relationship with Supplier C in 2021.
- (5) Supplier D is a private company with its principal business located in China and focused on the manufacturing of inorganic salts and water treatment compounds. We commenced our business relationship with Supplier D in 2009.
- (6) Supplier E is a private company with its principal business located in China and focused on the provision of business construction, infrastructure construction, investment and operation, as well as engineering, procurement, and construction services. We commenced our business relationship with Supplier E in 2023.
- (7) Supplier F is a private company with its principal business located in China and utilized the deep-processing of corn to build a complete industry chain covering diverse business segments, including grain storage and transportation, food ingredients, functional sugars and alcohols, and biopharmaceuticals. We commenced our business relationship with Supplier F in 2021.
- (8) Supplier G is a public company listed on the Shanghai Stock Exchange, with its principal business located in China and focused on the provision of green building system services and high-quality healthcare services. We commenced our business relationship with Supplier G in 2023.

To the best knowledge of our Directors, except for certain subsidiaries (including two members of the Controlling Shareholder Group) and certain connected persons of CSPC Pharmaceutical, each of our five largest suppliers in each year during the Track Record Period was an Independent Third Party. Save as disclosed above, none of our Directors, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, nor any of their respective associates, had any interest in any of our five largest suppliers in each year during the Track Record Period.

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Overlapping of Customer and Supplier

During the Track Record Period, to the best knowledge of our Directors, certain subsidiaries and connected persons of CSPC Pharmaceutical, as a group, as one of our five largest customers in each of 2023, 2024, and 2025, was also our supplier in these respective years. During the Track Record Period, we procured raw materials, equipment and R&D services from this group. In 2023, 2024, and 2025, our total purchases from this group amounted to RMB551.7 million, RMB157.1 million, and RMB178.7 million, respectively, accounting for 24.7%, 8.0%, and 3.5% of our total purchase amount for these respective years. During the Track Record Period, we also sold functional ingredients and nutritional products to this group. In 2023, 2024, and 2025, our total sales to this group amounted to RMB346.4 million, RMB199.7 million, and RMB96.2 million, respectively, accounting for 13.6%, 10.1%, and 4.5% of our total revenue for these respective years. In 2023, 2024, and 2025, gross profit derived from such sales was RMB211.0 million, RMB132.7 million, and RMB55.3 million, and the gross profit margin was 60.9%, 66.4%, and 57.4%, respectively. These margins were commensurate with those of our other independent customers of functional ingredients and nutritional products.

In addition, Customer F, as one of our five largest customers in 2025, indirectly controls Supplier C, one of our five largest suppliers in 2023. We procured raw materials from Supplier C. In 2023, our total purchases from Supplier C amounted to RMB64.3 million, accounting for 2.9% of our total purchase amount for the same year. We also sold functional ingredients, nutritional products and biopharmaceutical products to Customer F. In 2025, our total sales to Customer F amounted to RMB88.1 million, accounting for 4.0% of our total revenue for the same year. In 2025, gross profit derived from such sales was RMB64.4 million, and the gross profit margin was 73.1%. This margin was commensurate with those of our other independent customers of functional ingredients, nutritional products, and biopharmaceutical products.

According to Frost & Sullivan, such overlapping arrangements are common across the industries we are focused on, where supply chain integration and technology and service exchanges are prevalent practices. It is typical for industry participants to act both as upstream suppliers of raw materials, equipment and services, and as downstream purchasers of finished products. In our case, overlapping relationships typically arise when companies purchase functional ingredients, nutritional products and biopharmaceutical products from us, while also supplying raw materials, equipment, as well as R&D and other services to us for our own production and development of these products. This dual role is reflective of our ecosystem-driven commercialization model and the collaborative structure of our focused industries.

Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on a transaction-by-transaction basis. Our sales to and purchases from our overlapping customers and suppliers were not related to or inter-conditional upon each other. Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

TRANSFER PRICING ARRANGEMENTS

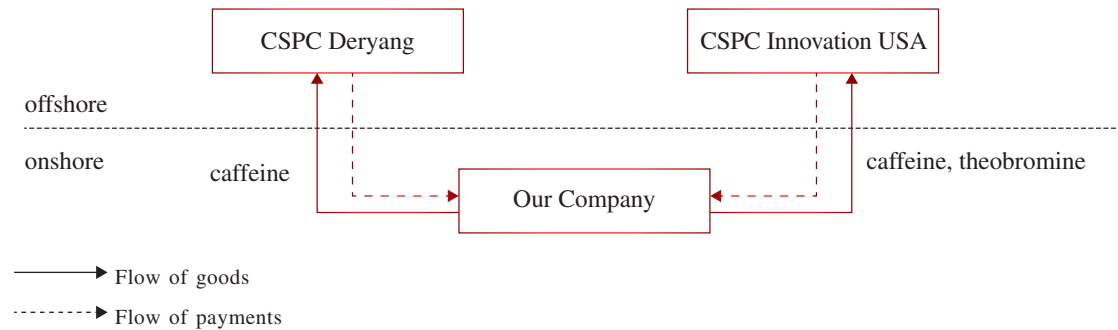
During the Track Record Period, our intra-group transactions primarily included purchases and sales of tangible goods (including caffeine and theobromine) between our Company and certain overseas subsidiaries which are principally responsible for the sales and distribution of our products in their respective local markets (the “**Covered Transactions**”). The Covered Transactions are summarized below:

- (i) CSPC Deryang Europe GmbH (“**CSPC Deryang**”), our subsidiary in Germany which is primarily engaged in sales and distribution functions, purchased caffeine from our Company for on-sale to customers in Germany and other European countries; and

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- (ii) CSPC Innovation USA Inc. (“**CSPC Innovation USA**”), our subsidiary in the United States which is primarily engaged in sales and distribution functions, purchased caffeine and theobromine from our Company for on-sale to customers in North America.

The following diagram illustrates the transfer pricing arrangements underlying the Covered Transactions during the Track Record Period.



CSPC Deryang and CSPC Innovation USA were each a limited-risk distributor, while our Company assumes key functions and associated risks, including R&D, production, logistics, sales and marketing, as well as after-sales services. The transfer prices adopted in our Covered Transactions were determined with reference to the functions performed and risks assumed by the relevant parties, taking into account prevailing market prices.

Transfer Pricing Assessment

The Organization for Economic Co-operation and Development (the “**OECD**”), a key international standard-setting organization, has promulgated the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the “**OECD Transfer Pricing Guidelines**”), which set out internationally accepted principles and methodologies for determining arm’s length pricing in related party transactions. The OECD Transfer Pricing Guidelines are generally followed by, or are consistent with, the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions, including the PRC, the United States, and Germany. In accordance with the OECD Transfer Pricing Guidelines, intra-group transactions should be conducted on an arm’s length basis to ensure that taxable income is appropriately allocated among jurisdictions.

We have engaged KPMG Advisory (China) Limited Beijing Branch, an independent transfer pricing consultant (the “**Transfer Pricing Consultant**”), to conduct a transfer pricing review and benchmarking studies on our Covered Transactions during the Track Record Period to assess whether our transfer pricing arrangements comply with the arm’s length principle in accordance with the OECD Transfer Pricing Guidelines.

The Transfer Pricing Consultant selected and applied the most appropriate transfer pricing method in its benchmarking studies based on the nature and characteristics of the intra-group transactions under review. For all of the Covered Transactions, the transactional net margin method (“**TNMM**”) was adopted, which compares the operating margin (“**OM**”) of the tested parties (CSPC Deryang and CSPC Innovation USA) arising from intra-group transactions with the OMs realized by independent third parties engaging in comparable transactions.

For the benchmarking studies using TNMM method, the range of reasonable profit levels (the “**Comparable Profit Level Range**”) was determined by reference to profit levels derived by comparable companies. The Comparable Profit Level Range determined through the benchmarking studies followed the OECD Transfer Pricing Guidelines and represents an arm’s-length profit level range.

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Based on the benchmarking studies, the OMs of CSPC Deryang and CSPC Innovation USA, our subsidiaries involved in the Covered Transactions, were within the Comparable Profit Level Range. The Transfer Pricing Consultant is therefore of the view that the transfer pricing arrangements involved in the Covered Transactions during the Track Record Period were consistent with the arm’s length principle in accordance with the OECD Transfer Pricing Guidelines.

Transfer Pricing Compliance

Our Group has maintained contemporaneous documentation and internal policies to support compliance with applicable transfer pricing regulations in the PRC and other relevant jurisdictions. We review our transfer pricing policies on a regular basis, taking into account changes in business scale, market conditions, and relevant tax regulations. From time to time, we may also engage external tax advisers to assist in benchmarking analyses and to ensure that our transfer pricing documentation remain compliant with the requirements of the tax authorities in the PRC and other relevant jurisdictions.

Although benchmarking studies conducted in accordance with OECD Transfer Pricing Guidelines are widely recognized by the tax authorities in the jurisdictions involved, such studies do not have binding effect on local tax authorities in the event of any transfer pricing controversy. Accordingly, we cannot guarantee that our transfer pricing arrangements will not be reviewed or challenged by tax authorities in the future. See “Risk Factors—Risks Related to Our Business and Industry—Our operations may be subject to transfer pricing adjustments by competent authorities.” Nevertheless, we believe that our existing documentation and analyses provide reasonable grounds to defend ourselves against potential challenges.

As of the Latest Practicable Date, our Directors were not aware of any outstanding enquiry, audit or investigation by any tax authorities with respect to our transfer pricing arrangements. As advised by the Transfer Pricing Consultant and upon reviewing the corresponding reports, our Directors and our Transfer Pricing Consultant are of the view that the Covered Transactions were in line with the arm’s length principle and that our Group had been in compliance with the relevant transfer pricing laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Our Directors and our Transfer Pricing Consultant are further of the view that the risk of our transfer pricing arrangements during the Track Record Period being challenged by the relevant tax authorities for profit shifting is relatively low.

COMPETITION

We are confronted by considerable competition in the market for our products, and our key competitors vary by product category.

The global chemically synthesized caffeine market is highly concentrated, dominated by a limited number of players with strong brand recognition, extensive networks, and long-term customer loyalty. China is the most important producer of caffeine, with production mainly concentrated in several enterprises with designated caffeine production qualifications. In 2025, the top three players in China’s chemically synthesized caffeine market, in aggregate, accounted for over 90% of the market share in terms of revenue, with us leading the market by capturing a 50.7% share, according to Frost & Sullivan. Internationally, from 2020 to 2025, we have been the world’s largest producer of chemically synthesized caffeine, both in terms of revenue and shipment volume, according to Frost & Sullivan. Key factors for competition include product quality, price and production capabilities. With stable product quality, cost advantages brought by large-scale production and a comprehensive supply chain system, we expect to stay competitive and sustain our market leadership in China and globally.

Our biopharmaceutical products face, and will continue to face, significant competition from existing therapies, as well as biologics products that are currently commercialized or are under development by well-known multinational companies, regionally-strong players and companies, or other prospective competitors. With respect to original or innovative drug candidates, we expect to compete primarily based on our ability to identify and address new or underserved treatment needs, whether due to a lack of existing drugs generally or as a result of such drugs being unavailable or unaffordable in certain regional markets (in which case making such drug candidates available at affordable prices would also be a key competitive factor). With respect to our biosimilar candidates, we expect to compete primarily based on our ability to produce drugs that are of similar quality and efficacy as the relevant reference drugs at lower costs.

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EMPLOYEES

As of December 31, 2025, we had a total of 2,369 full-time employees, substantially all of whom are based in China. The following table sets forth a breakdown of our full-time employees by function as of the same date.

Function	As of December 31, 2025	
	Number of Employees	% of Total Employees
R&D	403	17.0
Sales and marketing	499	21.1
Manufacturing	1,366	57.7
General administration	101	4.2
Total	2,369	100.0

Our ability to attract, retain and motivate qualified employees is crucial to our success. The remuneration package of our employees generally includes base salary and performance bonus. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. Furthermore, we place a strong emphasis on employee training and development. Our training approach is tiered and progressive, offering targeted leadership, management, and technical skills training for high- and mid-level managers and front-line employees to enhance their role-specific competency.

In China, we are required to contribute to statutory employee benefit schemes. During the Track Record Period, we made full social insurance and housing provident fund contributions for our employees, except that certain of our subsidiaries in the PRC engaged third-party agencies to do so, which involves potential risks. For details, see “Risk Factors—Risks Related to Doing Business in the Jurisdictions Where We Operate—We are subject to laws and regulations in jurisdictions where we operate, and any failure to respond to future changes in the regulatory environment in these jurisdictions could have an adverse effect on our business, results of operations and financial condition.” Based on the foregoing, our Directors are of the view that the failure to make social insurance and housing provident fund contribution for some employees by certain PRC subsidiaries in their own name would not have any material adverse impact on our business, financial condition, or results of operations. We have adopted a range of measures to improve compliance in this regard, including (i) providing training to our human resources personnel; and (ii) keeping abreast of regulatory developments in social insurance and housing provident fund policies. In addition, we will promptly fulfill our obligations as required as soon as practicable upon receipt of any notification from competent authorities that requires us to rectify our current practice in our social insurance and housing provident fund contribution.

As of the Latest Practicable Date, our employees were represented by a labor union. We believe we maintain a good working relationship with our employees. We had not experienced any strikes or any material labor disputes with our employees during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain property insurance covering physical damage to, or loss of, our facilities, equipment, office furniture and inventory, and clinical trial insurance protecting us against liabilities in the event of injury to any trial subjects caused by serious adverse events in our clinical trials. We are not required under PRC laws and regulations to, and we generally do not, purchase any employer’s liability insurance. However, we maintain personal accident insurance for our employees covering any accidental deaths, injuries, and disabilities. In line with general market practice, we also do not maintain any key person insurance, business interruption insurance, or insurance policies covering damages to our IT infrastructure or IT systems.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. Our Directors believe that our insurance coverage is adequate and in line with industry norm. However, the risks related to our business and operations may not be fully covered by insurance. For details, please see “Risk Factors—Risks Related to Our Business and Industry—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.”

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LAND AND PROPERTIES

Owned Properties

Our corporate headquarters is located in Shijiazhuang, Hebei Province. As of the Latest Practicable Date, we owned five land parcels in China with an aggregate site area of approximately 436.1 thousand sq.m. and 34 major properties with an aggregate gross floor area (“GFA”) of approximately 165.9 thousand sq.m. In addition, we acquired one parcel of land in China with a site area of approximately 69.3 thousand sq.m. and several major properties with an aggregate GFA of approximately 43.9 thousand sq.m. We paid the consideration for the transfer of legal title in full; however, the registration of the transfer of legal title to such land and properties is pending upon the completion of certain ongoing construction projects. Our PRC Legal Advisor is of the view that, provided the requisite project completion procedures and land and property transfer formalities are carried out in compliance with applicable laws and regulations, there are no material legal obstacles to applying for and completing the title change registration in respect of such land and properties. During the Track Record Period, we were not subject to any administrative penalties imposed by competent authorities in respect of land resources, construction, and urban planning. The “major properties” referred to in this paragraph are those that cover a GFA of at least 500 sq.m. and are primarily used for R&D, production and office purposes.

Properties Under Construction

As of the Latest Practicable Date, we had 12 projects of properties under construction in China. These properties are expected to be used primarily as production and R&D facilities and office premises.

Leased Property

As of the Latest Practicable Date, we had one leased property in Shijiazhuang with an aggregate GFA of approximately 2,150 sq.m. It is primarily used as office premises. We do not anticipate difficulty in renewing our existing lease when it expires or in finding alternative facilities.

Property Interests

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. Our property interests comprise buildings (completed or construction in progress) and leasehold lands. As of December 31, 2025, no single property interest of our Group had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this document any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

DATA PRIVACY AND PROTECTION

We collect and process de-identified information of subjects enrolled in our clinical trials to support the implementation of our research activities and drug development programs. The information collected and processed primarily includes basic demographic and health information provided by subjects at enrollment, medical records, case report forms and testing data generated during trials, laboratory and third-party testing results, and follow-up observations collected through subsequent monitoring. Such information is collected based on the explicit consent of subjects obtained through informed consent forms that have been reviewed and approved by relevant ethics committees. Subjects sign written consent before trial commencement after being fully informed of the research background, investigational drugs, research objectives, trial procedures, expected risks and benefits, and their right to refuse participation or withdraw from the study.

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We have established comprehensive procedures, strict internal policies and various technical measures to ensure robust data security and protection.

- *IT security and data protection policy framework.* Our comprehensive IT security and data protection policies cover (i) procedural requirements for network information security management, (ii) detailed coordination between departments and their responsibilities, (iii) incident or emergency response plan, (iv) data classification and security grading management, and (v) confidentiality management. In 2023, we invested in a Group Network Information Security Management System project, which enhanced security through unified identity management, network boundary protection, endpoint management, data security controls, and remote access management. We have deployed data loss prevention and encryption systems to protect sensitive data assets, established network access controls with authentication protocols for all devices and personnel, and implemented enterprise-grade antivirus systems with regular vulnerability scanning and penetration testing to strengthen defenses against external threats.
- *Storage of clinical data.* Clinical trial data are stored in electronic data capture (“EDC”) systems provided by qualified service providers. These EDC system providers are required to maintain information security management systems aligned with international standards and possess comprehensive information security risk identification and control capabilities, including holding ISO 27001 certification. We have a standard operating procedure in place that governs the maintenance of records across different stages of clinical trials. In addition, clinical data are required to be archived for the necessary retention periods set forth in applicable regulatory requirements.
- *De-identification and data access.* We have various technical safeguards to ensure data security and protection. We have implemented de-identification measures for clinical trial data, including replacing subject names with unique codes in case report forms. Additionally, we strictly limit clinical data access through a hierarchical, role-based authorization mechanism established in accordance with GCP regulations. Personally identifiable information (“PII”), such as names, ID numbers and contact information, is only accessible to principal investigators and designated management personnel at research centers for the purposes of maintaining trial traceability and subject safety monitoring.
- *Employee management.* We require all employees participating in clinical trials or drug research programs to comply with our confidentiality requirements, and provide necessary trainings on our data security policies to these employees. If any personal information received from research partners is found to have not been anonymized or have been inadequately anonymized, the sender of such information will be promptly informed, and all personnel who may have received such information will be immediately notified and requested immediate deletion of such information.
- *Third-party management.* We require all personnel and external parties involved in clinical trials, including CROs and SMOs, to comply with applicable laws and regulations concerning personal data protection, and confidentiality requirements designed to ensure that data are used solely for purposes agreed by subjects in their informed consent. Our service agreements with these providers include a dedicated data transfer protocol that explicitly stipulates their responsibilities for data privacy and protection, requiring them to process personal information in accordance with our instructions and to comply with applicable data privacy laws governing their data processing activities.
- *Audits.* We conduct regular and *ad hoc* audits of research centers and data-related service providers, including CROs, SMOs, testing institutions, and EDC system providers. These audits typically include reviews of system documentation, project management materials, and quality management systems, as well as on-site inspections. Through these supplier audits, we can effectively evaluate the adequacy of their data infrastructure and their compliance with our standard operating procedures and applicable regulatory requirements.

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We engage in cross-border data transfers under limited circumstances. Under certain out-licensing arrangements, we agree to provide overseas business partners with clinical trial data to support their clinical development programs. We may also transfer de-identified clinical data abroad to facilitate our clinical trials and regulatory submissions in the United States. Our designated data managers will prepare and deliver datasets following thorough discussions with the relevant project team concerning the data cutoff date, subject scope, dataset coverage, and transmission format.

The data transferred abroad include personal health and medical information, which constitutes “sensitive personal information” as defined under the Personal Information Protection Law of the People’s Republic of China. The total number of subjects involved is far less than 10,000 individuals, and the data transferred abroad do not involve any human genetic resources. Accordingly, as advised by our PRC Legal Advisor, we are not required to apply to the cyberspace administration authority for the security assessment of our outbound data transfer in accordance with the Measures for Security Assessment of Data Export.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, (i) we had not experienced any material data leakage, (ii) as advised by our legal advisors in the key jurisdictions where we operate, we had not been subject to any material fines, administrative penalties, or sanctions by relevant regulatory authorities in relation to violations of data protection laws and regulations, and (iii) we had complied with all applicable laws and regulations on data privacy and security in all material respects.

LEGAL AND COMPLIANCE

Licenses, Permits and Certificates

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See “Regulatory Overview” for more information about the material certificates, permits and licenses required for our business operations. As of the Latest Practicable Date, we had obtained all material licenses, permits, approvals, and certificates required for our operations and all of these material licenses, permits, approvals, and certificates were valid and remained in effect.

The following table sets forth a summary of the major licenses, permits, approvals, and certificates for our business operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

License/Permit/Certificate	Products	Holder	Issuing Authority	Expiration Date
Drug Production License	Therapeutic biological products, preventive biological products	Megalith Biopharmaceutical	Hebei Provincial Drug Administration	August 21, 2030
Drug Production License	Psychotropic drugs, raw materials	CSPC Innovation	Hebei Provincial Drug Administration	September 1, 2030
Drug Production License	Anhydrous glucose, Acarbose	CSPC Shengxue	Hebei Provincial Drug Administration	July 31, 2030
Narcotic and Psychotropic Drug Designated Production Approval	Caffeine	CSPC Innovation	Hebei Provincial Drug Administration	Not Applicable
Certificate of Suitability (European Pharmacopoeia)	Caffeine	CSPC Innovation	European Directorate for the Quality of Medicines & HealthCare	Not Applicable
CADIFA Registration Certificate	Caffeine	CSPC Innovation	The Brazilian Health Regulatory Agency	Not Applicable

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License/Permit/Certificate	Products	Holder	Issuing Authority	Expiration Date
Certificate of Good Manufacturing Practices	Caffeine	CSPC Innovation	The Brazilian Health Regulatory Agency	March 24, 2027
Certificate of Suitability (European Pharmacopoeia)	Acarbose	CSPC Shengxue	European Directorate for the Quality of Medicines & HealthCare	Not Applicable
Food Production License	Food additives	CSPC Innovation	Shijiazhuang Administrative Approval Bureau	January 4, 2027
Food Production License	Dairy products, beverages, confectionery, functional food, special medical formula foods, special dietary foods, food additives	Zhongnuo Taizhou	Jiangsu Provincial Market Supervision Administration	December 30, 2026

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits, approvals, and certificates prior to the expiration date. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licenses, permits, approvals, and certificates for our business operations. We do not expect there to be any material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations, and rules.

Legal Proceedings

We may from time to time be subject to litigation, arbitration or other legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any legal, arbitral, or administrative proceedings, nor were we aware of any pending or threatened legal, arbitral, or administrative proceedings against us or our Directors, that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

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BUSINESS SUSTAINABILITY

The following table sets forth our major financial metrics for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000 (except for percentages)</i>		
Revenue	2,538,713	1,980,753	2,157,680
Gross profit	1,157,764	828,583	824,642
Gross profit margin	45.6%	41.8%	38.2%
Operating expenses	1,013,618	1,112,132	1,471,129
Net profit/(loss)	125,668	(303,713)	(634,337)
Net profit/(loss) margin	5.0%	(15.3)%	(29.4)%
Net cash generated from/(used in) operating activities	660,956	(1,140,405)	(296,013)

Reasons for Historical Loss

We recorded net losses in 2024 and 2025. During the Track Record Period, on the one hand, our R&D expenses were on a steady increase, as we invested heavily in the discovery, research and development of biopharmaceuticals; on the other hand, the profitability of our caffeine products and nutritional products experienced a downward pressure.

Discussion of Operating Profit

We strategically pivot towards the biopharmaceutical business following our acquisition of a controlling equity interest in Megalith Biopharmaceutical (the “**Megalith Biopharmaceutical Acquisition I**”) in January 2024. Prior to our expansion into the biopharmaceutical business, our product offerings can be categorized into caffeine products, other functional ingredients, and nutritional products.

We use operating profit at segment level as the measure of profitability to assess performance and allocate resources. Operating profit represents total revenue less cost of sales and operating expenses (including R&D expenses, selling and distribution expenses, and administrative expenses). Our overall profitability was primarily affected by the operating profit in our caffeine products and biopharmaceutical businesses. The following table sets forth a breakdown of our total operating profit/(loss) by offering category for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Caffeine products	622,293	359,724	269,538
Biopharmaceuticals	(623,691)	(733,219)	(998,630)
Nutritional products	29,792	(41,940)	(12,636)
Other functional ingredients	94,976	115,288	80,977
Total	123,370	(300,147)	(660,752)

We recorded an operating profit of RMB123.3 million in 2023, while we recorded operating loss of RMB300.1 million in 2024. This change was due to (i) a RMB262.6 million decrease in the operating profit of caffeine products, (ii) a RMB109.5 million decrease in the operating profit of biopharmaceuticals, and (iii) a RMB71.7 million decrease in the operating profit of nutritional products, partially offset by a RMB20.3 million increase in the operating profit of other functional ingredients. Our operating loss further increased to RMB660.8 million in 2025. The expanded operating loss position was due to (i) a RMB265.4 million decrease in the operating profit of biopharmaceuticals, (ii) a RMB90.2 million decrease in the operating profit of caffeine products, and (iii) a RMB34.3 million decrease in the operating profit of other functional ingredients, partially offset by a RMB29.3 million increase in the operating profit of nutritional products.

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Caffeine Products

The following table details the operating profit of our caffeine products for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	1,555,329	1,121,919	1,137,429
Cost of sales	(822,293)	(640,301)	(754,267)
Gross profit	733,036	481,618	383,162
R&D expenses	(19,724)	(42,672)	(39,447)
Selling and distribution expenses	(27,252)	(28,972)	(28,046)
Administrative expenses	(63,767)	(50,250)	(46,131)
Operating profit	622,293	359,724	269,538

Our operating profit of caffeine products decreased by 42.2% from RMB622.3 million in 2023 to RMB359.7 million in 2024, and further decreased by 25.1% to RMB269.5 million in 2025. These decreases were primarily due to a decrease in revenue from sales of caffeine products, mainly driven by a decline in the average selling price of caffeine. In 2023, 2024 and 2025, our average selling price of caffeine per kilogram was RMB93.0, RMB68.3 and RMB64.8, respectively. For an analysis of caffeine price trends, see “Financial Information—Major Factors Affecting Our Results of Operations—Price Volatility of Caffeine.” In addition, our R&D expenses for caffeine products increased by 116.3% from RMB19.7 million in 2023 to RMB42.7 million in 2024, primarily driven by an increase in caffeine R&D projects focused on continuous methylation reaction processes and production process refinements (such as membrane concentration technology for the treatment of primary mother liquor). We expect to maintain R&D expenses in this segment at the existing level, as we believe these efforts are strategically prudent for driving cost efficiencies and reinforcing our market position.

Biopharmaceuticals

The following table details the operating loss of our biopharmaceuticals for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	34,702	87,797	256,933
Cost of sales	(12,160)	(4,897)	(90,881)
Gross profit	22,542	82,900	166,052
R&D expenses	(624,854)	(771,305)	(996,611)
Selling and distribution expenses	(5,269)	(25,870)	(134,250)
Administrative expenses	(16,110)	(18,944)	(33,821)
Operating loss	(623,691)	(733,219)	(998,630)

Our operating loss of biopharmaceuticals increased by 17.6% from RMB623.7 million in 2023 to RMB733.2 million in 2024, and further increased by 36.2% to RMB998.6 million in 2025. These increases were primarily driven by our enhanced R&D investments, partially offset by increased revenue contribution from our commercialized drugs.

R&D expenses for biopharmaceuticals increased by 23.4% from RMB624.9 million in 2023 to RMB771.3 million in 2024, and further increased by 29.2% to RMB996.6 million in 2025. These increases were primarily driven by our advancement of a number of drug development programs. In 2024, we obtained a total of 14 INDs in China and the United States and advanced our lead ADC candidates SYS6010 and SYS6002 into Phase II or III trials.

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Our revenue from biopharmaceuticals increased by 153.0% from RMB34.7 million in 2023 to RMB87.8 million in 2024, and increased significantly to RMB256.9 million in 2025. These increases were driven by enhanced sales performance of Enshuxing and Enyitan. We marketed Enshuxing and Enyitan since July and October 2024, respectively. In June 2024, Enshuxing was approved by the NMPA for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 (CPS1) expression who have previously failed to respond to platinum-based chemotherapy. Enyitan was first approved for the treatment of chronic spontaneous urticaria in adults and adolescents (12 years of age and older) who remain symptomatic despite H1 antihistamine treatment in September 2024, and its label was expanded in February 2025 for the treatment of moderate to severe persistent allergic asthma.

Nutritional Products

The following table details the operating profit of our nutritional products for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	320,133	138,370	200,528
Cost of sales	(78,552)	(48,902)	(62,568)
Gross profit	241,581	89,468	137,960
R&D expenses	(7,408)	(9,504)	(6,568)
Selling and distribution expenses	(172,928)	(94,803)	(113,513)
Administrative expenses	(31,453)	(27,101)	(30,516)
Operating profit/(loss)	29,792	(41,940)	(12,636)

We recorded an operating profit of nutritional products of RMB29.8 million in 2023, while we recorded operating loss of nutritional products of RMB41.9 million in 2024. This change was primarily due to a significant decrease in revenue from this segment, as demand in the consumer discretionary sector has weakened since 2023. In light of this weakened demand, we have strategically reduced our marketing spending within the nutritional products category. As a result, selling and distribution expenses for nutritional products decreased by 45.2% from RMB172.9 million in 2023 to RMB94.8 million in 2024.

Our operating loss of nutritional products decreased by 69.9% from RMB41.9 million in 2024 to RMB12.6 million in 2025. This decrease was primarily due to the increased sales volume of our nutritional products, driven by our strategic focus on retail pharmacy promotion, which serves as the primary purchasing channel for our target customers.

Other Functional Ingredients

The following table details the operating profit of our other functional ingredients for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	574,888	580,023	519,458
Cost of sales	(435,059)	(422,023)	(395,913)
Gross profit	139,829	158,000	123,545
R&D expenses	(19,410)	(19,220)	(18,385)
Selling and distribution expenses	(5,054)	(4,600)	(5,442)
Administrative expenses	(20,389)	(18,892)	(18,741)
Operating profit	94,976	115,288	80,977

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Our operating profit of other functional ingredients increased by 21.4% from RMB95.0 million in 2023 to RMB115.3 million in 2024, and decreased by 29.8% to RMB80.9 million in 2025. The increase in our operating profit of other functional ingredients from 2023 to 2024 was primarily due to our incorporation of smart control systems and automated equipment, which resulted in improved operational efficiency and reduced per-unit production costs through economies of scale. The decrease in operating profit of other functional ingredients from 2024 to 2025 was primarily due to a decrease in the average selling price of other functional ingredients, driven by market factors.

Working Capital Sufficiency

The following table sets forth a breakdown of our available internal financial resources as of April 30, 2026:

	As of April 30, 2026
	<i>RMB' 000</i> <i>(unaudited)</i>
Cash and cash equivalents	718,219
Financial assets at FVTPL	560,285
Committed unutilized banking facilities ⁽¹⁾	761,332
Unutilized Acquisition Loan ⁽²⁾	520,000
	2,559,836

Notes:

- (1) These are available under comprehensive credit facility agreements with several commercial banks in China, with validity between October 2026 and December 2027.
- (2) For details of the Acquisition Loan, see “Relationship With Our Controlling Shareholders—Independence of Our Group From Our Controlling Shareholder Group—Financial Independence.”

Our cash burn rate refers to the average monthly aggregate amount of net cash used in operating activities and payments for capital expenditures. The following table sets forth a breakdown of our cash burn rates for the periods indicated:

	For the Year Ended December 31,	
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from/(used in) operating activities	(1,140,405)	(296,013)
Purchases of property, plant and equipment	(461,692)	(568,386)
Purchase of right-of-use assets	(695)	—
Purchases of intangible assets	(125,000)	—
	(1,727,792)	(864,399)
Cash burn rate	(143,983)	(72,033)

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million after deducting the [REDACTED] and [REDACTED] payable by us in the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] in this document. Taking into account the financial resources available to us, and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this document.

Looking ahead, we expect our operating cashflow to stabilize in subsequent periods, as our revenue is anticipated to grow and we continue to improve our operational efficiency. In addition, as the construction of our production lines approaches completion, we expect associated cash expenditures to decline. These factors are expected to improve our cash burn rate going forward. Assuming an average cash burn rate going forward of [1.0] time the level in 2025, we estimate that

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(i) cash and cash equivalents and financial assets at FVTPL as of April 30, 2026 will be able to maintain our financial viability for [17] months, (ii) if we take into account the AZ Upfront Payment, [57] months, (iii) if we take into account 10.0% of the estimated [REDACTED] from the [REDACTED] and the AZ Upfront Payment, [61] months, or (iv) if we take into account all estimated [REDACTED] from the [REDACTED] and the AZ Upfront Payment, [94] months.

PATH TO PROFITABILITY

With a commitment to “Innovation,” “Development,” and “Sustainability,” we have been creating multiple avenues to drive a long-term growth. Going forward, we seek to improve our profitability by implementing the following measures.

Improving Operating Profit of Caffeine Business

During the Track Record Period, revenue generated from our caffeine products declined primarily due to a decrease in the average selling price of our caffeine products, due to industry-wide supply and demand imbalance. Historically, due to rising raw material costs and strong market demand, the average selling price of caffeine saw a significant increase beginning in the second half of 2021, culminating in a peak in 2022. As cost pressure subsided in 2023, the average selling price of caffeine gradually declined and returned to normal levels in 2025. Accordingly, we expect the operating profit of our caffeine segment to sustain the current level. Besides, we intend to implement the following measures to improve our operational efficiency, enhance our cost competitiveness, and expand our market reach.

Operational Efficiency and Cost Optimization

During the manufacturing process, we strictly monitor key indicators, such as impurities and solvent residues, aiming to minimize production losses and operational waste, while fulfilling the stringent requirements of different pharmacopoeia standards. Meanwhile, we have incorporated smart control systems and automated equipment, resulting in improved operational efficiency and reduced per-unit production costs through economies of scale. From 2023 to 2025, the compound reduction rates of the unit consumption for the major raw materials used in our caffeine production—cyanoacetic acid, acetic anhydride, monomethylamine, and dimethyl sulfate—ranged from 0.8% to 5.6%. The unit consumption is calculated by dividing the total consumption of a given raw material by the output of qualified finished products.

In addition, we believe our continued focus on sustainability will support both our profitability and long-term competitiveness. We are deepening our research on green production technologies, particularly on synthesis routes, as well as resource recycling and recovery. We believe these efforts will help us enhance waste treatment and reduce related operating costs. More importantly, they enhance our attractiveness to customers that place increasing emphasis on sustainable supply chains.

We are optimizing our global operations to support greater efficiency across our global supply chain. Leveraging our established subsidiaries and warehousing centers in the United States, Germany, Brazil and Singapore, we seek to improve logistics coordination and shorten response times in serving our global customers.

Revenue Diversification and Market Expansion

While solidifying our leading position as a major caffeine supplier in food and beverage industries, we are actively seeking to expand our supply of caffeine in other downstream industries, such as pharmaceuticals, cosmetics and personal care, pet food, and health supplements. Diversification into these verticals, particularly medical and cosmetic applications (e.g., whitening and anti-hair loss products), can improve the operating profit of our caffeine segment, as these verticals offer higher gross profit margins. To this end, we adopt a market-oriented and demand-driven product development approach. By performing in-depth analysis of relevant industry policies, regulatory developments, customer demand trends and competitive landscape, we

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aim to develop products tailored to specific application scenarios. Given our established quality, reputation, and competitive position in the caffeine segment, the initial market research and customer acquisition costs associated with entering new downstream industries are expected to be manageable. Furthermore, because caffeine is classified as a Category II psychotropic substance in China, the regulatory regime creates a meaningful barrier to entry for other potential participants. Combined with our expertise in building customer loyalty, we expect to have a distinct competitive advantage in expanding our supply of caffeine in other downstream industries.

To support our market expansion, we are strengthening our customer relationship management. For key customers, such as leading players in food and beverage, pharmaceutical, and emerging industries, we provide dedicated account services and deepen our customer engagement. For customers with high-growth potentials, we have also established regular communication mechanisms to provide timely technical support and tailored solutions. We believe this approach enhances customer stickiness, deepens long-term relationships and supports more stable demand.

Capturing High-Value Out-Licensing Opportunities of Drug Candidates

We prudently determine the value realization pathways for our innovative drug assets based on a number of factors. Our key considerations include (i) the technical attributes and development stage of our drug assets, (ii) cost-benefit and risk profiles of in-house development, global clinical trial execution and commercial operation, and (iii) market potential and competitive landscape of the target indications. For drug assets that are not central to our core strategic focus, or where alternative development pathways through third-party partnerships may offer greater risk-adjusted returns, we tend to proactively seek out-licensing opportunities. By granting development and commercialization rights to a third party, pharmaceutical companies like us can monetize pipeline candidates in a timely fashion, generating upfront payments, milestone fees, and royalties without incurring the substantial costs and risks of late-stage clinical trials and marketing. In addition, compared to sales of biopharmaceuticals, out-licensing transactions bear a relatively higher gross profit margin.

As of the Latest Practicable Date, we had entered into out-licensing collaborations with a number of strategic partners. We expect to receive additional development milestone payments and sales royalties as our partners advance these candidates through clinical trials and toward commercialization. These contingent payments will not only strengthen our revenue base but also serve as external validation of the commercial potential and scientific merit of our drug candidates. Notably, in January 2026, we entered into a strategic collaboration and license agreement with AstraZeneca, pursuant to which we received an upfront payment of US\$420 million in May 2026, and the Licensor Group as a whole will be eligible to receive milestone payments of up to US\$17.3 billion, plus up to double-digit royalties. For details, see “—Material Collaboration and Licensing Arrangements—Strategic Collaboration and License Agreement with AstraZeneca.”

Enhancing the Direct Commercialization of Our Drug Assets

In contrast to our out-licensing approach, we pursue in-house development and direct commercialization for core drug assets where we hold clear technical and development advantages. These include antibody and mRNA programs with differentiated mechanisms of action, market potential, and favorable cost-benefit economics. We will continue to propel their development, regulatory approval, and commercial acceleration. This allows us to exclusively capture and maximize their long-term value. Together with our out-licensing efforts, we expect to achieve improved capital efficiency and profitability.

Marketed Drugs

Enshuxing was approved by the NMPA in June 2024 and was included in the NRDL in November 2024. The negotiated price took effect from January 2025. NRDL inclusion enhanced its affordability, drove market adoption, and led to a significant increase in its sales volume, which

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effectively offset the impact of the price reduction. Enyitan was first approved in September 2024, and its label was expanded in February 2025. In accordance with applicable NRDL management regulations, medicines sharing the same generic name as those already included in the NRDL will automatically share the same scope of medical insurance reimbursement. For details, see “Regulatory Overview—PRC Laws and Regulations on Pharmaceutical Products—National Reimbursement Drug List.” Accordingly, there was no material fluctuation in the retail price of Enyitan during the Track Record Period, and its annual sales volume increased from 2024 to 2025. We marketed Enshuxing and Enyitan since July and October 2024, respectively. The following table sets forth the sales volume and retail price of these two marketed drugs for the periods indicated:

	For the Year Ended December 31,			
	2024		2025	
	Sales Volume	Retail Price	Sales Volume	Retail Price
	(vial)	(RMB)	(vial)	(RMB)
Enshuxing	16,196	2,990	133,580	570
Enyitan	18,064	1,168	225,334	958

In May 2026, Enyike, our ustekinumab biosimilar, was approved by the NMPA for the treatment of plaque psoriasis. We started to market Enyike since June 2026 at a retail price of RMB3,198 per vial. Similar to Enyitan, Enyike has also been automatically included in the NRDL since its launch. According to Frost & Sullivan, the estimated size of total patient population receiving treatment of Enyike (as second or later lines of treatment of moderate-to-severe plaque psoriasis) in China is expected to reach 70.3 thousand in 2030.

Pipeline Programs

Our pipeline programs span multiple development stages, including a number of late-stage drug candidates targeting therapeutic areas with unmet medical needs and growth potential:

- *BLA review stage.* As of the Latest Practicable Date, we had one antibody drug candidate under BLA review by the NMPA. We expect to obtain the NMPA approval of this drug candidate in 2027, after which we will proceed with its commercialization.
- *Phase III clinical trial stage.* As of the Latest Practicable Date, we had nine programs under Phase III clinical development, most of which are expected to complete between 2026 and 2028. Additionally, facilitated regulatory pathways, such as breakthrough therapy designations and fast track designations, are also expected to accelerate the relevant approval timeline.

The following sets forth descriptions of our drug candidates, which together are expected to contribute a substantial majority of our sales revenue of biopharmaceuticals by 2030. We have based this and other forward-looking statements for specific drug candidates described below on our current expectations and projections about future events. These forward-looking statements are inherently subject to risks and uncertainties. Actual results may differ from those expected or anticipated in these forward-looking statements, due to various factors out of our control, including our clinical trial progress, regulatory approval progress, regulatory changes, and market dynamics.

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ADC Drug Candidates: SYS6010 and SYS6002

SYS6010

EGFR is a promising therapeutic target for a variety of solid tumors with high incidence, such as NSCLC, breast cancer and cervical cancer. As of the Latest Practicable Date, we were conducting a number of clinical trials for SYS6010 (an EGFR ADC) as monotherapy or in combination with immunotherapies and/or other agents. The following tables set forth major Phase II and III trials of SYS6010 for earlier lines of treatment of solid tumors:

Phase III Trials			
Indication	LoT	Mono/Combo	Expected Completion
EGFR-mutated advanced NSCLC	1L	+osimertinib	2029
EGFR-mutated advanced NSCLC	2L	mono	2026
EGFR wild-type nsq-NSCLC	2L	mono	2029
ESCC	2L	mono	2028
HER2-, EGFR+ breast cancer	2L and later	mono	2028
Phase II Trials			
Indication	LoT	Mono/Combo	Expected Completion
EGFR wild-type advanced NSCLC	1L	+PD-1	2027
EGFR-mutated nsq-NSCLC (neoadjuvant treatment)	N/A	+osimertinib	2027
HNSCC	1L	+PD-1	2027
ESCC	1L	+PD-1+chemo	2028

We believe there is a meaningful market opportunity for SYS6010 in China, particularly for the treatment of NSCLC. The following table sets forth the estimated size of total addressable patient population by relevant type of NSCLC in China in 2030:

Indication	LoT	Estimated Total Addressable Patients (in thousands)
EGFR-mutated advanced NSCLC	1L	411.8
EGFR-mutated advanced NSCLC	2L	181.6
EGFR wild-type advanced NSCLC	1L	383.5
Total:		976.9

Source: Frost & Sullivan Analysis

Becotatug vedotin, approved by the NMPA for the treatment of nasopharyngeal carcinoma, was the only marketed EGFR ADC in China as of the Latest Practicable Date. China’s EGFR ADC market is projected to reach US\$0.5 billion by 2030, according to Frost & Sullivan. As of the Latest Practicable Date, there was no EGFR ADC approved for the treatment of NSCLC worldwide. SYS6010 is an EGFR ADC being evaluated for the treatment of patients with EGFR-mutated NSCLC who have experienced disease progression following prior EGFR-TKI treatment, as well as EGFR wild-type NSCLC patients following prior standard-of-care therapies. As of the Latest Practicable Date, SYS6010 was among the only two EGFR ADC drug candidates undergoing Phase III clinical trials in China for the treatment of NSCLC, according to Frost & Sullivan.

SYS6002

Nectin-4 is overexpressed in various tumor types, including urothelial cancer, ovarian cancer, pancreatic cancer, NSCLC, gastric cancer, and hepatocellular carcinoma. As of the Latest Practicable Date, we were a conducting a number of clinical trials for SYS6002 (a Nectin-4 ADC) as monotherapy or in combination with immunotherapies and/or other agents. These include a Phase III clinical trial to evaluate SYS6002 as a monotherapy for the treatment of cervical cancer (2L), which is expected to complete in 2027, and a Phase I/II clinical trial to evaluate SYS6002 in

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connection with anti-PD-1 mAb for the treatment of urothelial cancer (1L) and other solid tumors, which is expected to complete in 2028. The following table sets forth the estimated size of total addressable patient population of each indication in China in 2030:

Indication	LoT	Estimated Total Addressable Patients (in thousands)
advanced cervical cancer	2L and later	58.9
advanced urothelial carcinoma.	1L	42.6
	Total:	101.5

Source: Frost & Sullivan Analysis

Enfortumab vedotin, approved by the NMPA for the treatment of urothelial cancer in 2024, was the only marketed Nectin-4 ADC in China as of the Latest Practicable Date. China’s Nectin-4 ADC market is projected to reach US\$0.5 billion by 2030, according to Frost & Sullivan. As of the Latest Practicable Date, SYS6002 was among the only three Nectin-4 ADC drug candidates undergoing Phase III clinical trials in China, according to the same source.

Industry analyses typically indicate low single-digit market penetration for ADCs during the initial launch phase, with adoption gradually increasing as clinical evidence accumulates and treatment guidelines are updated. Given the early stage of ADC adoption in the treatment of lung cancer, cervical cancer and urothelial carcinoma, and the limited number of competing products, each of SYS6010 and SYS6002 is anticipated to achieve a low-single-digit market penetration during the first year of their commercial launch, rising to mid-to-high single-digit market penetration by 2030, according to Frost & Sullivan.

Antibody Drug Candidates: Secukinumab (SYS6012) and Pertuzumab (SYSA1901)

Two of our antibody drug candidates had entered Phase III or registrational stages as of the Latest Practicable Date:

- SYS6012, a secukinumab biosimilar to Cosentyx, was undergoing a Phase III clinical trial for the treatment of moderate-to-severe plaque psoriasis, which is expected to complete in the first half of 2026; and
- SYSA1901, a pertuzumab biosimilar to Perjeta, was under BLA review by the NMPA for the treatment of HER2-positive breast cancer.

The following table sets forth the estimated size of total addressable patient population receiving each treatment in China in 2030:

Indication	LoT	Treatment	Estimated Total Addressable Patients (in thousands)
moderate-to-severe plaque psoriasis	2L and later	secukinumab	982.2
HER2-positive breast cancer	Neoadjuvant therapy	pertuzumab	24.2
		Total:	1,006.4

Source: Frost & Sullivan Analysis

With respect to China’s psoriasis drug market, its market size grew from US\$1.1 billion in 2021 to US\$3.2 billion in 2025, and is projected to reach US\$8.0 billion by 2030. As of the Latest Practicable Date, only Cosentyx, the originator drug of secukinumab, was approved in China. SYSA6012 was among the only three secukinumab biosimilars undergoing Phase III clinical trials in China or under review by the NMPA, according to Frost & Sullivan.

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With respect to China’s breast cancer drug market, its market size grew from US\$8.4 billion in 2021 to US\$10.5 billion in 2025, and is projected to reach US\$16.0 billion by 2030. As of the Latest Practicable Date, Perjeta, the originator drug of pertuzumab, and three pertuzumab biosimilars had been approved in China. SYSA1901 was under BLA review by the NMPA.

Industry analyses indicate a market penetration of 20% to 30% within two to four years of a biosimilar’s commercial launch. Our secukinumab and pertuzumab biosimilars described above are expected to achieve market penetration consistent with this industry benchmark, according to Frost & Sullivan.

Enhancing Cost Efficiency and Expenditure Management

Our cost of sales primarily consists of direct raw material costs, staff costs, and manufacturing costs. Our cost of sales as a percentage of revenue was 54.4%, 58.2% and 61.8% in 2023, 2024 and 2025, respectively. To optimize our cost structure, we plan to take the following initiatives:

- *Supply Chain Management.* We are committed to maintaining strong supplier relationships to ensure access to quality materials at competitive prices, securing long-term cost savings and favorable terms. Concurrently, we are identifying alternative raw material sources that offer the same performance at a lower cost, reducing production expenses while maintaining high product quality.
- *Technological Innovation.* We are dedicated to enhancing production efficiency and streamlining processes, focusing on technological innovation and process optimization to improve raw material utilization. We will continuously strengthen quality management, process controls, and inspection capabilities, reducing rework, scrap, and waste.
- *Production Equipment Localization.* We are pursuing the localization of key production equipment through partnerships with leading domestic suppliers to lower acquisition costs and reduce import dependence. This enhances our operational resilience by improving spare parts availability, maintenance speed, and after-sales support.

Our operational expenses consist of R&D expenses, administrative expenses, as well as selling and distribution expenses. Our operating expenses as a percentage of revenue was 39.9%, 56.1% and 68.2% in 2023, 2024 and 2025, respectively. We plan to enhance our expenditure management through the following efforts:

- *Prudent R&D Investment.* We invest in R&D activities to drive long-term sustainable growth. We will prudently allocate resources based on our business strategies, focusing on high-impact innovations, including ADCs, mRNA vaccines, and other frontier therapeutics. We closely monitor the progress of our R&D programs and will timely adjust our R&D investments if relevant programs do not perform as expected.
- *Disciplined and Targeted Sales and Marketing.* We maintain prudent and targeted investments to align our commercialization efforts with the product launch and evolving market demands. We will improve coordination within our sales team, establish a performance evaluation system, and implement a comprehensive marketing budget and tracking system to enhance cost efficiency.
- *Effective Control of Administrative Expenses.* We will evaluate our organizational structure and adjust our headcount in accordance with our operational needs. In addition, we will strengthen our budget management over administrative expenses, incorporating annual approvals and periodic adjustments.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

ESG Governance

We attach great importance to ESG management and are committed to integrating ESG principles into strategic decision-making and governance framework. We have formulated policies such as the ESG Management System and established a three-tier ESG governance structure that covers the decision-making, management, and execution levels, with clearly defined responsibilities at each level.

- The Board, the highest decision-making body, is responsible for ESG-related governance work. It formulates ESG-related strategies and oversees ESG-related impacts, risks and opportunities. We have expanded the scope of our Strategy Committee to encompass ESG-related matters and accordingly revised the name of the committee to Strategy and ESG Committee, with the aim of further strengthening ESG governance and ensuring the standardized management of ESG-related matters.
- Our management is responsible for developing ESG-related policies, defining the ESG code of conduct and assessment frameworks, and regularly reporting to the Board or providing decision-making recommendations on ESG-related matters. They also oversee the work of our ESG team and the disclosure of ESG information.
- The ESG team, composed of heads of various departments, is the execution level. It is responsible for integrating ESG initiatives into daily operations while conducting regular information collection, reporting and review to ensure effective implementation of ESG work.

Our directors have extensive management experience in the biopharmaceutical industry and have been deeply involved in overseeing safety production, occupational health, environmental protection, and other related matters. They possess senior practical experience in key ESG issues relevant to the industry. Our annual ESG report, key performance data, and ESG operations are reviewed by management and reported to the Board of Directors. Upon the Board’s review and approval, this information is disclosed to the public to ensure its authenticity, accuracy, and completeness, thereby forming a fully closed-loop supervision mechanism.

We have incorporated ESG factors into the performance evaluation systems for both senior and middle-level management, with linkages to performance-based compensation, to drive proactive implementation and continuous improvement of ESG work. We are committed to complying with relevant ESG reporting requirements after the [REDACTED] through proactive communication of our ESG practices and performance with stakeholders.

ESG Risk Management

We have established an ESG risk identification and management process, which requires all departments to actively monitor the environmental and social risks in the course of our operations, identify potential impactful events and corresponding risk factors, and implement appropriate mitigation measures.

When conducting ESG risk assessments, we use “risk severity” and “probability of occurrence” as key indicators, primarily considering the degree of impact of ESG-related risks based on historical risk events within our Company. We plan to conduct a comprehensive ESG risk assessment every two years and report the results through management to the Board for oversight and guidance. In addition, we will incorporate the management effectiveness of key ESG risks, such as environmental pollution and occupational health risks, into our management performance evaluation system to encourage greater emphasis on sustainable development.

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Risk Category	Risk Factor	Mitigation Measures
Environmental pollution risk	Pharmaceutical manufacturing processes involve the discharge of pollutants and waste treatment, including certain hazardous wastes. The improper handling of such wastes could lead to environmental pollution.	Formulating waste management policies that regulate the treatment processes of wastewater, exhaust gas and solid waste and strengthening supervision. Collaborating with qualified vendors to ensure waste compliant disposal, minimizing adverse environmental impact.
Climate and natural disaster risk	Climate change may trigger extreme weather events such as floods and landslides, resulting in damage to manufacturing facilities and disruption of supply chain, affecting the production and supply of pharmaceuticals.	Strengthening the monitoring and early warning of natural disasters, formulating emergency response plans, expanding procurement channels, and organizing trainings and environmental emergency drills to improve employees’ ability to cope with relevant risks.
Chemical and pharmaceutical safety risk	During production process, certain APIs and hazardous chemicals may cause leakage, dust or electrostatic hazards if improperly managed. This could lead to environmental pollution and pose threats to employee health and safety.	Formulating a hazardous chemicals management system to establish a management process for hazardous chemicals from procurement, storage, use to disposal, and organizing relevant trainings for employees on a regular basis to enhance their safety awareness.
Ethics and compliance risks in pharmaceutical R&D	Pharmaceutical R&D involves clinical trials. Failure to adhere to ethical standards can trigger legal disputes and significant reputational damage.	Complying with all applicable domestic and international laws and regulations by implementing scientifically rigorous clinical protocols approved by the ethics committee, protecting participants’ rights and safety through an informed consent process.
Product quality risk	The quality of drugs is critically linked to patient health and safety. As regulatory standards for drug quality become increasingly stringent, failure to keep pace with these evolving standards can result in products that fail to meet market expectations or even lead to drug safety issues.	Continuously improving our product quality management system, formulating product quality standards, and carrying out production in strict accordance with the standards and documented requirements to achieve product quality assurance in all aspects including R&D, procurement, production and sales.

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Risk Category	Risk Factor	Mitigation Measures
Occupational health and safety risk . . .	Employees may be exposed to various chemicals and pharmaceuticals during production and operation. Inadequate protection could lead to adverse health effects.	Establishing and improving occupational health and safety risk prevention and control mechanism, enhancing safety management, conducting regular safety training and safety emergency drills, and equipping employees with protective equipment.
Supply chain risk. . .	Poor practices by certain suppliers, such as product quality or environmental issues, can disrupt raw material supply, negatively affecting production and damaging our reputation.	Continuously refining the supplier entry process, strictly controlling the supplier evaluation criteria, carrying out risk assessment on suppliers, consistently monitoring the risk status of suppliers, and formulating corresponding response measures.
Business ethics risk . .	Our operations may involve legal or regulatory violations by employees or business partners, potentially harming our interests. Alleged ethical or legal breaches could pose significant risks, leading to penalties, fines, or reputational damage.	Enhancing the internal control management systems, promoting corporate compliance and ethical integrity, continuously improving business ethics risk assessments, strengthening employee training and education, and fostering a culture of integrity and honesty.

Environmental Management

We have formulated and implemented rules and documents to continuously improve our environmental management system and enhance our environmental performance through systematic management. Currently, we have established a standardized environmental management system and have obtained the ISO 14001 (Environmental Management) certification, which is valid until January 11, 2027.

We have integrated the concept of environmental protection into various aspects of our daily operations and management. We conduct annual internal audits of our environmental management system to review and evaluate its effectiveness, and implement timely rectification measures for any identified issues. In response to unexpected environmental incidents, we have formulated emergency response plans, which are regularly evaluated and updated by qualified third-party institutions. We actively carry out relevant trainings and drills to enhance employees’ environmental awareness and strengthen their ability to respond to unexpected environmental incidents.

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had not violated any national or local environmental laws and regulations that would have a material adverse impact on our business operations, nor had we been subject to any material penalties, claims, or legal proceedings in relation to environmental laws or regulations.

Energy Use and Greenhouse Gas Emissions

In strict compliance with the Energy Conservation Law of the People’s Republic of China and other applicable regulations, we have formulated rules and policies such as the Energy Use Management System and the Energy Assessment Management Regulations to continuously optimize our energy management system, promote low-carbon transformation and improve energy efficiency.

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In 2024, we obtained ISO 50001 (Energy Management System) certification. During the Track Record Period, we were also awarded the title of “Green Factory” for our outstanding performance in energy conservation and emission reduction.

Our major energy conservation and emission reduction measures include:

- *Conducting regular energy consumption analysis.* We hold monthly energy analysis meetings to assess energy usage across all production processes and for high-energy-consuming equipment, allowing us to promptly identify issues and develop optimization plans.
- *Optimizing energy mix.* We actively promote the transformation of clean energy, increase the proportion of renewable energy use, and promote the use of green electricity to effectively reduce carbon emissions.
- *Enhancing energy efficiency.* We achieve recycling of energy by utilizing waste steam heat for heating and other applications. We strictly inspect and phase out obsolete equipment in accordance with the Catalog of Obsolete Mechanical and Electrical Equipment Eliminated Due to High Energy Consumption, thereby significantly enhancing our energy utilization efficiency.
- *Upgrading emission reduction technologies.* We have implemented various energy-saving and emission-reduction initiatives, including the upgrade and transformation of vacuum pumps, application of film technology, optimization of production processes, and replacement of centrifugal fans with suspension blowers, which achieved remarkable emission reduction results.
- *Fostering an energy-saving culture.* We cultivate energy-saving awareness among our employees by organizing regular training sessions and encouraging the implementation of various energy-saving measures in daily operations.

The following table sets forth our major energy consumption for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
Purchased electricity (GWh)	213.4	221.1	222.2
Green electricity consumption (GWh) . . .	2.3	5.7	15.7
Natural gas consumption (thousand m ³) . .	2,061.7	1,618.1	2,062.6
Petrol consumption (tons)	2.0	1.9	2.4
Diesel consumption (tons)	12.7	12.4	12.2
Steam consumption (kilotons)	420.5	414.0	395.5
Total comprehensive energy consumption (kilotons of standard coal)	67.8	67.5	66.5
Direct greenhouse gas (“GHG”) emissions (Scope 1) (kilotons of CO ₂ equivalent)	4.6	3.6	11.9
Indirect GHG emissions (Scope 2) (kilotons of CO ₂ equivalent)	255.8	258.5	243.5
Total GHG emissions (Scope 1 and Scope 2) (kilotons of CO ₂ equivalent).	260.4	262.1	255.4
GHG emission intensity (kilotons of CO ₂ equivalent/RMB million of revenue) . . .	0.1	0.2	0.1

We have updated the calculation by adopting the calculation method in the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Other Industrial Enterprises (Trial) and included the two categories of process emissions and fugitive emissions (refrigerant leakage and SF6 leakage from circuit breakers) in the direct GHG emissions (Scope 1) for 2025.

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During the Track Record Period, our total GHG emissions remained relatively stable. However, due to fluctuations in revenue, our GHG emission intensity (kilotons of CO₂ equivalent/RMB million of revenue) in 2024 was higher than in other years presented above.

In accordance with the GHG Protocol and taking into account our value chain activities, we have identified the Scope 3 emission categories that are relevant and material to us, and have carried out corresponding data collection and accounting for Greenhouse Gas emissions within those categories. In 2023, 2024 and 2025, our Scope 3 GHG emissions was 4.9 kilotons, 4.8 kilotons and 6.0 kilotons of CO₂ equivalent, respectively. Our Scope 3 GHG emissions covered two categories: “Category 6: Business Travel” and “Category 9: Downstream Transportation and Distribution.”

Water Resources Management

We formulate and implement annual water-saving plans, incorporate water consumption indicators into departmental performance assessments, strengthen target responsibility management and assessment, and continuously monitor the implementation of water-saving efforts. Through initiatives such as optimizing micro-oxygen processes and retrofitting water circulation in electric cooling machines, we have effectively reduced water resource usage. Condensate water and wastewater within our production facilities are effectively recycled and reused. Our recycled water consumption in 2023, 2024, and 2025, was 67.0 million m³, 82.1 million m³, and 80.3 million m³, respectively. We emphasize the development of a water-saving culture, encouraging employees to enhance their water-conservation awareness and reduce unnecessary waste. In 2023, 2024, and 2025, our total water consumption was 4.9 million m³, 4.7 million m³, and 4.9 million m³, respectively.

Pollution and Waste Management

We strictly comply with the Water Pollution Prevention and Control Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC and other applicable laws and regulations. We also implement relevant internal rules and guidelines to ensure the scientific and compliant treatment and discharge of pollutants and wastes. We have adopted effective measures to monitor and treat exhaust gas, wastewater and solid waste to ensure process control and compliance with emission standards:

- *Exhaust gas management.* We have implemented measures such as enclosed collection systems and exhaust gas treatment units to reduce emissions of volatile organic compounds and particulate matter, ensuring compliance with waste gas emission standards.
- *Wastewater management.* Wastewater generated from our operations mainly includes substances such as chemical oxygen demand and ammonia nitrogen. We continue to optimize wastewater treatment processes, upgrade treatment facilities, and improve nitrogen removal efficiency to ensure compliant treatment and discharge. In 2023, 2024, and 2025, our wastewater discharge was 2,808.2 thousand tons, 2,930.9 thousand tons, and 3,160.5 thousand tons, respectively.
- *General solid waste management.* We continuously optimize production processes to reduce solid waste generation at the source. We have strengthened daily supervision, maintained strict records, and engaged qualified third-party agencies to conduct regular audits to consistently improve our solid waste management standards. We have also partnered with specialized organizations for the recycling and reuse of waste materials. In 2023, 2024, and 2025, our general wastes generation was 5.3 thousand tons, 7.5 thousand tons, and 8.0 thousand tons, respectively.
- *Hazardous waste management.* We have implemented a hazardous chemical safety management standard and established designated hazardous waste storage facilities, ensuring thorough monitoring during storage, transportation, and transfer. Hazardous waste is handed over to qualified professional organizations for proper disposal. In 2024, we upgraded our sewage treatment facilities by dismantling the aging pool and

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implementing mesophilic anaerobic digestion sewage treatment technology. Since these measures were put in place in January 2025, our sewage treatment has increased, reducing the production of hazardous waste. Hazardous wastes generated by our suppliers, including CROs, consist of waste organic solvents, waste activated carbon and waste culture medium. These wastes are properly transported and innocuously disposed of by qualified, professional third-party institutions. We trace the disposal process by verifying hazardous waste transfer documents, thereby ensuring that the disposal of hazardous waste complies with the Standard for Pollution Control on Medical Waste Treatment and Disposal and relevant laws and regulations.

During the Track Record Period, our pollutant emission targets met the relevant emission limits or control targets.

Chemical Management

The raw materials we use include hazardous chemicals such as ethanol, hydrochloric acid and sodium hydroxide, which pose potential risks such as combustion, explosion and poisoning during transportation and storage. In 2023, 2024 and 2025, we generated hazardous wastes of 5.9 thousand tons, 8.8 thousand tons and 2.0 thousand tons, respectively. We strictly comply with the Regulations on the Safety Management of Hazardous Chemicals, and have formulated a Hazardous Chemicals Management System to standardize the management process for the procurement, storage, use, and disposal of hazardous chemicals.

We are actively advancing the digital and intelligent management of hazardous chemicals. By utilizing automated control systems, we enable dynamic monitoring and early warning of hazardous sources. We also conduct regular training for employees involved in the utilization, storage, and transportation of chemicals to enhance their understanding of chemical properties, hazards, safe operating procedures, and emergency response methods. Essential protective equipment, including gas masks, safety goggles, acid and alkali resistant gloves, and toxicant filtration boxes, is provided to mitigate potential occupational health hazards.

Metrics and Objectives

We have established a set of indicators, targets and measures to assess and manage the environmental risks affecting our business, and continuously track the implementation of these targets.

- *Energy and greenhouse gas emission management targets.* Based on the low-carbon development trend of the industry and our own operational reality, we have set clear, layered, and feasible greenhouse gas emission reduction targets. We have also developed a sound implementation pathway and resource guarantee. We plan to reduce our comprehensive energy consumption intensity (tons of standard coal/RMB million of revenue) and GHG emission intensity (kilotons of CO₂ equivalent/RMB million of revenue) by 3% between 2024 and 2028. We have effectively reduced GHG emissions through a number of initiatives, including upgrading vacuum pumps, applying membrane technology, optimizing production processes, and replacing centrifugal fans with suspended fans. In addition, we conduct on-site visits to key raw material suppliers to reduce carbon emissions at the raw material sourcing stage and to actively promote a green supply chain. All of our emission reduction measures have been incorporated into our business plan, with clearly defined implementation milestones, designated responsible parties, and supervision mechanisms. Based on our emission reduction achievements during previous performance periods, we believe the relevant emission reduction targets are fully achievable.
- *Water resource management target.* Using 2024 as the base year, we aim to reduce our water intensity (thousand cubic meters per RMB million of revenue) by 3% by 2028.

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- *Pollutants and wastes targets.* We will continue discharging pollutants and disposing of solid and hazardous wastes in strict compliance with applicable laws, regulations and standards.

Responding to Climate Change

Guided by the Task Force on Climate-related Financial Disclosures framework, we identify climate-related risks and opportunities through policy research and industry benchmarking. We also take proactive measures to enhance our resilience to these climate-related risks.

Climate-Related Risks and Opportunities	Potential Impacts	Mitigation Measures
Physical risks . . . • • Acute risks: extreme weather events such as typhoons, floods, extreme high temperatures, cold waves, etc. • Chronic risks: drought, rising average temperatures, rising sea levels, etc.	• Causing damage or failure to infrastructure and equipment, leading to production interruptions, reduced production efficiency, etc., and incurring additional costs. • Affecting normal operation of logistics and supply chain, resulting in inventory shortages or failure to deliver orders on time, causing losses.	• Establishing relevant environmental management systems, formulating emergency plans for environmental incidents, and regularly organizing training and emergency drills for employees. • During site selection, we fully assess local climate risks and geographical location to avoid potential risks from natural disasters. • Strengthening supply chain management by assessing supplier risks and collaborating with suppliers across multiple production areas to avoid the risk of supply disruptions due to regional disasters.
Transition Risks . . • • Technological risks: green and low-carbon transformation requires higher levels of technology for our businesses operations. • Policy and legal risks: increasingly stringent regulations and policies aimed at responding to climate change are increasing our environmental compliance costs. • Reputational risks: as stakeholders pay more attention to climate changes, their expectations for our climate change practices, information disclosure and stakeholder communication are growing.	• To meet the requirements of low-carbon transformation, a large amount of investment is needed in R&D and equipment upgrades, which results in increased operating costs. • Stricter policies and regulations to mitigate climate changes are increasing corporate compliance pressure and related litigation risks. • Failure to manage and respond to climate issues of concern to stakeholders in a timely manner could damage our reputation, leading to a decline in brand image and market position.	• Actively optimizing the energy management system, integrating green concepts into R&D, and conducting sufficient project investigations and applicability demonstrations before investing in new technologies or introducing new equipment. • Continuing to pay attention to national and local climate and environmental policies to ensure that operations comply with relevant policy requirements. • Strengthening communication with stakeholders and responding to their concerns on climate through multiple channels.

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Climate-Related Risks and Opportunities	Potential Impacts	Mitigation Measures
Opportunities . . . • We can reduce operating costs and enhance our competitiveness by improving the management efficiency of energy, water, etc. • Climate changes may increase the risk of disease outbreaks and create new market demand for pharmaceutical companies.	• More efficient production and sales processes and resource and energy usage will reduce our operating costs and increase operating income. • The market demand arising from climate changes will drive us to develop new products, resulting in rise in operating income.	• By promoting clean energy transformation, technological transformation and equipment upgrades, we will continuously improve energy and resource efficiency, leading to cost reduction and enhanced performance. • Paying close attention to market demand and developing innovative drugs for epidemics.

Social Responsibilities

Occupational Health and Safety

We prioritize employee occupational health and safety by continuously optimizing work safety management and internal systems. Our safety committee coordinated work safety guidelines, while each production facility has a dedicated occupational safety department. Our ongoing efforts include refining hazard detection system, implementing a safety risk responsibility system, and regularly conducting team safety activities to address safety challenges.

We have established an emergency management system with a dual-control mechanism that combines tiered safety risk management with hazard investigation and remediation, ensuring safety risks are managed at appropriate levels. In the event of major or escalating risks, we activate rapid response teams, each equipped with a mini fire station and regularly conducts ad hoc field training to strengthen our risk management and emergency response capabilities.

We regularly organize face-to-face training for employees on topics such as new employee safety education, safety procedures, fire safety, emergency response, and occupational health. In 2023, 2024, and 2025, we recorded two, zero, and one work-related injury incidents, respectively. The three incidents in 2023 and 2025 were investigated and confirmed to be minor injuries, primarily caused by accidents or lack of safety awareness. We have provided support and condolences to the injured employees and their families. To further enhance workplace safety, we have implemented the following measures: (i) promptly clearing water from the floor to prevent employees from slipping; (ii) adding warning signs to remind employees of safety hazards; (iii) conducting safety risk assessments and developing appropriate safety measures; and (iv) providing safety risk training and education for key personnel.

During the Track Record Period, we achieved 100% employee medical examination and health record coverage, with no work-related occupational disease incidents or fatalities confirmed by any competent authorities.

	For the Year Ended December 31,		
	2023	2024	2025
Workplace safety investment (RMB10,000)	1,124	1,800	1,657
Number of staff participating in safety training (person-times)	6,234	9,964	17,298
Total safety training duration (hours)	12,468	19,928	38,902
Safety drills (times)	132	170	248

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Labor Rights Protection

We strictly comply with applicable laws and regulations of the PRC and have developed internal guidelines to protect employees’ lawful rights and interests. We uphold fairness and equality in our hiring practices, eliminating all forms of discrimination. We also ensure equal pay for equal work and provide employment contracts that clearly outline the rights and obligations of both parties.

The following table sets forth our staff composition for the periods indicated:

		For the Year Ended December 31,		
		2023	2024	2025
Age/Gender				
Total number of employees	/	2,214	2,487	2,369
Number of employees by gender .	Female	924	1,059	1,036
	Male	1,290	1,428	1,333
Number of employees by age	Under 30 years	439	520	463
group	old			
	30-50 years old	1,613	1,777	1,731
	(inclusive)			
	Over 50 years	162	190	175
	old			

Science and Technology Ethics

During product R&D, we strictly comply with the Good Laboratory Practice for Nonclinical Laboratory Studies and conduct all nonclinical trials in full compliance with applicable standards. Our clinical trials involve common laboratory animals, including mice, rats, guinea pigs and dogs. We have established internal policies, such as the Regulations on Ethical Welfare of Laboratory Animals and the Standard Operating Procedures for Ethical Review of Laboratory Animals, and adhere to the 3R principles (Reduction, Replacement, Refinement). We actively adopt cutting-edge technologies and develop alternative evaluation methods to further reduce, replace and refine animal experiments. We implement standardized whole-process management of animal transportation, housing and experimentation. Specifically, we use dedicated temperature-controlled transportation equipment, provide animals with a comfortable environment and adequate food and water, and minimize animal suffering during experiments through the use of anesthesia, humane endpoints and humane euthanasia. We also rigorously implement the ethical review process for laboratory animals to safeguard their welfare and ensure ethical compliance.

In clinical R&D, we uphold the core principle of “Subjects’ Rights First, Ethics Precedes Science” and strictly adhere to international standards, such as the Declaration of Helsinki and ICH-GCP. We are committed to ensuring that, in all clinical studies, the protection of subjects’ dignity, safety, rights and well-being takes precedence over scientific exploration and social benefits. Our ethical governance spans the entire lifecycle, from research design and implementation to supervision and completion. At the protocol design stage, we proactively consult with ethics committees at key study sites on critical ethical matters, including informed consent design and vulnerable population protection, to ensure that our protocols meet the highest ethical standards. We promptly communicate new safety information to both ethics committees and subjects, fully respecting their right to information. All data collection and analysis are carried out within a strict regulatory framework that ensures comprehensive protection of subjects’ privacy.

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AWARDS AND RECOGNITIONS

The following table highlights notable awards and recognitions that we had received as of the Latest Practicable Date.

Year	Awards and Recognitions	Awarding Organization
2025	National Green Factory (國家綠色工廠)	Ministry of Industry and Information Technology
2024	Shijiazhuang Technology Leader Enterprise (石家莊市科技領軍企業)	Shijiazhuang Bureau of Science and Technology
2023	Hebei Green Factory (河北省綠色工廠)	Hebei Provincial Department of Industry and Information Technology
2022	Hebei Province Exemplary “Specialized, Refined, Distinctive, Innovative” (SRDI) Enterprise (河北省專精特新示範企業)	Hebei Provincial Department of Industry and Information Technology
2022	Top 100 Hebei Private Enterprises for Social Responsibility (河北省民營企業社會責任100強)	Hebei Provincial Federation of Industry and Commerce
2022	Hebei Innovative SME (河北省創新型中小企業)	Hebei Provincial Department of Industry and Information Technology
2019	National Green Factory (國家綠色工廠)	Ministry of Industry and Information Technology

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to a range of risks in the ordinary course of our business. We have implemented comprehensive risk management policies and procedures to assess, monitor and mitigate operational, financial, legal and market risks identified in our operations. Our policies and procedures relate primarily to managing our R&D, procurement and production related risks and monitoring our sales performance and product quality. We also periodically review these policies and procedures to ensure their continuing effectiveness. For more details on these risks, see “Risk Factors—Risks Relating to Our Business and Industry.”

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establishing an audit committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of our audit committee members, see “Directors and Senior Management—Board Committees—Audit Committee”;
- adopting policies to ensure compliance with the Listing Rules, including aspects related to risk management, connected transactions and information disclosure;
- organizing training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] Hong Kong;

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- providing anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations;
- setting guidelines and processes for identifying, measuring and addressing currency risks, ensuring that all hedging arrangements are conducted within a structured and consistent framework;
- enhancing our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establishing a set of emergency procedures in the event of major production safety related issues;
- providing enhanced training programs to our employees on quality assurance and production safety procedures; and
- strengthening fund management to prevent the misappropriation of funds, and enhanced the efficiency of fund utilization.

Internal Control

We have developed comprehensive internal control policies and guidelines that establish standards for identifying internal control deficiencies, conducting internal audits, and managing remediation actions. Our audit committee oversees our internal controls and evaluates their effectiveness. We have implemented internal control measures addressing corporate governance, financial reporting, risk management, business operations, and compliance management to ensure comprehensive governance and ethical business conduct.

To reinforce conduct and ethical standards across the organization, we have adopted employee code of conduct policies that address conflicts of interest, including formulation and implementation of conflict of interest policies, definitions and resolution mechanisms, and reporting procedures for fraud and violations. These policies also set out standards on confidentiality, ethical business practices and compliance with applicable laws and regulations, govern securities dealings by employees, management and directors, and provide guidelines for communication and interactions between management, employees and stakeholders. Our human resources department provides role-specific training programs on applicable laws and regulations, regulatory requirements and integrity, including training on economic sanctions, anti-fraud, anti-money laundering, anti-bribery and corruption, anti-terrorist financing, information confidentiality, and environmental protection.

We have also put in place anti-fraud and anti-misconduct management mechanisms that outline monitoring measures and reporting procedures covering responsible departments, complaint channels, investigation procedures, recording and reporting requirements, accountability policies, whistleblower protection measures, and prevention and response mechanisms. Our internal monitoring and compliance policies further define senior management's supervisory responsibilities and establish procedures for reporting, reviewing and remediating internal control deficiencies, including formulating remedial measures and monitoring their implementation.

To ensure regulatory compliance, we have implemented policies that strictly prohibit any form of bribery, corruption, or improper payments in our business operations. This prohibition applies to all employees and external stakeholders. Our compliance measures include conducting regular internal audits focused on business ethics, conducting or planning regular compliance training sessions for employees, and establishing or enhancing multiple reporting channels for employees and stakeholders to report suspected violations. Reports are investigated by our compliance office, with comprehensive reports issued detailing findings and corrective actions. We are committed to protecting whistleblowers in accordance with applicable laws and regulations.

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In addition, we have established comprehensive management systems across our key business functions, including sales, procurement, R&D, production and cost management, and inventory and logistics. We have also maintained specialized systems governing intellectual property and trademark management, human resources, assets management, information system, tax management, and insurance management.

Maintaining robust corporate governance is a primary objective of our internal controls. We have adopted policies to comply with the listing rules of the Shenzhen Stock Exchange and [REDACTED], covering risk management, connected transactions, financial reporting, and information disclosure. We have provided and will continue to provide periodic compliance training to our senior management and employees, including training on the Listing Rules for our Directors and senior management.

We have engaged an independent internal control consultant (the “**IC Consultant**”) to review the effectiveness of our internal control systems. The IC Consultant conducted a comprehensive review covering various company-level controls based on an agreed scope and identified no material deficiency in our internal control systems.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information, included in the Accountants’ Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading innovation-driven researcher, developer and manufacturer of biopharmaceuticals, functional ingredients and nutritional products in China. Through our diverse product matrix, we are committed to enhancing global health with safe, effective, and accessible solutions.

We dedicate to innovation and seek to address limitations of conventional treatments by focusing on novel therapies against differentiated targets with versatile modalities. Today, we have delved into the fields of antibody drugs, ADCs and mRNA vaccines. As of the Latest Practicable Date, we had commercialized three antibody drugs, two mRNA vaccines, and had a strong pipeline of over 15 drug candidates in clinical or later stages of development, including nine ADC drug candidates and one mRNA vaccine candidate.

Our expansion into biopharmaceuticals is backed by our business as a global supplier of functional ingredients and nutritional products. From 2020 to 2025, we have been the world’s largest producer of chemically synthesized caffeine, both in terms of revenue and shipment volume, according to Frost & Sullivan.

During the Track Record Period, our revenue was RMB2,538.7 million, RMB1,980.8 million, and RMB2,157.7 million in 2023, 2024, and 2025, respectively. Revenue generated from our functional ingredients and nutritional products business was RMB2,450.4 million, RMB1,840.3 million, and RMB1,857.4 million in 2023, 2024, and 2025, respectively. Revenue generated from our biopharmaceutical business was RMB34.7 million, RMB87.8 million, and RMB256.9 million in 2023, 2024, and 2025, respectively. We achieved a net profit of RMB125.7 million in 2023, and incurred net loss of RMB303.7 million and RMB634.3 million in 2024 and 2025, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with HKFRSs issued by the HKICPA. All HKFRSs effective for the accounting period commencing from January 1, 2024 have been consistently applied throughout the Track Record Period.

Our historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Our historical financial information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth in Our Focused Areas of Therapies

Our results of operations and business prospects will depend on the growth of China’s pharmaceutical market, particularly the expansion of the market for novel therapies, such as antibody drugs, ADCs and mRNA vaccines, that represent our strategic focus. These innovative modalities address unmet medical needs through improved specificity, differentiated mechanisms of action, and in many cases, enhanced safety and efficacy profiles. As demand for such novel therapies continues to rise, companies with strong capabilities in these areas are expected to benefit from increased market opportunities, including improved pricing power and broader patient adoption. The pace and direction of this market growth will affect the scale and timing of our revenue generation, the level and allocation of our R&D expenses, and our commercialization strategies.

The market for ADC drugs in China is expected to expand rapidly from US\$0.5 billion in 2024 to US\$9.2 billion in 2030, representing a CAGR of 60.1%, significantly outpacing the growth of the overall pharmaceutical market during the same period, according to Frost & Sullivan. This momentum reflects the rising importance of ADCs as next-generation targeted therapies in oncology. In addition, advanced formats, such as bispecific and multi-specific ADCs, as well as ADC-IO combination therapy are expected to further drive market growth. Leveraging our diversified portfolio of ADC drug candidates directed at novel or clinically validated molecular targets, we believe that we are well positioned to capture the tremendous market opportunities in this strategic area of focus.

mRNA vaccines represent another modality with transformative potential. Our two mRNA vaccines, namely Duentai, the first domestically developed mRNA COVID-19 vaccine, according to Frost & Sullivan, and Duentai 2, our bivalent mRNA COVID-19 vaccine targeting the then-dominant variants represented by XBB.1.5, were included for emergency use in China in 2023. We believe that our first mover advantage and our dedicated efforts in advancing mRNA vaccines will enable us to effectively participate in this next wave of modality innovation and capture emerging market opportunities.

Our Ability to Strengthen and Commercialize Our Innovative Drug Portfolio

During the Track Record Period, we continued to shift our focus towards our biopharmaceutical business, which typically generates higher gross margins than our functional ingredients and nutritional products business. Such higher gross margin is primarily driven by the comparably higher profitability of innovative drugs and lower costs associated with the out-licensing transactions involving our drug assets. In 2024 and 2025, our revenue from our biopharmaceutical business, as a percentage of our total revenue, was 4.4% and 11.9%, respectively.

As we expand into the biopharmaceutical industry, the success of our business and operating results will depend on our ability to advance drug development programs, demonstrate satisfactory safety and efficacy in clinical trials, obtain necessary regulatory approvals, and launch our products in target markets as planned. As of the Latest Practicable Date, we had a strong pipeline of over 15 drug candidates at clinical or later stages of development. These include nine ADC drug candidates directed at EGFR, Nectin-4, HER2, B7-H3, HER3, FR α , ROR1, DLL3, and TF, and one mRNA vaccine candidate for the prevention of VZV. Notably, we had advanced three ADC drug candidates into Phase II or III clinical trials, including two lead candidates—SYS6010 (an EGFR ADC) and SYS6002 (a Nectin-4 ADC).

Our ability to successfully commercialize our innovative drug portfolio is crucial for our sales growth. To deepen the market penetration of our products, we have taken, and will continue taking, various academic promotion initiatives to raise the awareness of medical benefits of our products among healthcare professionals and patients. We also plan to further develop our specialized in-house sales and marketing team and broaden our distribution network to support the effective commercialization of our products and promote sales growth.

Our Existing and Future Licensing and Collaboration Arrangements

We have been seeking out-licensing collaborations with global partners to maximize the commercial potential of our drug assets worldwide. We believe that strategic collaborations with global partners enable us to maximize the global value of our drug assets while providing funding support for our R&D activities and sustainable long-term growth.

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Our license fee income amounted to RMB34.7 million, RMB17.8 million and nil in 2023, 2024 and 2025, respectively. Under the terms and conditions of these out-licensing agreements with our business partners, in addition to upfront payments, we are entitled to receive further payments upon achieving specific development, regulatory, and commercial milestones. Following commercialization, we are also entitled to receive royalties based on annual net product sales. The timing and amounts of milestone payments and royalties vary across agreements and are contingent upon the achievement of specific milestones and conditions. Accordingly, revenue recognized from these licensing arrangements may fluctuate significantly from period to period. At the same time, building on the success of our existing out-licensing arrangements, we may pursue new partnerships and collaborations in line with our development strategy. These factors will influence, and may result in fluctuations in, our revenue, profit and results of operations from period to period.

Our Ability to Effectively Control Costs and Expenses

Our cost of sales primarily includes direct raw material costs, staff costs, and manufacturing costs. We have made significant efforts to continuously improve our production efficiency, including upgrading manufacturing facilities to achieve higher levels of automation in our manufacturing process. As a result, we have been able to increase production to meet growing market demand without incurring significant increases in our personnel and other costs. Our cost of sales as a percentage of revenue remained relatively stable at 54.4%, 58.2%, and 61.8% in 2023, 2024, and 2025, respectively. Maintaining an optimal cost structure is essential for sustaining and improving our gross margin levels, particularly as we continue to expand our portfolio of innovative drugs, which involve longer production cycles and higher manufacturing and quality assurance requirements.

Our ability to effectively control operating expenses is critical to maintaining our operating efficiency and profitability. R&D expenses have been the largest component of our operating expenses. Our R&D expenses were RMB671.4 million, RMB842.7 million, and RMB1,061.0 million, which accounted for 66.2%, 75.8%, and 72.1% of our total operating expenses (which equals the sum of research and development expenses, selling and distribution expenses and administrative expenses) in 2023, 2024, and 2025, respectively. The increase in our R&D expenses, in absolute amounts and as a percentage of our total revenue, reflects our strategic focus on innovative drug development.

Going forward, our cost and expense structure is expected to evolve as we continue to advance the development of our drug candidates. As these drug candidates progress through studies, clinical trials, and move closer to commercialization, we anticipate incurring additional expenses related to R&D, sales and marketing, and regulatory affairs, among other activities. Over the long term, successful commercialization of our innovative drug candidates is expected to enhance our product mix and improve overall profitability.

Inclusion of Our Products in China’s National, Provincial, or Other Government-Funded Medical Insurance Programs

The market adoption and sales volume of our products are affected by their inclusion in government-funded medical insurance programs. Under the PRC national medical insurance programs, program participants are eligible for full or partial reimbursement of the cost of drugs listed in the NRDL, provincial or local medical insurance catalogs, depending on the particular program applicable to them. Therefore, the inclusion or removal of a drug from the NRDL or other catalogs will significantly affect demand for that product in China. In addition, pharmaceutical products included in the NRDL typically must undergo price negotiations with the Chinese government, which are subject to relevant pricing regulation. However, the inclusion of a pharmaceutical product in national, provincial, or other government-funded medical insurance programs typically can significantly increase its demand and sales volume.

Overall, we believe that during the Track Record Period, the overall benefits of our drugs being included in the NRDL, provincial, or local medical insurance catalogs far outweighed the associated pricing pressure, and we believe these benefits will continue to contribute to our business growth in the foreseeable future.

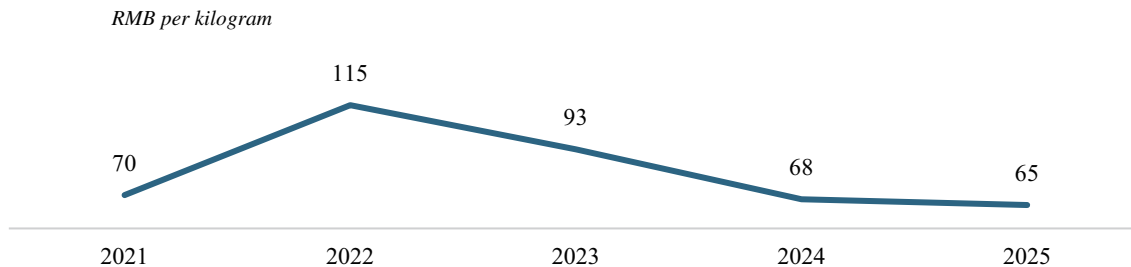
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Price Volatility of Caffeine

Sales of functional ingredients and nutritional products accounted for 96.5%, 92.9%, and 86.1% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue generated from this offering category was primarily in relation to sales of caffeine. Accordingly, the price volatility of caffeine is considered a major factor affecting our results of operations.

In 2023, 2024 and 2025, our average selling price of caffeine per kilogram was RMB93.0, RMB68.3 and RMB64.8, respectively. The following chart illustrates the historical annual average selling prices of caffeine in the global market for the periods indicated:

Historical Price Trend of Caffeine, 2021 – 2025

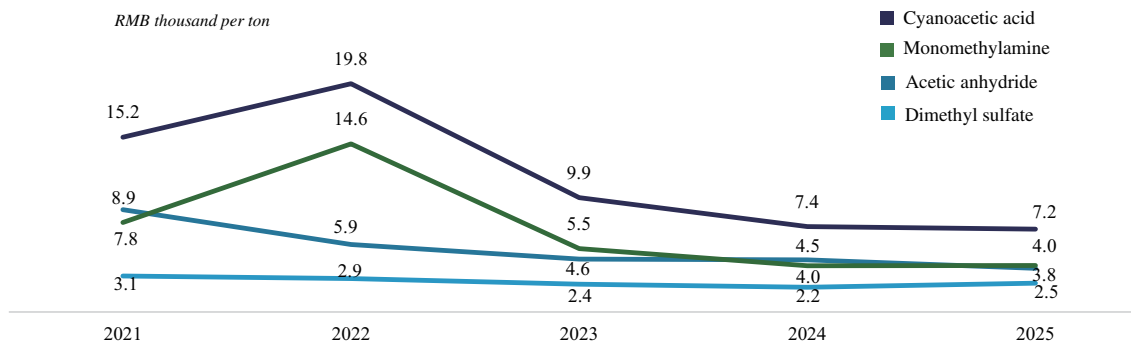


Source: Frost & Sullivan Analysis

Caffeine price is primarily affected by (i) raw material cost, (ii) market supply, and (iii) purchasing demand:

Raw Material Costs. The major raw materials for caffeine production include cyanoacetic acid, acetic anhydride, monomethylamine, and dimethyl sulfate, which are primarily derived via petrochemical route. An increase in energy prices may be passed through to the costs of chemical products, driving up their prices and thereby impacting the overall caffeine production cost. The following chart illustrates the historical annual average selling prices of these major raw materials for caffeine production for the periods indicated:

Historical Price Trends of Major Raw Materials for Caffeine Production, 2021 – 2025



Source: Frost & Sullivan Analysis

Since the second half of 2021, prices for many raw materials used in caffeine production increased significantly. The COVID-19 pandemic and related public health measures have led to global supply chain disruptions and a drop in chemical production. Stricter environmental and safety oversights further led to a phased reduction in chemical production capacity. Since 2023, such cost pressure began to subside, as the global supply chain started to recover from the impact of COVID-19 pandemic. As a result, chemical production gradually normalized across major suppliers worldwide, which significantly alleviated the supply shortages that had previously constrained the market.

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Market Supply. China is the primary producer of caffeine globally. In China, caffeine is regulated as a Class II psychotropic substance, and the competent regulatory authorities implement a designated caffeine production system. Subject to national control, caffeine production is highly concentrated among a limited number of qualified producers in China. As a result, fluctuations in capacity allocation and changes in regulatory policies can directly affect caffeine prices.

Purchasing Demand. Changes in global demand, particularly shifts in purchasing volume of international buyers, may lead to price fluctuations. For example, from 2021 to 2022, increased consumption of energy drinks and rapid growth of new caffeinated products, such as caffeinated sparkling water and functional gummies, boosted caffeine demand. Against the then backdrop of constrained caffeine supplies, caffeine price was driven upward.

Between 2023 and 2025, as international customers gradually completed their post-pandemic inventory replenishment and normalized their procurement activities, the global caffeine market has transitioned from a state of tight balance to relative supply-demand equilibrium, with intermittent periods of moderate oversupply. This shift has led to a progressive decline in caffeine prices, which are now trending toward stabilization.

Looking ahead, caffeine price is expected to trend modestly upward. Effective April 2026, China’s caffeine export tax rebate has been eliminated, which may raise export costs and lift the price floor. Tighter environmental and safety regulations further constrain domestic production capacity. Separately, the ongoing and potential conflicts in the Middle East, including those involving Iran and neighboring countries, may exert upward pressure on energy price. Increased costs incurred by raw material suppliers may be passed through to caffeine producers like us, which would, in turn, affect the pricing of caffeine finished products.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the historical financial information requires the use of accounting estimates which, by definition, may differ from the actual results. Management also needs to exercise judgment in applying our accounting policies. Judgments and estimates are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. For details on such judgments and estimates, see Notes 4 and 5 to the Accountants’ Report in Appendix I to this document. Our management has identified below the accounting policies, judgments and estimates that they believe are critical to the preparation of our financial statements:

Revenue Recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of goods

Revenue is recognized at a point in time upon control of the goods has transferred, being when the goods have been delivered to the specific location agreed with customers. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery. The transaction price received by us is recognized as a contract liability until the goods have been delivered to the customer.

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License fee income

We provide license of our patented intellectual property or commercialization license to customers and revenue is recognized when the customers obtain rights to access or use the underlying intellectual property or license. License fee income is recognized at a point in time upon the customer obtains control of intellectual property. The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties).

For license associated with customers’ right to use, upfront fee received is recorded under contract liabilities and recognized as revenue only when customers have ability to use the license and variable consideration is recognized only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future. For sales-based royalty promised in exchange for a license of intellectual property, revenue is recognized only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Provision of service

We provide R&D services to the customers. Revenue relating to the R&D services is recognized at a point of time when the report is completed and accepted by customers.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets—research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) the ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Research and Development Expenditures

Development costs incurred on our R&D activities are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the pipeline, our ability to use or sell the asset and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred.

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Our Directors assess the progress of each of the R&D projects and determine whether the criteria are met for capitalization. During the Track Record Period, all internally development costs were expensed when incurred.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale.

Trade Receivables

Before accepting any new customer, we use an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In order to minimize the credit risk, our management have delegated a team responsible for determination of credit limits and credit approvals. In addition, we have applied the simplified approach to measure the loss allowance at lifetime ECL. Except for trade receivables with major customers and credit-impaired balances which are assessed individually, we determine the ECL on the remaining balances by using a provision matrix grouped by common risk characteristic. As part of our credit risk management, we use debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. In this regard, our Directors consider that our credit risk is significantly reduced.

We rebut the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with us.

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Financial Assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) the financial asset is held within a business model whose objective is to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”): (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”).

Impairment of financial assets subject to impairment assessment under HKFRS 9 “Financial Instruments”

We perform impairment assessment under ECL on financial assets (including trade receivables, bills receivable, financial assets at FVTOCI, other receivables, restricted bank deposit, bank balances and cash) and other item (contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We always recognize lifetime ECL for trade receivables and contract assets. For all other financial assets, we measure the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Generally, the ECL is the difference between all contractual cash flows that are due to us in accordance with the contract and the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

We derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If we retain substantially all the risks and rewards of ownership of a transferred financial asset, we continue to recognize the financial asset and also recognizes a collateralized borrowing for the [REDACTED] received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of consideration received and receivable is recognized in profit or loss. On derecognition of receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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RESULTS OF OPERATIONS

The following table sets forth our selected consolidated statements of profit or loss for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0
Cost of sales	(1,380,949)	(54.4)	(1,152,170)	(58.2)	(1,333,038)	(61.8)
Gross profit	1,157,764	45.6	828,583	41.8	824,642	38.2
Other income	91,890	3.6	55,651	2.8	92,042	4.3
Other gains or losses, net	25,759	1.0	12,166	0.6	22,302	1.0
Research and development expenses	(671,397)	(26.4)	(842,701)	(42.5)	(1,061,011)	(49.2)
Selling and distribution expenses	(210,503)	(8.3)	(154,245)	(7.8)	(281,252)	(13.0)
Administrative expenses	(131,718)	(5.2)	(115,186)	(5.8)	(128,866)	(6.0)
Impairment losses under ECL model, net of reversal	5,622	0.2	2,925	0.1	(7,937)	(0.4)
Share of result of an associate	12,580	0.5	(2,297)	(0.1)	(13,783)	(0.6)
Share of result of a joint venture	—	—	(324)	(0.0)	(331)	(0.0)
Finance costs	(17,859)	(0.7)	(6,373)	(0.3)	(21,817)	(1.0)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit/(loss) before tax	262,138	10.3	(221,801)	(11.2)	(576,538)	(26.7)
Income tax expense	(136,470)	(5.4)	(81,912)	(4.1)	(57,799)	(2.7)
Profit/(loss) for the year	125,668	5.0	(303,713)	(15.3)	(634,337)	(29.4)
Attributable to:						
Owners of the Company	434,436	17.1	53,471	2.7	(255,084)	(11.8)
Non-controlling interests	(308,768)	(12.2)	(357,184)	(18.0)	(379,253)	(17.6)
	125,668	5.0	(303,713)	(15.3)	(634,337)	(29.4)

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We generate our revenue from (i) sales of functional ingredients and nutritional products, including caffeine products, acarbose, anhydrous glucose, and vitamin C buccal tablets, (ii) sales of biopharmaceuticals, out-licensing transactions and research services, and (iii) others, including sales of leftover materials, such as dilute acetic acid, ammonia, and other by-products from the production of our caffeine products.

Revenue by Offering Category

The following table sets forth a breakdown of our total revenue by offering category, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Functional ingredients and nutritional products	2,450,350	96.5	1,840,312	92.9	1,857,415	86.1
Biopharmaceuticals	34,702	1.4	87,797	4.4	256,933	11.9
Others	53,661	2.1	52,644	2.7	43,332	2.0
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

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Revenue by Source

The following table sets forth a breakdown of our total revenue by source, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sale of goods ⁽¹⁾	2,504,013	98.6	1,961,224	99.0	2,154,884	99.9
License fee income	34,700	1.4	17,831	0.9	–	–
Provision of service ⁽²⁾	–	–	1,698	0.1	2,796	0.1
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

Notes:

- (1) Our revenue generated from the sales of biopharmaceuticals was RMB2 thousand, RMB68.3 million, and RMB254.1 million in 2023, 2024, and 2025, respectively. For details, see Note 7 to the Accountants' Report in Appendix I to this document.
- (2) Represents income generated from R&D services we provided to our related parties. For details, see Note 51(b) to the Accountants' Report in Appendix I to this document.

Revenue by Geographical Market

The following table sets forth a breakdown of our total revenue by geographical market based on the place of delivery of our customers, in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese Mainland	1,283,087	50.5	1,027,423	51.9	1,127,681	52.3
Europe	419,320	16.5	336,444	17.0	333,704	15.5
North America	400,830	15.8	271,249	13.7	251,455	11.7
Rest of World	435,476	17.2	345,637	17.4	444,840	20.5
Total	2,538,713	100.0	1,980,753	100.0	2,157,680	100.0

Cost of Sales

Our cost of sales primarily consists of (i) direct raw material costs, (ii) staff costs, primarily related to salaries and benefits for our manufacturing staff, and (iii) manufacturing costs, primarily related to depreciation and amortization of property, plant, and equipment and right of use assets used in our production, and production related utility costs. The following table sets forth a breakdown of our cost of sales by offering category, in absolute amounts and as a percentage of our total cost of sales, for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Functional ingredients and nutritional products	1,335,904	96.7	1,111,226	96.4	1,212,748	91.0
Biopharmaceuticals	12,160	0.9	4,897	0.4	90,881	6.8
Others	32,885	2.4	36,047	3.2	29,409	2.2
Total	1,380,949	100.0	1,152,170	100.0	1,333,038	100.0

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Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth a breakdown of our gross profit and gross profit margin by offering category for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Functional ingredients and nutritional products	1,114,446	45.5	729,086	39.6	644,667	34.7
Biopharmaceuticals	22,542	65.0	82,900	94.4	166,052	64.6
Others	20,776	38.7	16,597	31.5	13,923	32.1
Total	1,157,764	45.6	828,583	41.8	824,642	38.2

Other Income

Our other income consists of (i) interest income from bank deposits and (ii) government grants. Our income from government grants primarily include (i) subsidies received from the local governments to support our R&D activities and (ii) grants relating to our purchase and construction of plant and machinery. The following table sets forth a breakdown of our other income for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest income	73,572	36,677	11,061
Government grants:			
Research and development activities . . .	12,767	6,619	64,045
Plant and machinery	3,071	9,332	13,334
Additional VAT input deduction	2,405	2,904	3,461
Individual tax handling fee refund	75	119	141
Total	91,890	55,651	92,042

Other Gains or Losses, Net

Our other gains or losses primarily consist of (i) fair value gains on financial assets at FVTPL, mainly related to our structured bank deposits and investment in certificates of deposit, (ii) loss on disposal of property, plant and equipment, (iii) net foreign exchange gains, and (iv) impairment loss on investment in an associate. The following table sets forth a breakdown of our other gains or losses, net, for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value gains on financial assets at FVTPL	—	7,262	17,969
Loss on disposal of property, plant and equipment	(1,819)	(2,267)	(873)
Net foreign exchange gains	25,170	7,442	18,555
Impairment loss on investment in an associate	—	—	(10,882)
Others	2,408	(271)	(2,467)
Total	25,759	12,166	22,302

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Research and Development Expenses

Our R&D expenses consist of (i) clinical trial and technology service fees, primarily incurred for our preclinical studies and clinical trials, (ii) costs of materials used in our R&D activities, including costs for reagents and other materials, reference drugs and consumables, (iii) depreciation expenses relating to fixed assets used for R&D purposes, (iv) staff costs, including salaries and benefits for our R&D staff, and (v) others, including utilities, travel and other miscellaneous expenses related to our R&D activities. The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Clinical trial and technology service fees	286,431	42.7	415,747	49.3	587,135	55.3
Material costs	220,140	32.8	203,385	24.1	219,246	20.7
Depreciation expenses	54,549	8.1	117,327	13.9	129,946	12.2
Staff costs	74,798	11.1	70,042	8.3	87,224	8.2
Others	35,479	5.3	36,200	4.4	37,460	3.5
Total	671,397	100.0	842,701	100.0	1,061,011	100.0

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) marketing expenses associated with various marketing and promotion activities, (ii) staff costs, including salaries and benefits for our sales and marketing staff, (iii) costs of marketing materials, (iv) travel and conference expenses, including expenses for sponsoring and participating in a range of academic conferences and seminars, and (v) others, including office and other miscellaneous expenses in relation to our sales and marketing activities. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Marketing expenses	114,384	54.3	61,621	40.0	131,097	46.6
Staff costs	65,099	30.9	60,979	39.5	93,999	33.4
Material costs	13,072	6.2	12,580	8.2	13,845	4.9
Travel and conference expenses . .	9,245	4.4	12,223	7.9	32,842	11.7
Others	8,703	4.2	6,842	4.4	9,469	3.4
Total	210,503	100.0	154,245	100.0	281,252	100.0

Administrative Expenses

Our administrative expenses consist of (i) taxes and surcharges, (ii) staff costs, including salaries and benefits for our managerial and administrative staff, (iii) depreciation and amortization expenses relating to our fixed assets for administrative use, (iv) office expenses and general operating expenses, (v) professional service expenses, primarily related to audit, consultancy and legal services provided to us, and (vi) others, including utilities, repairs and maintenance expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Taxes and surcharges	37,531	28.5	33,005	28.7	32,535	25.2
Staff costs	38,523	29.2	25,694	22.3	34,683	26.9
Depreciation and amortization expenses	23,094	17.5	22,169	19.2	23,893	18.5

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	For the Year Ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Office expenses and general operating expenses	14,603	11.1	16,560	14.4	15,519	12.0
Professional service expenses	6,397	4.9	5,280	4.6	4,379	3.4
Others	11,570	8.8	12,478	10.8	17,857	13.9
Total	131,718	100.0	115,186	100.0	128,866	100.0

Impairment Losses Under ECL Model, Net of Reversal

Impairment losses under ECL model represent provisions for expected credit losses (“ECL”) on our trade receivables, other receivables, and contract assets. The following table sets forth a breakdown of our impairment losses under ECL model, net of reversal, for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impairment losses (reversed)/recognized in respect of:			
Trade receivables	(4,846)	(2,328)	8,006
Other receivables	(776)	28	(69)
Contract assets	—	(625)	—
Total	(5,622)	(2,925)	7,937

Share of Result of an Associate

Our share of result of an associate during the Track Record Period was primarily in relation to our equity investment in Beijing Guoxin Huijin. We recorded a share of profit of RMB12.6 million in 2023, and a share of loss of RMB2.3 million and RMB13.8 million in 2024 and 2025, respectively. For details, see Note 21 to the Accountants’ Report in Appendix I to this document.

Share of Result of a Joint Venture

Our share of result of a joint venture during the Track Record Period was primarily in relation to our equity investment in Shijiazhuang Henglu, a company established in 2023 in which we hold 50% equity interest and joint control. In 2024 and 2025, we recorded a share of loss from our joint venture of RMB0.3 million and RMB0.3 million, respectively. For details of our interest in this joint venture, see Note 22 to the Accountants’ Report in Appendix I to this document. In February 2026, we entered into an agreement with CSPC Holdings to transfer 30.07% equity interest of Beijing Guoxin Huijin held by us to CSPC Holdings. Upon the completion of the transaction, we will cease to hold any interest in Beijing Guoxin Huijin.

Finance Costs

Our finance costs consist of the interest or imputed interest (where applicable) on (i) loans from the immediate holding company, (ii) lease liabilities, (iii) bank borrowing, (iv) letters of credit, (v) discounted bills receivable, and (vi) payables for acquisition of additional interests in a subsidiary. The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest/imputed interest on loans from the immediate holding company	17,270	6,303	19,032
Interest on lease liabilities	91	70	23
Interest on bank borrowing	498	—	—

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	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on letters of credit	—	—	92
Interest on discounted bills receivable . . .	—	—	38
Interest on payables for acquisition of additional interests in a subsidiary . . .	—	—	2,632
Total	17,859	6,373	21,817

Income Tax Expense

Our income tax expense consist of current income tax and deferred income tax. We are subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of our Group are domiciled and operate. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax			
PRC corporate income tax	129,668	78,614	47,164
Overseas taxation	5,274	6,207	10,346
Deferred taxation	1,528	(2,909)	289
Total	136,470	81,912	57,799

Our effective income tax rate (equal to income tax expense as a percentage of profit/loss before tax) was 52.1%, (36.9)%, and (10.0)% in 2023, 2024, and 2025, respectively.

PRC

The standard tax rate of our Company and our subsidiaries is 25% under the PRC EIT Law and implementation regulations of the EIT Law. Certain of our subsidiaries are qualified as High and New Technology Enterprises, and they are subject to a preferential tax rate of 15% up to 2027. For details of preferential tax treatments enjoyed by our Company and our subsidiaries, see Note 12 to the Accountants’ Report in Appendix I to this document.

United States

CSPC Innovation USA, Inc., our subsidiary in the United States, is subject to statutory U.S. federal corporate income tax at a rate of 21% and state income tax at various rate levels.

Germany

CSPC Deryang Europe GmbH, our subsidiary in Germany, is subject to income tax at a tax rate of 15%.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased by 8.9% from RMB1,980.8 million in 2024 to RMB2,157.7 million in 2025.

- *Functional ingredients and nutritional products.* Revenue generated from our functional ingredients and nutritional products business remained relatively stable at RMB1,840.3 million and RMB1,857.4 million in 2024 and 2025, respectively.

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- *Biopharmaceuticals.* Revenue generated from our biopharmaceutical business increased significantly from RMB87.8 million in 2024 to RMB256.9 million in 2025. This increase was primarily due to an increase in our revenue from drug sales, mainly driven by the increased sales volume of Enshuxing and Enyitan.

Cost of Sales

Our cost of sales increased by 15.7% from RMB1,152.2 million in 2024 to RMB1,333.0 million in 2025.

- *Functional ingredients and nutritional products.* Cost of sales for our functional ingredients and nutritional products business increased by 9.1% from RMB1,111.2 million in 2024 to RMB1,212.7 million in 2025, driven by the increased sales volume of our caffeine products.
- *Biopharmaceuticals.* Cost of sales for our biopharmaceutical business increased significantly from RMB4.9 million in 2024 to RMB90.9 million in 2025, as we ramped up the sale of our commercialized drugs.

Gross Profit and Gross Profit Margin

Our gross profit remained relatively stable at RMB828.6 million in 2024 and RMB824.6 million in 2025, and our overall gross profit margin decreased from 41.8% in 2024 to 38.2% in 2025.

- *Functional ingredients and nutritional products.* Gross profit margin for our sale of functional ingredients and nutritional products decreased from 39.6% in 2024 to 34.7% in 2025, primarily due to a decrease in the average selling price of caffeine.
- *Biopharmaceuticals.* Gross profit margin of our biopharmaceutical business decreased from 94.4% in 2024 to 64.6% in 2025. In 2024, we supplied certain drug candidate samples to our out-licensing partner to facilitate their development program. These activities carried a relatively higher gross profit margin, as the associated costs were incurred as part of our R&D activities and therefore recorded in our R&D expenses (rather than cost of sales). According to Frost & Sullivan, this high margin level for drug samples is reflective of normal industry practice for the provision of drug samples. A reduction in the selling price of Enshuxing following its inclusion in the NRDL in January 2025 also led to the lower gross profit margin of pharmaceutical business in 2025.

Other Income

Our other income increased by 65.4% from RMB55.7 million in 2024 to RMB92.0 million in 2025. This increase was primarily due to an RMB62.0 million increase in government grants, mainly resulting from an RMB57.4 million increase in subsidies from the local governments to support our R&D activities. This increase was partially offset by an RMB25.6 million decrease in interest income, due to a lower level of bank balances and a decrease in the average interest rate.

Other Gains or Losses, Net

Our net other gains increased by 83.3% from RMB12.2 million in 2024 to RMB22.3 million in 2025. This increase was primarily due to (i) an RMB11.1 million increase in net foreign exchange gains, mainly as a result of the appreciation of the Euro against the Renminbi and U.S. dollar, and (ii) an RMB10.7 million increase in fair value gains on financial assets at FVTPL, in relation to structured deposits and certificates of deposits that we purchased in 2025. This increase was partially offset by an impairment loss of RMB10.9 million recognized on investment in an associate. For details, see Note 21 to the Accountants’ Report in Appendix I to this document.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by 82.3% from RMB154.2 million in 2024 to RMB281.3 million in 2025. This increase was primarily due to (i) an RMB69.5 million increase in marketing expenses, due to our marketing efforts to ramp up the sales of commercialized drugs, and (ii) an RMB33.0 million increase in staff costs, due to the recruitment of additional sales and marketing staff for our biopharmaceutical business.

Administrative Expenses

Our administrative expenses increased by 11.9% from RMB115.2 million in 2024 to RMB128.9 million in 2025. This increase was primarily due to (i) an RMB9.0 million increase in staff costs, due to higher staff bonuses for our managerial personnel to incentivise the R&D of biopharmaceuticals, and (ii) an RMB5.4 million increase in others, mainly related to increased leasing expenses incurred for our biopharmaceutical business.

Research and Development Expenses

Our R&D expenses increased by 25.9% from RMB842.7 million in 2024 to RMB1,061.0 million in 2025. This increase was primarily due to (i) an RMB171.4 million increase in clinical trial and technology service fees, (ii) an RMB17.2 million increase in staff costs due to higher staff bonuses for our R&D personnel to incentivise the R&D of biopharmaceuticals, and (iii) an RMB15.9 million increase in material costs, as we advanced various drug development programs. In particular, we initiated the Phase III clinical trial of SYS6010 (an EGFR ADC) in China for the treatment of advanced NSCLC in March 2025, the Phase I/II clinical trial of SYS6002 (a Nectin-4 ADC) in China for the treatment advanced urothelial cancer in July 2024, and we accelerated the enrollment of patients for the Phase I clinical trial of SYS6043 (a B7-H3 ADC) in 2025.

Impairment Losses Under ECL Model, Net of Reversal

We recorded impairment losses under ECL model of RMB7.9 million in 2025, compared to a reversal of impairment losses under ECL model of RMB2.9 million in 2024. The change was primarily due to an RMB10.3 million increase in impairment losses recognized in respect of trade receivables.

Share of Result of an Associate

Share of loss from our associate increased significantly from RMB2.3 million in 2024 to RMB13.8 million in 2025.

Share of Result of a Joint Venture

Share of loss from our joint venture remained relatively stable at RMB0.3 million and RMB0.3 million in 2024 and 2025, respectively. In February 2026, we entered into an agreement with CSPC Holdings to transfer 30.07% equity interest of Beijing Guoxin Huijin held by us to CSPC Holdings. In April 2026, we completed this transaction and ceased to hold any interest in Beijing Guoxin Huijin.

Finance Costs

Our finance costs increased significantly from RMB6.4 million in 2024 to RMB21.8 million in 2025. This increase was primarily due to an RMB12.7 million increase in interest on loans from the immediate holding company, which were provided by NBP Pharmaceutical, our Controlling Shareholder, to support the development of our drug candidates and our general operations.

Income Tax Expense

Our income tax expense decreased by 29.4% from RMB81.9 million in 2024 to RMB57.8 million in 2025, primarily due to a decrease in profit for our functional ingredients and nutritional products business.

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Loss for the Year

As a result of the foregoing, our loss for the year increased by 108.9% from RMB303.7 million in 2024 to RMB634.3 million in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased by 22.0% from RMB2,538.7 million in 2023 to RMB1,980.8 million in 2024.

- *Functional ingredients and nutritional products.* Revenue generated from our functional ingredients and nutritional products business decreased by 24.9% from RMB2,450.4 million in 2023 to RMB1,840.3 million in 2024, as the average selling price of caffeine gradually returned to normal levels since the third quarter of 2023.
- *Biopharmaceuticals.* Revenue generated from our biopharmaceutical business increased by 153.0% from RMB34.7 million in 2023 to RMB87.8 million in 2024. This increase was primarily due to an increase in our revenue from drug sales, mainly driven by the commercialization of Enshuxing and Enyitan in July and October 2024, respectively.

Cost of Sales

Our cost of sales decreased by 16.6% from RMB1,380.9 million in 2023 to RMB1,152.2 million in 2024.

- *Functional ingredients and nutritional products.* Cost of sales for our functional ingredients and nutritional products business decreased by 16.8% from RMB1,335.9 million in 2023 to RMB1,111.2 million in 2024, primarily due to the reduction in the cost of raw materials for caffeine production.
- *Biopharmaceuticals.* Cost of sales for our biopharmaceutical business decreased by 59.7% from RMB12.2 million in 2023 to RMB4.9 million in 2024, primarily due to unfavorable inventory write-offs of our excess and obsolete mRNA COVID-19 vaccine stock in 2023.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 28.4% from RMB1,157.8 million in 2023 to RMB828.6 million in 2024, and our overall gross profit margin decreased from 45.6% in 2023 to 41.8% in 2024.

- *Functional ingredients and nutritional products.* Gross profit margin for our sale of functional ingredients and nutritional products decreased from 45.5% in 2023 to 39.6% in 2024, primarily due to a decrease in the average selling price of caffeine.
- *Biopharmaceuticals.* Gross profit margin for our biopharmaceutical business increased from 65.0% in 2023 to 94.4% in 2024. The relatively lower gross profit margin for our biopharmaceutical business in 2023 was primarily due to the unfavorable inventory write-offs of our excess and obsolete mRNA COVID-19 vaccine stock.

Other Income

Our other income decreased by 39.4% from RMB91.9 million in 2023 to RMB55.7 million in 2024. This decrease was primarily due to an RMB36.9 million decrease in interest income, resulting from a lower level of our bank deposit balance.

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Other Gains or Losses, Net

Our net other gains decreased by 52.8% from RMB25.8 million in 2023 to RMB12.2 million in 2024. The decrease was primarily due to an RMB17.7 million decrease in net foreign exchange gains, mainly as a result of the depreciation of the Renminbi against the U.S. dollar and its appreciation against the Euro. This decrease was partially offset by an RMB7.3 million increase in fair value gains on financial assets at FVTPL, primarily arising from structured bank deposits and certificates of deposit that we purchased in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 26.7% from RMB210.5 million in 2023 to RMB154.2 million in 2024. This decrease was primarily due to (i) an RMB52.8 million decrease in marketing expenses and (ii) an RMB4.1 million decrease in staff costs, as we strategically reduced our marketing spending within our nutritional product category, in light of weakened demand in the consumer discretionary sector.

Administrative Expenses

Our administrative expenses decreased by 12.6% from RMB131.7 million in 2023 to RMB115.2 million in 2024. This decrease was primarily due to (i) an RMB12.8 million decrease in staff costs, primarily due to a reduction in compensation levels for our general and administrative staff, and (ii) an RMB4.5 million decrease in taxes and surcharges.

Research and Development Expenses

Our R&D expenses increased by 25.5% from RMB671.4 million in 2023 to RMB842.7 million in 2024. This increase was primarily due to (i) an RMB129.3 million increase in clinical trial and technology service fees, as we advanced several drug development programs, and (ii) an RMB62.8 million increase in depreciation expenses, mainly due to the completion of relevant construction projects that support the R&D of our drug candidates. This increase was partially offset by (i) an RMB4.8 million decrease in staff costs, primarily due to a reduction in bonuses for our R&D staff and (ii) an RMB16.8 million decrease in material costs, as we reduced costs of raw materials, reagents and consumables used for R&D purposes, after our two mRNA COVID-19 vaccines were included in emergency use in China in 2023.

Impairment Losses Under ECL Model, Net of Reversal

We recorded a reversal of impairment losses under ECL model of RMB2.9 million in 2024, representing a decrease of 48.0% from RMB5.6 million in 2023. The change was primarily attributable to a reduced reversal of impairment losses on trade receivables in 2024, in line with the decline in our revenue, partially offset by the reversal of impairment losses on contract assets.

Share of Result of an Associate

We recorded a share of loss from our associate of RMB2.3 million in 2024, compared to a share of profit of RMB12.6 million in 2023.

Share of Result of a Joint Venture

We recorded a share of loss from our joint venture of RMB0.3 million in 2024, as we strategically invested in Shijiazhuang Henglu, a company that is primarily engaged in the human milk oligosaccharides (“HMOs”) business. HMO is a nutritional product with significant growth potential, which is expected to expand our nutritional product portfolio.

Finance Costs

Our finance costs decreased by 64.3% from RMB17.9 million in 2023 to RMB6.4 million in 2024. This decrease was primarily due to (i) an RMB11.0 million decrease in interest on loans from the immediate holding company, which were provided by NBP Pharmaceutical, a Controlling Shareholder, to support the development of our drug candidates and our general operations, and (ii) an RMB0.5 million decrease in interest on bank borrowing, as we repaid our outstanding balance of bank borrowing in full in 2023.

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Income Tax Expense

Our income tax expense decreased by 40.0% from RMB136.5 million in 2023 to RMB81.9 million in 2024, primarily due to a decrease in profit before tax.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a loss for the year of RMB303.7 million in 2024, compared to a profit for the year of RMB125.7 million in 2023.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	224,821	398,669	497,803	427,406
Trade receivables	392,376	314,097	441,331	530,588
Contract assets	11,875	—	—	—
Prepayments and other receivables	61,835	146,272	295,972	288,375
Bills receivable	71,965	98,850	88,160	74,688
Financial assets at FVTOCI . . .	84,562	146,816	163,977	151,228
Financial assets at FVTPL	—	825,618	593,736	560,285
Restricted bank deposit	—	13,099	2,932	2,862
Bank balances and cash	3,770,190	858,983	769,237	718,219
Total current assets	4,617,624	2,802,404	2,853,148	2,753,651
Current liabilities				
Trade payables	1,124,677	320,404	621,201	640,640
Bills payable	—	92,882	100,852	76,434
Other payables	659,163	611,462	1,026,836	460,241
Contract liabilities	19,803	18,684	26,085	28,437
Lease liabilities	806	841	788	793
Bank and other borrowings . . .	—	—	3,205	35
Tax liabilities	26,597	17,155	7,304	6,714
Loans from the immediate holding company	72,868	372,868	922,868	1,146,161
Total current liabilities	1,903,914	1,434,296	2,709,139	2,359,455
Net current assets	2,713,710	1,368,108	144,009	394,196

Our net current assets decreased by 49.6% from RMB2,713.7 million as of December 31, 2023 to RMB1,368.1 million as of December 31, 2024, primarily due to an RMB2,911.2 million decrease in bank balances and cash. This decrease was partially offset by (i) an RMB804.3 million decrease in trade payables, as we settled payments for R&D related services, and (ii) financial assets at FVTPL of RMB825.6 million, recorded as of December 31, 2024, in relation to our purchase of structured deposits and certificates of deposits.

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Our net current assets decreased by 89.5% from RMB1,368.1 million as of December 31, 2024 to RMB144.0 million as of December 31, 2025, primarily due to (i) an RMB550.0 million increase in loans from the immediate holding company, which were provided to support the development of our drug candidates and our general operations, (ii) an RMB415.4 million increase in other payables, primarily for acquisition of additional interests in Megalith Biopharmaceutical, (iii) an RMB300.8 million increase in trade payables, in line with our continued investment in R&D activities, and (iv) an RMB231.9 million decrease in financial assets at FVTPL, in relation to structured bank deposits and certificates of deposits we purchased in 2025. The decrease was partially offset by (i) an RMB149.7 million increase in prepayments and other receivables, as deductible input VAT related to our procurement of R&D related materials increased in line with the acceleration of our R&D activities for biopharmaceuticals, and (ii) an RMB127.2 million increase in trade receivables, driven by increased sales of biopharmaceuticals.

Our net current assets increased by 173.7% from RMB144.0 million as of December 31, 2025 to RMB394.2 million as of April 30, 2026, primarily due to an RMB566.6 million decrease in other payables for acquisition of additional interests in Megalith Biopharmaceutical. For details of the related settlement of cash consideration for this acquisition, see “Relationship With our Controlling Shareholders—Independence of our Group From our Controlling Shareholder Group—Financial Independence.” This increase was partially offset by an RMB223.3 million increase in loans from the immediate holding company, which were provided to support the development of our drug candidates and our operations.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials, work in progress, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	23,621	20,363	41,999
Work in progress	9,924	54,852	39,279
Finished goods	172,978	307,861	341,927
Others ⁽¹⁾	18,298	15,593	74,598
Total	224,821	398,669	497,803

Note:

(1) Represents consumables used in the production of biopharmaceuticals and packaging materials.

Our inventories increased by 77.3% from RMB224.8 million as of December 31, 2023 to RMB398.7 million as of December 31, 2024. This increase was primarily due to (i) an RMB44.9 million increase in work in progress, mainly as a result of the commercialization of Enshuxing and Enyitan, and (ii) an RMB134.9 million increase in finished goods, primarily due to our strategic inventory buildup of caffeine in overseas market.

Our inventories increased by 24.9% from RMB398.7 million as of December 31, 2024 to RMB497.8 million as of December 31, 2025. This increase was primarily due to (i) an RMB59.0 million increase in others, (ii) an RMB34.1 million increase in finished goods, and (iii) an RMB21.6 million increase in raw materials, driven by our strategic inventory buildup in line with the scaling up of our biopharmaceutical business.

We purchase raw materials in accordance with our current production plans, which are established based on the sales orders we receive. We closely monitor our inventory levels and keep appropriate levels of stock for different products. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

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The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	223,733	390,891	478,629
1 to 2 years	6,238	4,161	18,895
More than 2 years	6,787	6,532	5,085
Impairment	(11,937)	(2,915)	(4,806)
Total	224,821	398,669	497,803

As of December 31, 2023, 2024 and 2025, a vast majority of our inventories were aged within one year. We recognize impairment on our inventories if their expected net realizable value is lower than their cost. We recorded higher impairment of inventories in 2023, primarily related to the unfavorable inventory write-offs of our excess and obsolete mRNA COVID-19 vaccine stock. We believe that sufficient provision has been made for our inventories at the end of each period during the Track Record Period.

The following table sets forth our inventory turnover days for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	61.2	98.8	122.7

Note:

(1) Calculated as the average of the beginning and ending balances of inventory for the period divided by the cost of sales for the same period and multiplied by 365 days for a full-year period.

Our inventory turnover days increased from 61.2 days in 2023 to 98.8 days in 2024, primarily due to our strategic inventory preparation to support the commercial rollout of approved drugs and to build our caffeine inventory in overseas markets.

Our inventory turnover days further increased from 98.8 days in 2024 to 122.7 days in 2025, primarily due to our strategic inventory preparation to support the commercial rollout of approved drugs.

As of April 30, 2026, RMB294.5 million, or 59.2%, of our inventories as of December 31, 2025 had been utilized or sold.

Trade Receivables

Our trade receivables are primarily amounts due from our customers in our ordinary course of business, less allowance for credit losses. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	413,368	332,085	467,405
Less: allowance for credit losses	(20,992)	(17,988)	(26,074)
Total	392,376	314,097	441,331

Our trade receivables, net of allowance for credit losses, decreased by 19.9% from RMB392.4 million as of December 31, 2023 to RMB314.1 million as of December 31, 2024, in line with the decline in our revenue from the sale of functional ingredients and nutritional products during the same period.

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Our trade receivables, net of allowance for credit losses, then increased by 40.5% from RMB314.1 million as of December 31, 2024 to RMB441.3 million as of December 31, 2025, driven by increased sales of biopharmaceuticals.

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	62.8	65.1	63.9

Note:

(1) Calculated as the average of the beginning and ending balances of trade receivables for the period divided by revenue for that period and multiplied by 365 days a year.

The trade receivables turnover days in each period during the Track Record Period were in line with the credit term we generally provide for our customers.

Our trading terms with some of our customers are on credit, with the credit period generally ranging from 30 to 120 days. Before accepting any new customer, we use an internal credit scoring system to assess the potential customer’s credit quality and define credit limits by customer. In addition, we actively monitor trade receivables, conduct regular reviews of outstanding balances, initiate collection efforts promptly for overdue accounts, assign dedicated personnel to oversee key overdue accounts, and enhance internal supervision. The following table sets forth an aging analysis of trade receivables, net of allowance for credit losses, presented based on the respective revenue recognition dates, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	350,102	274,878	360,536
91 to 180 days	36,249	32,195	62,048
181 to 365 days	3,865	3,123	16,452
More than 365 days	2,160	3,901	2,295
	<u>392,376</u>	<u>314,097</u>	<u>441,331</u>

As of April 30, 2026, RMB383.8 million, or 87.0%, of our trade receivables, net of allowance for credit losses, as of December 31, 2025 had been subsequently settled.

Contract Assets

Our contract assets represent accrued income from research services we rendered for a related party to support its development of certain biologics manufacturing processes. The following table sets forth a breakdown of our contract assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Research projects	<u>11,875</u>	—	—

Our contract assets decreased from RMB11.9 million as of December 31, 2023 to nil as of December 31, 2024, as we received the payment from a related party in 2024 for certain research services we rendered. For details, see Note 51(c) to the Accountants’ Report in Appendix I to this document.

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Prepayments and Other Receivables

Our prepayments and other receivables primarily consist of (i) prepayments for raw materials and R&D expenses, primarily related to our operating activities, (ii) prepayments for purchases of property, plant and equipment, primarily related to our purchase and construction of assets for R&D and production purposes, (iii) other taxes recoverable, representing input VAT that is expected to be deductible in future periods, (iv) prepayments for income tax, (v) deferred share issue costs, (vi) prepayments for [REDACTED], (vii) dividends receivable, and (viii) other prepayments. The following table sets forth a breakdown of prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for raw materials and research and development expenses	37,547	33,354	72,708
Prepayments for purchase of property, plant and equipment	26,330	40,285	104,283
Other taxes recoverable	18,420	100,508	177,311
Prepayments for income tax	4,323	10,362	11,683
Deferred share issue costs	—	—	23,527
Prepayments for [REDACTED]	—	—	50
Dividends receivable	—	—	9,228
Others	1,545	2,048	1,465
Total	88,165	186,557	400,255

Our prepayments and other receivables increased by 111.6% from RMB88.2 million as of December 31, 2023 to RMB186.6 million as of December 31, 2024. This increase was primarily due to (i) an RMB82.1 million increase in other taxes recoverable, mainly representing an increase in input VAT that is expected to be deductible in future periods, and (ii) an RMB14.0 million increase in prepayments for purchase of property, plant and equipment, as we continued to advance the construction of our R&D facilities to support the growth of our biopharmaceutical business.

Our prepayments and other receivables increased by 114.5% from RMB186.6 million as of December 31, 2024 to RMB400.3 million as of December 31, 2025. This increase was primarily due to (i) an RMB76.8 million increase in other taxes recoverable, as deductible input VAT related to our procurement of R&D related materials increased in line with the acceleration of our R&D activities for biopharmaceuticals, (ii) an RMB64.0 million increase in prepayments for raw materials and research and development expenses, in line with the acceleration of our R&D activities for biopharmaceuticals, and (iii) an RMB23.5 million recorded for deferred share issue costs in relation to our proposed [REDACTED].

As of April 30, 2026, RMB99.5 million, or 24.9%, of our prepayments and other receivables as of December 31, 2025 had been subsequently settled.

Bills Receivable

Our bills receivable represent bank acceptance notes that have not been endorsed or discounted and remained outstanding at the period end, which were received from our customers in lieu of cash payments. The following table sets forth a breakdown of our bills receivable as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable	71,965	98,850	88,160

The fluctuation in our bills receivable was primarily driven by changes in our customers' preference for bill payments and varying maturity profiles of the bills we accepted.

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As of April 30, 2026, RMB67.9 million, or 77.0%, of our bills receivable as of December 31, 2025 had been subsequently settled.

Financial Assets at FVTPL

Our financial assets at FVTPL consist of (i) structured bank deposits and (ii) investment in the certificate of deposit issued by reputable commercial banks and financial institutions in China. The following table sets forth a breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Structured bank deposits	–	470,090	385,388
Investment in the certificate of deposit. . .	–	355,528	208,348
Total	–	825,618	593,736

Our financial assets at FVTPL decreased by 28.1% from RMB825.6 million as of December 31, 2024 to RMB593.7 million as of December 31, 2025, primarily due to our disposal of certificates of deposits. Our investment strategies were mainly focused on financial products of reputable banks and other financial institutions characterized by low risk and high liquidity, which typically offer capital preservation and stable returns.

With respect to the control mechanisms in making such investments, our finance department maintains controls to safeguard investment decisions. We implement a rigorous investment process that includes thorough due diligence, proactive risk management through stress testing and scenario analysis, and ongoing monitoring and reviews to guarantee compliance with our policies. The limit of funds used for cash management is reviewed and determined by our Board, subject to the approval of shareholders. Management’s approval is required before we enter into any agreement for purchase of financial products. Our treasury team comprises seasoned professionals with diverse expertise. They possess in-depth knowledge of investment products, market trends, and risk management strategies. Upon [REDACTED], our investments in wealth management products will be subject to compliance with the applicable requirements under Chapter 14 of the Listing Rules.

Financial Assets at FVTOCI

Our financial assets at FVTOCI consist of bills receivable measured at FVTOCI. The following table sets forth our financial assets at FVTOCI as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable measured at FVTOCI . . .	84,562	146,816	163,977

The fluctuation in our bills receivable measured at FVTOCI was primarily driven by changes in our customers’ preference for bill payments and varying maturity profiles of the bills we accepted.

Trade Payables

Our trade payables represents amounts due to our raw material suppliers and service providers. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	1,124,677	320,404	621,201

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Our trade payables decreased by 71.5% from RMB1,124.7 million as of December 31, 2023 to RMB320.4 million as of December 31, 2024, primarily due to the settlement of outstanding payments for technical services provided by our related parties. For details, see Note 51(b) to the Accountants’ Report in Appendix I to this document.

Our trade payables increased by 93.9% from RMB320.4 million as of December 31, 2024 to RMB621.2 million as of December 31, 2025, in line with our continued investment in R&D activities.

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	398,317	274,005	503,989
1 to 2 years	318,942	41,681	79,461
2 to 3 years	203,768	881	33,201
More than 3 years	203,650	3,837	4,550
Total	1,124,677	320,404	621,201

The following table sets forth our trade payables turnover days for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables turnover days ⁽¹⁾	267.4	228.9	128.9

Note:

(1) Calculated using the arithmetic mean of the opening and closing balances of trade payables for the period divided by cost of sales for that period and multiplied by 365 days.

The trade payables turnover days decreased from 2023 to 2024, primarily attributable to our settlement of outstanding payments to our suppliers. In April and May 2023, we entered into rights transfer agreements with CSPPC Baiko and CSPPC Ouyi, respectively, which led to a higher trade payable balance at the end of 2023 and a correspondingly higher opening balance for 2024. As payments under these agreements were made throughout 2024, the closing balance declined, lowering the opening balance for 2025. Consequently, trade payable turnover days decreased from 2024 to 2025.

As of April 30, 2026, RMB249.3 million, or 40.1%, of our trade payables as of December 31, 2025 had been settled.

Bills Payable

Our bills payable represents our payment obligation under bank acceptance notes issued to settle payments with suppliers.

The following table sets forth a breakdown of our bills payable as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills payable	—	92,882	100,852

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Our bills payables increased from nil as of December 31, 2023 to RMB92.9 million as of December 31, 2024, as we increased our use of bank acceptance notes to optimize our cash flow. Our bills payable increased to RMB100.9 million as of December 31, 2025, as we continued to increase our use of bank acceptance notes.

As of April 30, 2026, RMB68.4 million, or 67.9%, of bills payable as of December 31, 2025 had been settled.

Other Payables

Our other payables primarily consist of (i) other tax payable, (ii) payables arising from construction and acquisition of property, plant and equipment to third parties, (iii) payables arising from construction and acquisition of property, plant and equipment to related parties, (iv) payables for acquisition of additional interests in a subsidiary, (v) payables for intangible assets to related parties, (vi) salaries, wages and other benefits payable, representing amounts payable in respect of salaries, wages, employee benefits and other staff-related expenses, and (vii) selling expense payable.

The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other tax payable	12,643	1,283	1,146
Payables arising from construction and acquisition of property, plant and equipment to third parties	270,668	348,086	334,726
Payables arising from construction and acquisition of property, plant and equipment to related parties	166,236	188,389	117,520
Payables for acquisition of additional interests in a subsidiary	—	—	998,460
Payables for intangible assets to related parties	115,000	—	—
Salaries, wages and other benefits payable	36,697	31,132	41,543
Selling expense payable	25,025	8,088	17,055
Payables arising from short-term lease from related parties	—	355	2,986
Suppliers' deposits	8,124	7,506	8,850
Freight charges	4,274	6,926	5,650
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	20,496	19,697	15,052
Total	659,163	611,462	1,555,296

Our other payables decreased by 7.2% from RMB659.2 million as of December 31, 2023 to RMB611.5 million as of December 31, 2024, primarily due to an RMB115.0 million decrease in payables for acquisition of intangible assets in relation to our settlement of milestone payments for our in-licensed products.

Our other payables increased by 154.4% from RMB611.5 million as of December 31, 2024 to RMB1,555.3 million as of December 31, 2025, primarily due to an RMB998.5 million increase in payables for acquisition of additional interests in Megalith Biopharmaceutical. For details, see the description of Megalith Biopharmaceutical Acquisition II under “History and Corporate Structure—Major Acquisitions, Disposals and Mergers.”

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Contract Liabilities

Our contract liabilities represent advance payments received from our customers in relation to procurement of functional ingredients.

As of December 31, 2023, 2024, and 2025, we had contract liabilities of RMB19.8 million, RMB18.7 million, and RMB26.1 million, respectively. The decrease in our contract liabilities from December 31, 2023 to December 31, 2024 was generally in line with our delivery of functional ingredients for which we received advanced payments. The increase in our contract liabilities from December 31, 2024 to December 31, 2025 was due to additional advance payments received from certain customer.

As of April 30, 2026, RMB4.7 million, or 18.0%, of our contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

During the Track Record Period, our use of cash primarily related to operating activities, capital expenditure, and dividend distribution. We have historically financed our operations primarily through cash flows from our operating activities, and loans from NBP Pharmaceutical, our Controlling Shareholder.

The following table sets forth a summary of our cash flows information for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash from/(used in) operating activities	660,956	(1,140,405)	(296,013)
Net cash used in investing activities	(479,664)	(1,386,808)	(238,192)
Net cash from/(used in) financing activities	1,358,551	(391,819)	424,193
Net increase/(decrease) in cash and cash equivalents	1,539,843	(2,919,032)	(110,012)
Cash and cash equivalents at the beginning of the year	2,203,586	3,770,190	858,983
Effect of foreign exchange rate changes	26,761	7,825	20,266
Cash and cash equivalents at the end of the year represented by bank balances and cash	3,770,190	858,983	769,237

Net Cash From/(Used in) Operating Activities

In 2025, our net cash used in operating activities were RMB296.0 million, which was primarily due to cash used in operations of RMB227.3 million. Our cash used in operations mainly consisted of our loss before tax of RMB576.5 million adjusted for non-cash and non-operating items, primarily including (i) depreciation of property, plant and equipment of RMB215.9 million, (ii) amortization of intangible assets of RMB25.1 million, and (iii) finance costs of RMB21.8 million. The amount was then adjusted upward by movements in working capital, primarily including (i) an increase in trade payables of RMB300.8 million, (ii) an increase in deferred income of RMB64.2 million, offset in part by (i) an increase in trade receivables of RMB135.2 million, (ii) an increase in prepayments and other receivables of RMB115.6 million, and (iii) an increase in inventories of RMB102.4 million.

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In 2024, our net cash used in operating activities were RMB1,140.4 million, which was primarily due to cash used in operations of RMB1,046.1 million. Our cash used in operations mainly consisted of our loss before tax of RMB221.8 million adjusted for non-cash and non-operating items, primarily including (i) depreciation of property, plant and equipment of RMB210.0 million, (ii) government grants released to other income of RMB10.9 million and (iii) amortization of intangible assets of RMB10.6 million. The amount was then adjusted downward by movements in working capital, primarily including (i) an increase in inventories of RMB176.6 million and (ii) an increase in bills receivable and financial assets at FVTOCI of RMB112.7 million, offset in part by an increase in bills payable of RMB92.9 million.

In 2023, our net cash from operating activities were RMB661.0 million, which was primarily due to cash generated from operations of RMB804.1 million. Our cash generated from operations mainly consisted of our profit before tax of RMB262.1 million adjusted for non-cash and non-operating items, primarily including (i) depreciation of property, plant and equipment of RMB149.9 million and (ii) net foreign exchange gains of RMB25.2 million. The amount was then adjusted upward by movements in working capital, primarily including (i) an increase in trade payables of RMB232.8 million and (ii) a decrease in trade receivables of RMB93.5 million, offset in part by a decrease in contract liabilities of RMB48.5 million.

The operating cash outflows we experienced during the Track Record Period primarily resulted from our cash-intensive R&D activities and the marketing of our commercialized products. Our outflow position significantly improved due to the following reason: In January 2026, we entered into a strategic collaboration and license agreement with AstraZeneca, pursuant to which we expect to receive an upfront payment of US\$420 million, as well as potential research and development milestone payments, sales milestone payments and royalties. For details, see “Business—Material Collaboration and Licensing Arrangements—Strategic Collaboration and License Agreement with AstraZeneca.” In addition, we had been and will continue to improve our operating cash flow position through various measures, including (i) reducing days sales outstanding with strict credit controls and early payment discounts; (ii) requiring advance payments for product sales; (iii) extending days payable outstanding through supplier negotiations; (iv) deferring non-essential capital expenditures and discretionary operating expenses; and (v) solidifying our leadership in functional ingredients and nutritional products business, which generated strong operating cash inflow during the Track Record Period.

Net Cash Used in Investing Activities

In 2025, our net cash used in investing activities were RMB238.2 million. This was primarily due to (i) placement of financial assets at FVTPL of RMB1,780.0 million and (ii) purchase of property, plant and equipment of RMB568.4 million. These factors were partially offset by cash inflow from (i) withdrawal of financial assets at FVTPL of RMB2,029.9 million and (ii) receipts of government grants of RMB100.3 million.

In 2024, our net cash used in investing activities were RMB1,386.8 million. This was primarily due to (i) placement of financial assets at FVTPL of RMB1,276.0 million and (ii) purchase of property, plant and equipment of RMB461.7 million. These factors were partially offset by cash inflow from withdrawal of financial assets at FVTPL of RMB457.6 million.

In 2023, our net cash used in investing activities were RMB479.7 million. This was primarily due to (i) purchase of property, plant and equipment of RMB471.2 million and (ii) payments for right-of-use assets of RMB68.5 million. These factors were partially offset by cash inflow from receipts of government grants of RMB50.6 million.

Net Cash From/(Used in) Financing Activities

In 2025, our net cash from financing activities were RMB424.2 million, primarily due to loans from the immediate holding company of RMB550.0 million, partially offset by (i) payments for the acquisition of additional interest in a subsidiary of RMB80.0 million, and (ii) dividends paid of RMB27.9 million.

In 2024, our net cash used in financing activities were RMB391.8 million, primarily due to (i) dividends paid of RMB374.2 million and (ii) repurchase of shares of RMB316.8 million, partially offset by loans from the immediate holding company of RMB300.0 million.

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In 2023, our net cash from financing activities were RMB1,358.6 million, primarily due to (i) capital contribution from shareholders of RMB1,500.0 million and (ii) proceeds from issue of shares of RMB500.0 million, partially offset by loans repayment to the immediate holding company of RMB700.0 million.

Capital Expenditure

Our capital expenditures are incurred primarily in connection with purchase of property, plant and equipment, and intangible assets. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	For the Year Ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Additions to:			
Property, plant and equipment	697,392	572,249	375,125
Intangible assets	21	10,000	–
Total	697,413	582,249	375,125

We funded our capital expenditures during the Track Record Period mainly from cash generated from operating and financing activities. 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. We intend to fund our future capital expenditures with our existing cash balance and [REDACTED] from the [REDACTED]. See “Future Plans and [REDACTED]” for further details.

Capital Commitments

As of December 31, 2023, 2024, and 2025, we had capital commitments related to (i) the capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries and (ii) commitments arise from our interests in a joint venture and an associate. The following table sets forth a breakdown of our capital commitments as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries	271,261	289,187	258,782
Commitments arise from the Group’s investment in a joint venture and an associate	29,000	29,000	157,500
Total	300,261	318,187	416,282

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INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2026</i> <i>RMB'000</i> <i>(unaudited)</i>
Current				
Bank and other borrowings . . .	–	–	3,205	35
Lease liabilities	806	841	788	793
Loans from the immediate holding company	72,868	372,868	922,868	1,146,161
Subtotal.	73,674	373,709	926,861	1,146,989
Non-current				
Lease liabilities	841	–	1,662	1,469
Bank borrowing	–	–	–	250,000
Total	74,515	373,709	928,523	1,398,458

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our warehouses and offices during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

As of December 31, 2023, 2024, 2025, and April 30, 2026, our lease liabilities, including both current and non-current portions, amounted to RMB1.6 million, RMB0.8 million, RMB2.5 million and RMB2.3 million, respectively.

Bank and Other Borrowings

As of December 31, 2023, 2024, 2025, and April 30, 2026, (i) our outstanding bank and other borrowings in the current portion amounted to nil, nil, RMB3.2 million, and RMB35 thousand, respectively, and (ii) our outstanding bank borrowing in the non-current portion amounted to nil, nil, nil, and RMB250.0 million, respectively.

Loans From the Immediate Holding Company

Loans from the immediate holding company represent loans from NBP Pharmaceutical, our Controlling Shareholder, which are provided to support the development of our drug candidates and our general operations. For details, see Note 51(d) to the Accountants’ Report in Appendix I to this document.

As of December 31, 2023, 2024, 2025, and April 30, 2026, the balance of loans from the immediate holding company was RMB72.9 million, RMB372.9 million, RMB922.9 million, and RMB1,146.2 million, respectively. We believe our existing sources of liquidity as of the Latest Practicable Date will be sufficient to enable the repayment of the outstanding balance of these loans without materially adversely affecting our general working capital needs. For details, see “Business—Business Sustainability—Working Capital Sufficiency.”

Indebtedness Statement and Contingent Liabilities

Except as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities as of April 30, 2026, being the latest practicable date for our indebtedness statement.

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Our Directors confirm that, as of the Latest Practicable Date, there was no material change in our indebtedness since April 30, 2026. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Details of our related party transactions during the Track Record Period are set out in Note 51 to the Accountants’ Report in Appendix I to this document. Our Directors are of the view that each of these related party transactions set out therein was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period did not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the periods or as of the dates indicated:

	For the Year Ended/As of December 31,		
	2023	2024	2025
Current ratio ⁽¹⁾	2.4	2.0	1.1
Quick ratio ⁽²⁾	2.3	1.7	0.9
Gross profit margin ⁽³⁾	45.6%	41.8%	38.2%

Notes:

- (1) Current ratio is calculated as total current assets divided by total current liabilities.
- (2) Quick ratio is calculated as total current assets less inventories divided by total current liabilities.
- (3) Gross profit margin represents gross profit as a percentage of total revenue.

Our current ratio decreased from 2.4 as of December 31, 2023 to 2.0 as of December 31, 2024. Our quick ratio decreased from 2.3 as of December 31, 2023 to 1.7 as of December 31, 2024. These decreases were mainly due to a decrease in bank balances and cash, as we spent cash in our R&D.

Our current ratio decreased from 2.0 as of December 31, 2024 to 1.1 as of December 31, 2025. Our quick ratio decreased from 1.7 as of December 31, 2024 to 0.9 as of December 31, 2025. These decreases were mainly due to an increase in our loans from the immediate holding company, which were provided to support the development of our drug candidates and our operations.

For a more comprehensive discussion of the factors affecting our gross profit margin during the Track Record Period, see “—Discussion of Results of Operations.”

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet transactions. Neither have we entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our principal financial instruments, comprise financial assets at FVTPL, time deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities which arise directly from its operations.

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The main risks arising from our financial instruments are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. For details, see Note 47 to the Accountants’ Report in Appendix I to this document.

Market Risk

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. If the RMB had weakened (strengthened) against the U.S. dollars by 5%, our post-tax profit would have increased (decreased) by RMB8.9 million, RMB14.9 million, and RMB14.1 million in 2023, 2024, and 2025, respectively. If the RMB had weakened (strengthened) against the Euro by 5%, our post-tax profit would have increased (decreased) by RMB70.0 thousand, nil, and nil in 2023, 2024, and 2025, respectively.

Interest rate risk

Our fair value interest rate risk relates primarily to restricted bank deposit, fixed-rate lease liabilities, fixed-rate bank borrowing. We currently do not have a specified policy to manage the interest rate risk but will closely monitor our interest rate risk exposure in the future.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to us. Our credit risk exposures are primarily attributable to trade receivables, deposits and other receivables, bills receivables, financial assets at FVTOCI, restricted bank deposit, bank balances and cash and contract assets. Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of trade receivables, deposits and other receivables, bills receivables, financial assets at FVTOCI, restricted bank deposit, bank balances and cash. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

Liquidity Risk

In management of the liquidity risk, we monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on loans from the immediate holding company and shareholders’ investment as a significant source of liquidity.

DIVIDENDS

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders’ meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions. Apart from the principles for profit distribution set out in our Articles of Association, we had not adopted any formal dividend policy or specified dividend pay-out ratio as of the Latest Practicable Date.

FINANCIAL INFORMATION

In 2023, 2024 and 2025, we declared a final dividend of RMB97.6 million, RMB374.2 million and RMB27.9 million in respect of the years ended December 31, 2022, 2023 and 2024, respectively. As of the Latest Practicable Date, we had paid these dividends in full.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB1,442.7 million, which were available for distribution to Shareholders.

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, other than as disclosed above in the “Summary” section in this document, there had been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2025, being the latest balance sheet date of our consolidated financial statements in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], our Board will consist of nine Directors, comprising four executive Directors and five independent non-executive Directors. Our Directors are elected by the general meeting for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The following table sets forth certain information of our Directors:

Name	Age	Position ⁽¹⁾	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Dr. Bing Yao (姚兵) . . .	49	Executive Director and chairman of the Board	April 2019	April 7, 2023	Responsible for the overall strategic planning, business development and R&D of our Group
Mr. Long Dai (戴龍) . . .	33	Executive Director, general manager and finance director	December 2016	May 15, 2024	Responsible for the overall operation and management, and financial and capital management of our Group
Mr. Feng Han (韓峰) . . .	51	Executive Director	April 2006	January 25, 2017	Responsible for the operation of functional ingredients business of our Group
Ms. Wen Xu (徐雯) . . .	36	Executive Director, employee representative Director, joint company secretary and secretary to the Board	May 2024	May 15, 2024	Responsible for Board-related matters, corporate governance, investor relations management and legal and compliance matters of our Group
Mr. Dibin Li (李迪斌) . .	68	Independent non-executive Director	April 2023	April 7, 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Peng Yang (楊鵬) . .	54	Independent non-executive Director	April 2023	April 7, 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Dr. Congzhi Di (邸叢枝) .	50	Independent non-executive Director	April 2023	April 7, 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Dr. Jianping Zhou (周建平)	65	Independent non-executive Director	May 2024	May 15, 2024	Responsible for supervising and providing independent opinion and judgment to the Board
Ms. Wang Chau (周宏) . .	63	Independent non-executive Director	[REDACTED]	[REDACTED]	Responsible for supervising and providing independent opinion and judgment to the Board

Note:

(1) The re-designation of the positions will take effect on the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Bing Yao (姚兵), aged 49, has been serving as our Director and chairman of the Board since April 2023 and September 2024, respectively. He joined our Group in April 2019 as a director of Megalith Biopharmaceutical and subsequently served as general manager of Megalith Biopharmaceutical from May 2020 to April 2024. He also served as the general manager of our Company from April 2024 to January 2026. Dr. Yao is primarily responsible for the overall strategic planning, business development and R&D of our Group.

Dr. Yao holds the following positions in other members of our Group: chairman of the board and director of Megalith Biopharmaceutical since November 2025 and April 2019, respectively, and director of Megalith Shanghai since October 2024.

Dr. Yao has also been serving as a director of CSPC Runshi Biotechnology (Shijiazhuang) Co., Ltd. (石藥集團潤石生物科技(石家莊)有限公司) and an executive director of CSPC Pharmaceutical since December 2025 and May 2024, respectively. Prior to that, Dr. Yao held various roles in management and R&D at CSPC Pharmaceutical from June 2016 to April 2024, including executive president, vice president, president of R&D division and assistant president. From July 2002 to June 2016, Dr. Yao worked at CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd. (石藥集團中諾藥業(石家莊)有限公司) (“**Zhongnuo Shijiazhuang**”) and held various positions in quality and production management, with his last position as the general manager of Zhongrun production base and the deputy general manager. Concurrently, Dr. Yao was also director of the quality and procurement department of executive committee at CSPC Pharmaceutical from October 2008 to April 2009.

Dr. Yao obtained his bachelor’s degree and master’s degree in biochemical engineering from Nanjing Tech University (南京工業大學) in July 1999 and July 2002, respectively. He further obtained a master’s degree in project management engineering from Peking University (北京大學) in January 2011 and a doctorate in chemical engineering and technology from Nanjing Tech University in December 2023.

Mr. Long Dai (戴龍), aged 33, has been our general manager since January 2026, Director since May 2024, finance director since April 2023. Mr. Dai is primarily responsible for the overall operation and management, and financial and capital management of our Group.

Mr. Dai joined our Group in December 2016 as a finance specialist and held the following positions in our Company: finance manager from December 2018 to April 2020, securities affairs representative from April 2020 to January 2026, secretary to the Board from April 2023 to January 2026 and employee representative Director from September 2025 to May 2026.

Mr. Dai has also been serving as a director of CSPC Runshi Biotechnology (Shijiazhuang) Co., Ltd. (石藥集團潤石生物科技(石家莊)有限公司) since December 2025. He also served as a finance specialist at Zhongnuo Shijiazhuang from July 2015 to December 2016.

Mr. Dai obtained his bachelor’s degree in financial management from Hebei Agricultural University (河北農業大學) in June 2015.

Mr. Feng Han (韓峰), aged 51, has been serving as our Director since January 2017 and is primarily responsible for the operation of functional ingredients business of our Group.

Mr. Han joined our Group in April 2006 and successively served as our production manager, assistant to general manager, deputy general manager and general manager until April 2024. He holds the following positions in other members of our Group: director of Taizhou GWK and Megalith Biopharmaceutical (appointed in January 2018 and January 2024, respectively).

Mr. Han has also been serving as a director of CSPC Holdings Company Limited (石藥控股集團有限公司) since June 2025.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Han obtained his first bachelor’s degree in pharmaceutical chemistry and his second bachelor’s degree in business administration from Hebei University of Science and Technology (河北科技大學) in July 1998 and December 2006, respectively.

Ms. Wen Xu (徐雯), aged 36, has been serving as our secretary to the Board and securities affairs representative since January 2026, and our Director since May 2024. Ms. Xu has also been appointed as a joint company secretary of the Company in January 2026, and the employee representative Director since May 2026. Ms. Xu is primarily responsible for Board-related matters, corporate governance, investor relations management and legal and compliance matters of our Group.

Ms. Xu worked at CSPC Pharmaceutical as senior director of securities affairs department from October 2023 to January 2026; as medical director of clinical development department from November 2020 to October 2023; and as medical manager and associate medical director of the clinical development department from October 2018 to October 2020. Ms. Xu worked as pharmacokinetic researcher and clinical research associate at Otsuka Pharmaceutical Research and Development (Beijing) Co., Ltd. (大冢製藥研發(北京)有限公司) from July 2016 to September 2018.

Ms. Xu obtained a bachelor’s degree and a master’s degree in pharmacy from Zhengzhou University (鄭州大學) in July 2013 and July 2016, respectively.

Independent Non-Executive Directors

Mr. Dibin Li (李迪斌), aged 68, was appointed as our Director in April 2023 and is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Li has been serving as a director of Zhongjianchuan (Beijing) Network Technology Co., Ltd. (中健傳(北京)網絡科技有限公司) since June 2022, and a director and manager of Beijing Aikang Juntai International Medical Technology Co., Ltd. (北京愛康君泰國際醫療技術有限公司) (formerly known as Beijing Aikang Juntai International Medical Technology Co., Ltd. (北京愛康君泰國際醫療技術有限公司)) since December 2015. Mr. Li also served as a producer at the news development centre of Xinhua News Agency (新華社新聞發展中心) from October 2004 to December 2014. Prior to that, he worked as a vice president of China United Advertising Corporation (中國廣告聯合總公司) from December 2001 to October 2004, and as a chief editor at Xinhua News Agency (新華通訊社) from September 1989 to December 2001.

Mr. Li obtained a bachelor’s degree in Chinese language and literature from Shanxi Normal University (山西師範大學) in July 1984 and a second bachelor’s degree in journalism from China Institute of Journalism (中國新聞學院) in July 1989. He has been serving as the president of the Health Communication Branch of China Health Management Association (中國健康管理協會健康傳播分會) since November 2020 and the chairperson of the Medical Communication Professional Committee of Chinese Research Hospital Association (中國研究型醫院學會醫學傳播學專業委員會) since September 2021.

Mr. Peng Yang (楊鵬), aged 54, was appointed as our Director in April 2023 and is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Mr. Yang has been serving as an independent director of Mcc Meili Cloud Computing Industry Investment Co., Ltd. (中冶美利雲產業投資股份有限公司) (a company listed on the Shanghai Stock Exchange, SHSE: 000815) since May 2025, and an independent director of Zhengzhou Wote Energy-Saving Technology Co., Ltd. (鄭州沃特節能科技股份有限公司) since August 2023. He was also an independent director of Yueyang Forest & Paper Co., Ltd. (岳陽林紙股份有限公司) (a company listed on the Shanghai Stock Exchange, SHSE: 600963) from January 2022 to December 2025.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang has been serving as a partner of Stamina Capital Company Limited (遠驥私募基金管理(嘉興)有限公司) since August 2017. Prior to that, he served as a senior investment manager in the alternative investment division at China Re Asset Management Co., Ltd. (中再資產管理股份有限公司) from May 2013 to July 2017, and as a director of alternative investment division at China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)(a company listed on the Stock Exchange, HKEX: 1508) from May 2011 to April 2013. From August 2003 to May 2011, Mr. Yang served as the head of the strategic development department at China Paper Investment Co., Ltd. (中國紙業投資有限公司). From June 2002 to August 2003, he served as a department manager at Fuhua building branch of Jinxin Securities Co., Ltd. (金信證券有限公司), and from August 2000 to June 2002, as a department manager at the Fuhua Building branch of Southwest Securities Co., Ltd. (西南證券股份有限公司). From July 1993 to August 2000, Mr. Yang served as the secretary of the youth league (團委書記) at Shijiazhuang Tiantong Automobile Manufacturing Co., Ltd. (石家莊天同汽車製造有限公司).

Mr. Yang obtained a bachelor’s degree in mechanical and electrical engineering from Hebei University of Architecture (河北建築工程學院) in July 1993. He completed a postgraduate advanced study program in finance at Tsinghua University in September 2003 and obtained a master’s degree in business administration from The Chinese University of Hong Kong in December 2003.

Dr. Congzhi Di (邱叢枝), aged 50, was appointed as our Director in April 2023 and is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Di has been an independent director of Zhongyu Tiexin Transportation Technology Co., Ltd. (中裕鐵信交通科技股份有限公司) (a company listed on the National Equities Exchange and Quotations, stock code: 874484) since January 2022. She has also been working in school of accountancy at Hebei University of Economics and Business (河北經貿大學) since July 2005, serving as vice dean of the school of accountancy since July 2024, master’s degree supervisor since June 2017 and associate professor since November 2015.

Dr. Di obtained a bachelor’s degree in labor and human resources management from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Finance and Economics) in June 1997, a master’s degree and a doctoral degree in accounting from Renmin University of China in June 2005 and June 2011, respectively. She has been a non-practicing member of The Chinese Institute of Certified Public Accountants (“CICPA”) (中國註冊會計師協會) since August 2005.

Dr. Di was also recognized as a High-level Accounting Talent under the Ministry of Finance’s Accounting Talent Quality Enhancement Project (財政部高層次財會人才素質提升工程人才) in November 2023, a High-end Accounting Talent of Hebei Province (河北省高端會計人才) in September 2023, special task force expert for the International Federation of Accountants and Confederation of Asian and Pacific Accountants Council Councils under CICPA in September 2023, government procurement review expert for the Hebei Provincial Government in September 2022 and an Expert in the Hebei Provincial Finance Professional Experts’ Database (河北省省級財政專業人才庫專家) in December 2020.

Dr. Jianping Zhou (周建平), aged 65, was appointed as our Director in May 2024 and is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Zhou has been serving as a director of Nanjing Haina Medical Technology Co., Ltd. (南京海納醫藥科技股份有限公司) since March 2023, director of Suzhou Teligence Ltd. (蘇州韜略生物科技股份有限公司) since October 2021, and independent director of Anhui Sunhere Pharmaceutical Excipients Co., Ltd. (安徽山河藥用輔料股份有限公司) (a company listed on the ChiNext Market of the Shenzhen Stock Exchange, SZSE: 300452) since July 2020. He was also an independent director of Jiangsu Deyuan Pharmaceutical Co., Ltd. (江蘇德源藥業股份有限公司) (a company listed on the Beijing Stock Exchange, BSE: 920735) from December 2020 to October 2025.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhou has been working in school of pharmacy at China Pharmaceutical University (中國藥科大學) since August 1988, serving as a director of pharmaceuticals teaching and research division since March 2006, a doctoral supervisor since June 2002, a professor since April 2001, and an associate professor from April 1993 to March 2001.

Dr. Zhou currently serves as a professor and doctoral supervisor of the school of pharmacy at China Pharmaceutical University (中國藥科大學). Dr. Zhou obtained a doctoral degree in pharmaceuticals from China Pharmaceutical University (formerly known as Nanjing Pharmaceutical College) in June 2002. He is also an executive member of the State Pharmacopoeia Commission (國家藥典委員會) and an executive council member of the pharmaceuticals committee of the Jiangsu Pharmaceutical Association (江蘇省藥學會). Dr. Zhou was awarded the Jiangsu provincial science and technology award in March 2019 and the title of expert entitled to special allowance from the State Council.

Ms. Wang Chau (周宏), aged 63, was appointed as our independent non-executive Director with effect from the [REDACTED] and she will be primarily responsible for supervising and providing independent opinion and judgment to the Board.

Ms. Chau has been serving as an executive director of Right Lane Limited (南明有限公司) (“**Right Lane**”), a subsidiary of Legend Holdings Corporation (聯想控股股份有限公司) (“**Legend Holdings**”) (HKEX: 3396) since August 2017, responsible for the overall business management and operation of Right Lane. Prior to that, she was general manager of Right Lane from 2006, in which role she oversaw various matters of Right Lane including finance, project execution and risk and internal control. From October 1994 to March 2006, Ms. Chau worked as a secretary to the chairman of the board at Legend Holdings.

Ms. Chau graduated from Kunming Railway Vocational and Technical College (昆明鐵道職業技術學院) with a major in English in July 1981.

SENIOR MANAGEMENT

In addition to our Directors, our senior management is responsible for the day-to-day management of our business. The table below sets forth certain information of each of our members of senior management:

Name	Age	Position	Time of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Long Dai (戴龍)	33	Executive Director, general manager and finance director	December 2016	April 7, 2023	Responsible for the overall operation and management, and financial and capital management of our Group
Ms. Wen Xu (徐雯)	36	Executive Director, joint company secretary and secretary to the Board	May 2024	January 29, 2026	Responsible for Board-related matters, corporate governance, investor relations management and legal and compliance matters of our Group
Dr. Xiwu Hui (惠希武) . . .	41	Deputy general manager	April 2020	March 19, 2025	Responsible for the overall R&D of our Group

DIRECTORS AND SENIOR MANAGEMENT

Mr. Long Dai (戴龍), aged 33, is our executive Director, general manager and finance director. For the biographical details of Mr. Dai, please refer to “—Board of Directors—Executive Directors” in this section.

Ms. Wen Xu (徐雯), aged 36, is our executive Director, joint company secretary and secretary to the Board. For the biographical details of Ms. Xu, please refer to “—Board of Directors—Executive Directors” in this section.

Dr. Xiwu Hui (惠希武), aged 41, has been serving as our deputy general manager since March 2025 and is primarily responsible for the overall R&D of our Group.

Dr. Hui has been serving as the head of research institute of Megalith Biopharmaceutical since April 2024. He joined Megalith Biopharmaceutical in April 2020, successively served as senior researcher, chief researcher, deputy general manager and deputy head of research institute until April 2024. He was also a director of Megalith Biopharmaceutical from February 2025 to November 2025.

Dr. Hui was appointed as a director of Wuhan YZY Biopharma Co., Ltd. (武漢友芝友生物製藥股份有限公司) (HKEX: 2496) in September 2022 and has been serving as its non-executive director since November 2022. He served at CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd. (石藥集團中奇製藥技術(石家莊)有限公司) as a senior researcher from April 2020 to February 2021, deputy head and head of the third institute of the central pharmaceutical research institute (中央藥物研究院三院) from October 2018 to April 2020 and R&D engineer of biotechnology research institute from July 2012 to October 2018.

Dr. Hui obtained a bachelor’s degree in bioscience from Yantai University (煙台大學) in June 2006. He further obtained his master’s degree and doctorate degree in biochemistry and molecular biology through the successive postgraduate and doctoral program from Peking Union Medical College (北京協和醫學院) in July 2012.

GENERAL

Save as disclosed in this section, none of our Directors or members of the senior management is related to other Directors or members of senior management of our Company. Save as disclosed in this section, (i) none of our Directors or senior management members held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; and (ii) to the best knowledge, information and belief of the Directors and having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Wen Xu (徐雯) is one of our joint company secretaries. For the biographical details of Ms. Xu, please refer to “—Board of Directors—Executive Directors” in this section.

Ms. Ka Man Lee (李嘉文) is one of our joint company secretaries. Ms. Lee is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 20 years of experience in the field of company secretarial services and is currently a senior manager of Fair Wind Secretarial Services Limited, a company rendering company secretarial services. Ms. Lee has been and is currently serving as company secretary of a number of companies listed on the Stock Exchange.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

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 November 2025, and (ii) understands his or her obligations as a director of a [REDACTED] under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the [REDACTED] Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the [REDACTED] 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 appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors has an interest in any business which competes or is likely to compete (either directly or indirectly) with our business and which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

BOARD COMMITTEES

We have established four Board Committees in accordance with the relevant laws and regulations in Chinese Mainland, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy and ESG Committee. The functions of the four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of Dr. Congzhi Di (being the independent non-executive director who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules), Mr. Peng Yang and Dr. Jianping Zhou. The chairperson of the Audit Committee is Dr. Congzhi Di.

The primary duties of the Audit Committee are to, among others, consider issues in relation to the external auditors and their appointment, oversee the financial reporting system, risk management and internal control systems of our Group, review the financial information of our Group and review policies and practices in relation to corporate governance.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Evaluation Committee consists of Mr. Dibin Li, Dr. Congzhi Di and Mr. Long Dai. The chairperson of the Remuneration and Evaluation Committee is Mr. Dibin Li.

The primary duties of the Remuneration and Evaluation Committee are to, among others, review the remuneration policy and make recommendations to our Board on the remuneration packages of our Directors and other senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of Mr. Peng Yang, Dr. Congzhi Di and Dr. Bing Yao. The chairperson of the Nomination Committee is Mr. Peng Yang.

The primary duties of the Nomination Committee are to, among others, assess and make recommendations on appropriate candidates for directorship, propose procedures and criteria for the appointment of Directors, review the structure, size and composition of our Board, and assess the independence of independent non-executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Strategy and ESG Committee

We have established the Strategy and ESG Committee with written terms of reference. The primary duties of the Strategy and ESG Committee are to, among others, conduct research and make recommendations to our Board on the long-term development strategy and major investment decisions of our Company, conduct research and provide recommendations in respect of our Company’s ESG objectives, governance framework and management policies, identify and assess ESG-related risks facing our Company, and review our Company’s ESG report and relevant disclosures.

The Strategy and ESG Committee consists of Dr. Bing Yao, Mr. Feng Han and Mr. Dibin Li. The chairperson of the Strategy and ESG Committee is Dr. Bing Yao.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. We intend to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the [REDACTED].

Board Diversity Policy

We [have] adopted a diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity in our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to skills, regional and industry experience, professional experience, cultural and educational background, gender and age, ethnicity and length of service.

Our Directors have a balanced mix of knowledge and skills including in biochemical engineering, pharmacy, pharmaceuticals and accounting and financial management, and we have seven non-executive Directors, including five independent non-executive Directors, with different industry and management backgrounds.

Besides, we particularly recognize the importance of gender diversity, which is an essential element in maintaining our Company’s competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Our Company currently has three female Directors on the Board. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

We have applied for, and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see “Waivers and Exemption—Management Presence in Hong Kong.”

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION

Our Directors and senior management receive their remuneration in the form of salaries, wages and other benefits, performance related bonuses and contribution to retirement benefit schemes subject to applicable laws, rules and regulations. For details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed “C. Further Information About Our Directors and Substantial Shareholders—2. Particulars of Service Contracts and Appointment Letters” in Appendix VI to this document.

Further information on the remuneration of our Directors and/or the five highest paid individuals during the Track Record Period is set out in the Accountants’ Report in Appendix I to this document, and in the section headed “C. Further Information About Our Directors and Substantial Shareholders—3. Directors’ Remuneration” in Appendix VI to this document. Save as disclosed, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following [REDACTED], will receive recommendations from the Remuneration and Evaluation Committee which will take into account applicable laws, rules and regulations.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] in compliance with Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- (c) where we propose to use the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and excluding 12,000,225 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares as of the Latest Practicable Date), NBP Pharmaceutical will hold in aggregate [REDACTED] A Shares, representing approximately [REDACTED]% of the total issued share capital of our Company, consisting of approximately [REDACTED]% held directly and approximately [REDACTED]% held indirectly through its wholly-owned subsidiary, CSPC Ouyi. As of the Latest Practicable Date, NBP Pharmaceutical was owned as to 45.94% and 54.06% by Dragon Merit and CSPC Pharmaceutical, respectively. Dragon Merit was wholly owned by Robust Sun which was in turn wholly owned by CSPC Pharmaceutical. As such, NBP Pharmaceutical, CSPC Ouyi, Robust Sun, Dragon Merit and CSPC Pharmaceutical constituted a group of Controlling Shareholders (the “**Controlling Shareholder Group**”) as of the Latest Practicable Date and will remain as our Controlling Shareholder Group immediately after the completion of the [REDACTED].

CSPC PHARMACEUTICAL GROUP

We primarily engage in (i) sales of functional ingredients and nutritional products, (ii) sales of biopharmaceuticals, out-licensing transactions and research services and (iii) others, including sales of leftover materials and other by-products from the production of our caffeine products. In contrast, CSPC Pharmaceutical Group primarily engages in the sales of (i) finished drugs, (ii) bulk products (Vitamin C and antibiotics) and (iii) functional food and others, in which over 93% of the total revenue for 2023, 2024 and 2025 was generated from the sales of finished drugs and bulk products. Revenue generated from functional food and others was primarily attributable to our Group as a result of the consolidation accounting treatment of financial statements given CSPC Pharmaceutical, together with other Controlling Shareholders held 75.30% of the total issued Shares of the Company (excluding 12,000,225 A Shares repurchased and held in our Company’s stock repurchase account) as at the Latest Practicable Date. Both our Group and CSPC Pharmaceutical Group have diversified product portfolios. As of the Latest Practicable Date, although certain innovative drug products or product candidates of our Group may serve a common therapeutic area with those of CSPC Pharmaceutical Group, they were differentiated and did not compete for the reasons explained below.

According to Frost & Sullivan, the prescription of pharmaceutical products is a complex, professional and precise process, which primarily requires consideration of a combination of the type of disease, severity of disease, patient characteristics addressed, as well as the mechanism of action of the product. Based on the information publicly available and from Frost & Sullivan in respect of the products being sold or in the late-stage pipeline of our Group and CSPC Pharmaceutical Group as of the Latest Practicable Date, even where the products or product candidates may serve a common therapeutic area, they are differentiated and do not compete, on the basis of differing specific indications, lines of treatment, patient groups, instances in which the drug is used and target treatment effect, and having considered other factors including availability of other applicable indications. These differences result in distinct efficacy and resistance profiles, divergent safety/tolerability characteristics, and different biomarker-defined patient populations or lines of therapy, making the products non-interchangeable in clinical practice.

Set out below is a summary of the key factors that serve to clearly differentiate the pharmaceutical products or product candidates of the Group (at the stage of phase 3 clinical trial or beyond) from those of the CSPC Pharmaceutical Group within their respective common therapeutic areas.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Common Therapeutic Area	Distinguishing Factors
Non-small cell lung cancer	The products target different mutation subtypes, which address distinct clinical use paradigms and are designed for different therapeutic strategies. Accordingly, they are positioned differently in terms of lines of therapy, chemotherapy setting, and treatment regimen.
Asthma	The products target different inflammatory pathways, serving distinct patient populations – one is indicated for patients with IgE-mediated asthma aged 6 or above, whereas the other is indicated for long-term maintenance treatment of adults with asthma, including specific phenotypes such as aspirin-sensitive and exercise-induced asthma. As a result, the two products occupy distinct clinical use settings.
HER2 positive early or locally advanced breast cancer	The products carry different antibody structures and employ different combination regimens, and are indicated for distinct treatment lines for breast cancer.
HER2 positive advanced breast cancer (2L+)	The products carry different inhibitor payload classes, toxicity profiles, prior treatment exposure considerations and sequential treatment strategies, resulting in differentiated clinical use paradigms and therapeutic positioning. As a result, the two products target distinct patient populations and treatment setting within HER2-expressing breast cancer and intended for differentiated clinical use.
Psoriasis	The products are based on distinct therapeutic modalities and target different inflammatory pathways, resulting in clear differences in molecular class, route of administration, treatment intensity, and line of therapy. They are positioned for distinct patient populations with differentiated therapeutic roles.

Save as disclosed above, there are no other products or product candidates (at the stage of phase 3 clinical trial or beyond) of the Group which may serve a common therapeutic area as those of CSPC Pharmaceutical Group.

In addition, the pharmaceutical industry in the PRC is highly fragmented and sizeable, with more than 10,000 pharmaceutical companies in the market. There is significant demand for pharmaceutical products and a vast number of market players in the PRC, such that we believe neither our Group nor the CSPC Pharmaceutical Group can occupy a notable portion of the market share in respect of the relevant common therapeutic areas, being well-established pharmaceutical markets, to materialize any actual competition.

The following table sets forth the revenue contribution of CSPC Pharmaceutical Group from (a) finished drugs (including finished drugs under common therapeutic areas with the Group’s commercialized or pipeline products), (b) bulk products (Vitamin C and antibiotics), and (c) functional food and others, during the Track Record Period.

Category	Revenue contribution		
	2023	2024	2025
Finished drugs	81.5%	81.8%	79.2%
<i>Finished drugs under common therapeutic areas with the Group’s commercialized or pipeline products</i>	0.7%	0.8%	1.3%
Bulk products (Vitamin C and antibiotics)⁽¹⁾	11.6%	12.4%	14.1%
Functional food and others⁽²⁾	6.9%	5.8%	6.8%
TOTAL	100%	100%	100%

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Notes:

1. Representing products not sold by the Group, including but not limited to Vitamin C, which are APIs that cannot be directly consumed by end-users and are sold on a business-to-business basis as part of the bulk product business of CSPC Pharmaceutical Group.
2. Representing products sold by the Group only, including but not limited to vitamin C buccal tablets, which are ready-for-use products and are sold directly to consumers as part of the functional ingredients and nutritional products business of the Group. As the Group is consolidated into the CSPC Pharmaceutical Group, all revenue generated and booked to the CSPC Pharmaceutical Group's consolidated financial statement(s) under this category was generated by the Group.

Our Controlling Shareholders confirm that they have no interest in a business apart from our Group's business, which competes, or is likely to compete, whether directly or indirectly, within our Group, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

COMPETING INTEREST OF DIRECTORS

As of the Latest Practicable Date, none of our Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our principal business.

INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDER GROUP

Our Directors are of the view that our Group is capable of carrying on its business independently from its Controlling Shareholder Group following the completion of the [REDACTED] for the following reasons.

Management Independence

Our Board comprises four executive Directors and five independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and/or have substantial experience in the industry in which we are engaged.

Save for Dr. Bing Yao who is an executive Director and the chairman of the Board of the Company, as well as an executive director of CSPC Pharmaceutical, none of our Directors or senior management hold any directorship and/or senior management position in our Controlling Shareholders.

Such overlapping director represents only a minority on the Board and in the management team. Hence, we have sufficient management team members who are independent of our Controlling Shareholders and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group.

Furthermore, our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (i) as an executive Director of the Company, Dr. Yao is mainly responsible for the overall strategic planning, business development and R&D of our Group. In discharging his duties, Dr. Yao has been supported by other executive Directors and senior management of the Company, as well as various other personnel of our Group. While Dr. Yao will remain as an executive director of CSPC Pharmaceutical, his roles and participations in CSPC Pharmaceutical have always been overseeing the R&D and the management of our Group, including Megalith Biopharmaceutical, which aligns with his responsibilities in our Group. Based on the above, the Directors consider that Dr. Yao's position in CSPC Pharmaceutical will neither compromise his ability to discharge his responsibilities in our Group nor render him incapable of devoting sufficient time and attention to the day-to-day management of our business;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) save for Dr. Yao, none of our Directors or senior management hold any directorship or senior management position in our Controlling Shareholders, and all our Directors and senior management are capable of contributing sufficient time and efforts to manage the daily operations of our Group. In addition, the management personnel of our Company have clear reporting lines, and ultimately the management team reports to the executive Directors, who are responsible for reporting to our Board. Our Board supervises and monitors the performance of our Company’s management team generally through the regular reports made by our executive Directors to our Board, regular meetings of our Board and ad hoc meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- (iii) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her other interests;
- (iv) our Company is an A-share listed company and has formulated a comprehensive corporate internal control and management system in compliance with the requirements of the applicable rules of the Shenzhen Stock Exchange. The Articles of Association has also made relevant provisions to avoid conflict of interest, in that our Directors are prohibited from voting in any Board resolution concerning companies in which he/she has an affiliated interest, and interested Directors shall also not exercise voting rights on behalf of other Directors. Such Board meetings may be held with the attendance of a majority of Directors without potential conflict of interests, and resolutions adopted at the meeting must be approved by a majority of Directors without potential conflicts of interest. Furthermore, our Company has also adopted the Rules of Procedure of the Board of Directors and the Administrative Measures for Related-Party Transactions to avoid and mitigate any potential conflict of interests;
- (v) all five independent non-executive Directors are independent of our Controlling Shareholders and have extensive experience in their respective areas of expertise. See the section headed “Directors and Senior Management” in this document for further details. Our independent non-executive Directors were appointed in accordance with the applicable requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. None of our independent non-executive Directors are directors of our Controlling Shareholders or otherwise connected with our Controlling Shareholders in any manner that may affect their independent judgment or independence as required under the Listing Rules;
- (vi) none of our Directors and senior management members hold any equity interests in the shares of our Controlling Shareholders; and
- (vii) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “—Corporate Governance Measures” in this section below for further information.

Each Director possesses relevant management or industry-related experience to act as a Director of our Company. Details of the experience of each Director are set out in the section headed “Directors and Senior Management” in this document.

In light of the above, our Directors are of the view that our Company has our own management team which is capable of maintaining the independence of our Company from our Controlling Shareholders and supporting the independent operations of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after [REDACTED], we do not rely on our Controlling Shareholders and their respective close associates for our daily operations. We have our own organizational structure with self-governing functions specializing in various aspects in relation to our business development, including but not limited to production, supply chain, sales and marketing, finance, human resources, administration, internal audit and legal which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. We have also established a set of internal control measures to facilitate the effective operation of our business.

In addition, our Company (through its subsidiaries) holds or enjoys the benefit of all relevant permits and licenses necessary to carry out its business in all material respects. Notwithstanding certain licensing of patents and technologies, warehouse leasing and miscellaneous services and products provided by CSPC Pharmaceutical Group to our Group, the details of which are set out in the section headed “Connected Transactions” in this document, our Group has sufficient assets, capital, equipment, technology and employees to operate its business independently from our Controlling Shareholders.

Patents and technologies sourced from CSPC Pharmaceutical Group

We have entered into an agreement with CSPC Pharmaceutical Group to use certain patents and technologies to conduct subsequent research and sales of LNPs for nil consideration. Access to these patents and technologies allows us to generate LNPs with uniform particle size, good stability, and high mRNA encapsulation, enabling enhanced uptake by the immune system. Our consistent production of high-quality LNPs provides a solid support for the R&D and commercialization of mRNA vaccines. The Directors are of the view that we do not and will not significantly rely on CSPC Pharmaceutical Group for our business operation. The Group currently only has one pipeline product under clinical development, which is in its Phase I clinical trial stage, in respect of the mRNA platform. As such, LNP-related patents and technologies sourced from CSPC Pharmaceutical Group are not material to the Group’s biopharmaceutical business. Furthermore, in view of the availability of alternative LNP technology providers and contract development and manufacturing organization service providers in the PRC, it is feasible for us to source LNP technology of comparable quality from independent third-party providers should the need arise.

Warehouse facilities and various products and services provided by CSPC Pharmaceutical Group to us

In addition, CSPC Pharmaceutical Group has been providing and will continue to provide warehouse facilities and certain products and services to us, which mainly involve raw materials for production, R&D services, environmental treatment services, construction services and energy supplies. The Directors believe that such arrangements are in the best interest of the Company and the Shareholders for the following reasons:

- (a) by virtue of CSPC Pharmaceutical Group’s outstanding property management services and prime geographical locations of the warehouse facilities, the leasing of warehouses by us from CSPC Pharmaceutical Group ensures the stability of our day-to-day business operations. In addition, relocating warehouses to other premises will cause unnecessary disruptions to our normal business operations and incur unnecessary costs;
- (b) CSPC Pharmaceutical Group is able to supply high-quality raw materials that meet our business and operational needs. While switching to alternative suppliers is feasible, onboarding new suppliers necessitates upfront costs including factory inspections, certifications, and contract negotiations. This transition may also lead to short-term reductions in production efficiency, heightened quality risks, and potentially losses due to production disruptions;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) CSPC Pharmaceutical Group has been providing premium R&D services for us, mainly in the form of CROs. Despite that there are substantial number of CROs available in the market, sourcing CROs from CSPC Pharmaceutical Group offers higher communication efficiency and better protects our core business and technology secrets while reducing negotiation and management costs. Switching to other CROs entirely in the short run could delay our R&D progress and lead to increased costs;
- (d) CSPC Pharmaceutical Group possesses extensive professional experience in the disposal of hazardous waste and has comprehensive understandings of our requirements for environmental treatment services. Switching to alternative service providers may lead to a less streamlined communication and coordination channel, as well as reduced responsiveness in emergency situations, thereby heightening compliance risks;
- (e) CSPC Pharmaceutical Group is familiar with our premises and facilities with professional engineers and equipment within our proximity, and is able to respond to our requests rapidly. To safeguard the progress of the projects and satisfy various qualification requirements, we engage different construction services suppliers, making alternative arrangements feasible. However, engaging CSPC Pharmaceutical Group accelerates project delivery, reduces communication costs and enables faster responses to design changes; and

Further, the Directors are of the view that such arrangements do not and will not give rise to reliance issue in any material aspect considering the following factors:

- (a) we make and implement operational decisions independently. The above warehouse facilities, products and services provided by CSPC Pharmaceutical Group are of administrative and supportive nature and do not involve any operational decision or affect our decision-making or business planning;
- (b) we have historically received such products and services provided by CSPC Pharmaceutical Group who has developed a comprehensive and deep understanding of our business, administrative and operational needs. It would be more cost-effective for us to obtain such products and services from CSPC Pharmaceutical Group rather than maintaining our own headcounts for processing such work or obtaining such products and services from different service providers;
- (c) we maintain independent and autonomous R&D capabilities, supported by a well-established R&D system, robust management framework and a dedicated research team capable of conducting R&D activities independently. It is common practice within the pharmaceutical industry to engage CROs to provide specialized R&D services during the drug development process, and we have already established business cooperations with various well-known CROs who are Independent Third Parties. Given the substantial number of CROs available in the market, we are able to source R&D services from other CROs independently.
- (d) we are not bound and will not be bound to obtain warehouse facilities, as well as products and services from CSPC Pharmaceutical Group; and
- (e) as CSPC Pharmaceutical has almost 19-year track record as a HK-listed company with a good record of regulatory compliance, we will benefit from the knowledge and experience of working with CSPC Pharmaceutical, and will more rapidly gain an understanding of corporate governance best practices for a company listed on the Stock Exchange. We will closely monitor and supervise the above business arrangements with CSPC Pharmaceutical Group and may consider to engage third-party service providers in the event that such arrangements give rise to material conflict of interest which would have an adverse impact on our corporate governance and operational independence.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Notwithstanding that the Directors consider the above arrangements with CSPC Pharmaceutical Group to be in the best interest of the Company and the Shareholders, the Directors are also of the view that it is feasible for the Group to source each of the warehouses, products and services currently provided by CSPC Pharmaceutical Group from alternative independent third-party suppliers in the market. As described above, the warehouse facilities, raw materials, R&D services, environmental treatment services and construction services provided by CSPC Pharmaceutical Group to the Group are administrative and supportive in nature and do not involve operational decision-making by CSPC Pharmaceutical Group in respect of the Group’s business. Such warehouses, products and services are widely available in the market from independent third-party suppliers, and the Group is not bound to obtain any of the foregoing from CSPC Pharmaceutical Group. Accordingly, our Directors are of the view that the Group would be able to source alternative suppliers for each category of warehouses, products and services currently provided by CSPC Pharmaceutical Group should the need arise.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently of the business of our Controlling Shareholders upon [REDACTED].

Financial Independence

Our Group has its own internal control, accounting, funding, reporting and financial management system as well as accounting and finance department. Moreover, our Group opens and manages bank accounts independently, and has never shared any bank account with CSPC Pharmaceutical Group. Our Group has independent taxation registration according to the relevant laws, and makes tax payments independently according to the applicable PRC taxation laws and regulations. Our Group has never made any tax payment jointly with CSPC Pharmaceutical Group or any other entities controlled by it.

As of the Latest Practicable Date, our Company and NBP Pharmaceutical had provided financial assistance to Megalith Biopharmaceutical as described below, save for which, our Group did not rely on the Controlling Shareholder Group and/or its close associates for any provision of financial assistance. Our Directors confirm that save as described below, as at the Latest Practicable Date, on one hand, none of the members of the Controlling Shareholder Group or their close associates provided any loans, guarantees or pledges to our Group which were outstanding and, on the other hand, our Group did not provide any loans, guarantees or pledges to members of our Controlling Shareholder Group or their close associates which were outstanding.

Borrower	Lender	Loan amount as of the Latest Practicable Date (RMB in million)	Purpose of loan
Megalith Biopharmaceutical	NBP Pharmaceutical	1,072.9	R&D and daily operation
	Our Company	508.8	

As of the Latest Practicable Date, our Company and NBP Pharmaceutical had provided Megalith Biopharmaceutical with the financial assistance consisting of interest-free loans and loans with all interest payments waived, after taking into account, among other things, the financial needs of Megalith Biopharmaceutical in R&D and daily operations, the monetary and time costs of external financing, the significance of Megalith Biopharmaceutical to our Group, as well as compliance with applicable A-share rules. According to the applicable A-share rules, if our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Company was to provide financial assistance to its non-wholly-owned subsidiaries, other shareholders of such subsidiaries would generally be required to provide financial assistance in proportion to or more than their respective shareholdings in such subsidiaries. The Company confirms that the financial assistance has completed approval and disclosure procedures under the applicable A-share rules. As of the Latest Practicable Date, Megalith Biopharmaceutical had received the loan amounts in full. Our Directors consider that the financial assistance from NBP Pharmaceutical and our Company to Megalith Biopharmaceutical is commercially reasonable and is conducive to the R&D and commercialization of our products as well as our operations, which is in the interest of all Shareholders and does not affect the financial independence of our Group.

Pursuant to the share purchase agreement in relation to Megalith Biopharmaceutical Acquisition II entered into by the Company and NBP Pharmaceutical (the “**Megalith Biopharmaceutical Acquisition II SPA**”), both parties agreed that the cash consideration of RMB1.10 billion for Megalith Biopharmaceutical Acquisition II shall be paid by the Company in three installments. As of the Latest Practicable Date, the Company had already paid the first two installments, and the Company will pay the final installment of RMB550.0 million when it becomes due and payable on May 1, 2027, in accordance with the payment schedule under the Megalith Biopharmaceutical Acquisition II SPA.

On March 30, 2026, the Company entered into an acquisition loan agreement (the “**Acquisition Loan Agreement**”) with a commercial bank as lender (the “**Lender**”), without relying on any assistance, assurance or guarantee from the Controlling Shareholder Group. Pursuant to the Acquisition Loan Agreement, the Lender agreed to provide the Company with an acquisition loan in the principal amount of RMB770.0 million (the “**Acquisition Loan**”), with a term of three years commencing from March 30, 2026 and maturing on March 29, 2029. As of the Latest Practicable Date, we have drawn down RMB250.0 million under the Acquisition Loan Agreement, repayable in two instalments due in September 2028 and March 2029, respectively.

Pursuant to the Acquisition Loan Agreement, the Acquisition Loan shall only be used for the purpose of paying or refinancing the consideration and related tax expenses in connection with the Megalith Biopharmaceutical Acquisition II, and shall not be applied for any other purpose without the prior written consent of the Lender. Furthermore, the Company and/or Megalith Biopharmaceutical shall not, without the Lender’s prior written consent, undertake any merger, demerger, equity transfer, external investment that may affect repayment ability, external guarantee or material increase in debt financing, and the Company shall notify the Lender if equity changes in either the Company or Megalith Biopharmaceutical reach 10% or more. The Company shall maintain effective control over Megalith Biopharmaceutical throughout the term of the Acquisition Loan, and without the Lender’s prior written consent, the Company shall not directly or indirectly transfer, or create any pledge or other encumbrance over, the whole or any part of the acquired equity interests (other than in favour of the Lender), and shall not directly or indirectly transfer the principal business or assets of Megalith Biopharmaceutical.

Further, our listing status on the SZSE ChiNext Market provides us with direct access to capital markets, enabling our independent fundraising through, among others, private placements and secondary offerings. We have also established long-term business relationship with relevant commercial banks in the PRC, and we believe we are able to obtain bank credit facilities from commercial banks on competitive terms to finance our business and development needs. Besides obtaining external financing, we are also able to finance our operations without reliance on the Controlling Shareholder Group. As of December 31, 2025, our freely disposable fund, including certain bank balances and cash, structured deposits and certificates of deposits amounted to approximately RMB579.3 million in total, demonstrating our strong liquidity position and ability to finance our business independently. See “Financial Information—Net Current Assets”.

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of sound corporate governance in protection of our Shareholders’ interests. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

In order to further avoid potential conflicts of interest, we have implemented the following measures to strengthen the protection of our Shareholders’ interests:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, where any Board resolution concerning companies in which a Director has affiliated interests, such Director shall promptly disclose his/her interests to the Board in writing, abstain from voting on the relevant resolution and shall not act as a proxy for other Directors to vote on such resolution, nor shall such Director be counted in the quorum;
- (ii) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their close associates have a material interest, our Controlling Shareholders will abstain from voting on the relevant resolutions;
- (iii) 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 associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iv) we are committed that our Board shall include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed five independent non-executive Directors, and we believe our independent non-executive Directors: (a) possess sufficient experience; (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement; and (c) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole;
- (v) our independent non-executive Directors will continuously review the compliance and enforcement of the undertakings by our Controlling Shareholders and/or its associates under the non-competition and independence undertakings;
- (vi) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group, on one hand, and our Controlling Shareholders and/or our Directors, on the other hand, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information for consideration and our independent non-executive Directors can seek advice from independent advisers at the cost of our Company where necessary; and
- (vii) we have appointed Altus Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws in Hong Kong and the Hong Kong Listing Rules, including various requirements relating to directors’ duties and corporate governance, upon [REDACTED].

CONNECTED TRANSACTIONS

Upon [REDACTED], certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons as defined under the Listing Rules upon [REDACTED]:

Name of our Connected Person	Connected Relationship
CSPC Pharmaceutical . . .	CSPC Pharmaceutical is a Controlling Shareholder. Accordingly, CSPC Pharmaceutical and its subsidiaries are connected persons of the Company.
CHL	CHL is a majority-controlled company held by a family member of a director of the Company in the past 12 months. Accordingly, CHL and its subsidiaries (the “ CHL Group ”) are connected persons of the Company.
Megalith Biopharmaceutical	Megalith Biopharmaceutical is held as to 80% and 20% by the Company and NBP Pharmaceutical, our Controlling Shareholder, respectively. As such, Megalith Biopharmaceutical is a connected subsidiary and a connected person of the Company.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We [have entered] into the following transactions with our connected persons, which were entered into on normal commercial terms or better and are expected to continue after the [REDACTED]. Our Directors currently expect that the highest applicable percentage ratio in respect of the respective aggregate transaction amount as set out below, calculated for the purpose of Chapter 14A of the Listing Rules, will be less than 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements.

1. Patents and Technologies Licensing Agreement

In September 2025, Megalith Biopharmaceutical entered into a licensing agreement with CSPC Zhongqi, a subsidiary of CSPC Pharmaceutical (the “**Patents and Technologies Licensing Agreement**”), pursuant to which CSPC Zhongqi granted Megalith Biopharmaceutical for nil consideration a non-exclusive and non-transferable license to use certain patents and technologies to conduct subsequent research and sales of LNPs for as long as such patents remain valid. Access to these patents and technologies allows us to generate LNPs with uniform particle size, good stability, and high mRNA encapsulation, enabling enhanced uptake by the immune system. Our consistent production of high-quality LNPs provides a solid support for the R&D and commercialization of mRNA vaccines.

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. The Directors consider that the Patents and Technologies Licensing Agreement was entered into on normal commercial terms or better and a longer duration of the agreement will avoid any unnecessary interruption to our R&D and commercialization of mRNA vaccines and help ensure the long-term development and continuity of our R&D and commercialization of mRNA vaccines. The Sole Sponsor agrees with the Company’s reasons for requiring a longer term for the Patents and Technologies Licensing Agreement, and is of the view that entering into such agreement with a duration of over three years is in line with normal business practice.

CONNECTED TRANSACTIONS

As the license to use patents and technologies under the Patents and Technologies Licensing Agreement does not involve any licensing fee, the transactions under the Patents and Technologies Licensing Agreement constitute de minimis transactions and are fully exempt from the annual reporting, announcement, independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

2. Provision of Products Framework Agreement

In [●], 2026, the Company entered into a provision of products framework agreement with Megalith Biopharmaceutical, pursuant to which we will provide functional ingredients and nutritional products to Megalith Biopharmaceutical. The precise scope of the provision of products, fees calculation, payment terms and other details will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Provision of Products Framework Agreement. The initial term of the Provision of Products Framework Agreement will commence on the [REDACTED] and end on December 31, 2026, subject to renewal upon mutual consent by the parties.

Pricing Policy

All fees under the Provision of Products Framework Agreement shall be determined through arm’s length negotiations based on normal commercial terms, with reference to (i) the actual costs incurred and profit margins achieved on sales to Independent Third Parties, (ii) profit margins of comparable companies providing similar products and (iii) historical and prevailing market prices for similar services and/or products, and taking into account various factors including but not limited to specifications, complexity and quality of the products, response time and transaction volumes.

Reasons for the Transaction

Megalith Biopharmaceutical has been purchasing functional ingredients and nutritional products from us for product display and R&D purposes. As Megalith Biopharmaceutical is one of our major subsidiaries, we have a comprehensive understanding of its business and we are capable of satisfying its requirements efficiently and reliably with a stable supply of high quality products, and entering into the Provision of Products Framework Agreement would minimize disruption to daily operations without incurring unnecessary costs for Megalith Biopharmaceutical.

Historical Amounts

For the three years ended December 31, 2023, 2024 and 2025, the total historical transaction amounts under the Provision of Products Framework Agreement were approximately nil, RMB10,592.02 and RMB39,710, respectively.

Annual Cap

Our Directors estimate that the maximum transaction amount under the Provision of Products Framework Agreement for the year ending December 31, 2026 will not exceed RMB[20,000]. The proposed annual cap has been determined with reference to, among others, the historical transaction amounts under the existing provision of products arrangements and that Megalith Biopharmaceutical’s demand for functional ingredients and nutritional products from us is expected to increase due to its business needs.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We [have entered] into the following types of transactions with our connected persons, which were entered into on normal commercial terms or better and are expected to continue after the [REDACTED]. Our Directors [have approved] the transactions and our independent non-executive Directors [have confirmed] that the terms of the transactions are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and our Shareholders as a whole. Our Directors currently expect that the highest applicable percentage ratio in respect of the respective aggregate transaction amount as set out below, calculated for the

CONNECTED TRANSACTIONS

purpose of Chapter 14A of the Listing Rules, will exceed 0.1% but be less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders’ approval requirement.

3. Warehouse Leasing Framework Agreement

On [●], 2026, CSPC Innovation USA, our subsidiary, entered into a Warehouse Leasing Framework Agreement with a subsidiary of CSPC Pharmaceutical, CSPC Healthcare Inc. (“**CSPC Healthcare**”) (the “**Warehouse Leasing Framework Agreement**”), pursuant to which CSPC Innovation USA will lease warehouses for the storage of inventories from CSPC Healthcare who will also provide warehouse storage services to CSPC Innovation USA. The initial term of the Warehouse Leasing Framework Agreement will commence on the [REDACTED] and end on December 31, 2026, subject to renewal upon mutual consent by the parties. The transactions under the Warehouse Leasing Framework Agreement will not be recognized as right-of-use assets over the term of the lease.

Pricing Policy

The rental fees payable by us during the term of the lease will be determined on normal commercial terms after arm’s length negotiations between the relevant parties, and shall be in line with or no higher than the prevailing market rates of warehouses of comparable size and quality situated in the same location provided by Independent Third Parties. Further, the rental fees are determined after taking into account, among other things, the quantity of inventories stored in the warehouses. CSPC Innovation USA will make inquiries on and survey the rents offered by Independent Third Parties for warehouse facilities of comparable size and quality situated in the same location, in order to assess the prevailing market rates for comparison to ensure that the rental fees payable by CSPC Innovation USA are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Reasons for the Transaction

Our Group requires warehouse facilities for the storage and distribution of inventories to support our business operations. We have historically leased warehouses from CSPC Healthcare and the existing leasing arrangements provide access to strategically located warehouse facilities that meet the operational requirements of our Group. CSPC Healthcare has a better understanding of our property requirements in relation to warehouses as compared to Independent Third Parties. In addition, relocating the warehouses to other premises will cause unnecessary disruptions to our normal business operations and incur unnecessary costs. We consider that the terms of the Warehouse Leasing Framework Agreement are consistent with normal commercial terms which can safeguard our entitlement to long-term property rights, therefore allowing us to achieve long-term development and continuity of our business operations.

Historical Amounts

For the three years ended December 31, 2023, 2024 and 2025, the historical transaction amounts under the Warehouse Leasing Framework Agreement were approximately RMB10.28 million, RMB16.61 million, and RMB9.62 million, respectively.

Annual Cap

Our Directors estimate that the maximum transaction amount under the Warehouse Leasing Framework Agreement for the year ending December 31, 2026 will not exceed RMB[13.00] million.

In determining the proposed annual cap set forth above, the Directors have taken into account (i) the historical transaction amounts, (ii) the Company’s business outlook and the anticipated growth in sales, which may result in a marginal reduction in the storage capacity and warehouse facilities required, and (iii) the estimated annual rental fees for the warehouses to be leased from CSPC Healthcare, which are expected to remain relatively stable having regard to the prevailing market rates and our long-standing relationship with CSPC Healthcare.

CONNECTED TRANSACTIONS

4. Mutual Provision of Products Framework Agreement

On [●], 2026, the Company entered into a Mutual Provision of Products Framework Agreement with CHL (the “**Mutual Provision of Products Framework Agreement**”), pursuant to which certain subsidiaries of CHL will provide R&D materials and other ancillary products to our Group. Further, pursuant to the Mutual Provision of Products Framework Agreement, our Group will provide the following products to certain subsidiaries of CHL: (i) functional ingredients, (ii) nutritional products, (iii) biological products and (vi) other ancillary products. The precise scope of the mutual provision of products, fees calculation, payment terms and other details will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Mutual Provision of Products Framework Agreement.

The initial term of the Mutual Provision of Products Framework Agreement will commence on the [REDACTED] and end on December 31, 2026, subject to renewal upon mutual consent by the parties.

Pricing Policy

All fees under the Mutual Provision of Products Framework Agreement shall be determined through arm’s length negotiations based on normal commercial terms, with reference to (i) the actual costs incurred and profit margins achieved on sales to Independent Third Parties, (ii) profit margins of comparable companies providing similar products and (iii) historical and prevailing market prices for similar services and/or products, and taking into account various factors including but not limited to specifications, complexity and quality of the products, response time and transaction volumes.

Reasons for the Transaction

Our Group has been purchasing a variety of products from certain subsidiaries of CHL to satisfy our business and operational needs. Moreover, given our experience in R&D and manufacturing, we have been leveraging on our existing expertise to provide various products to certain subsidiaries of CHL and generate revenue. Owing to the complementary and mutually beneficial business relationship, our Group and CHL Group have acquired a comprehensive understanding of each other’s business and operational requirements and established a solid foundation for mutual trust to foster our continuing cooperation. Based on our previous experience, both of our Group and CHL Group are capable of satisfying each other’s business needs efficiently and reliably with a stable supply of high quality products, and entering into the Mutual Provision of Products Framework Agreement would minimize disruption to operations without incurring unnecessary costs for both parties.

Historical Amounts

For the three years ended December 31, 2023, 2024 and 2025, the total historical transaction amounts for the provision of functional ingredients and nutritional products by us to certain subsidiaries of CHL were approximately RMB40.22 million, RMB44.12 million and RMB59.66 million, respectively, and the total historical transaction amounts for the provision of R&D materials by certain subsidiaries of CHL to our Group were approximately RMB0.01 million, RMB0.01 million and RMB0.62 million, respectively.

Annual Caps

The proposed annual caps of the transactions contemplated under the Mutual Provision of Products Framework Agreement are as follows:

	For the year ending December 31, 2026 <i>(RMB in million)</i>
Transaction amount for the provision of products by us to certain subsidiaries of CHL	[80.00]
Transaction amount for the provision of products by certain subsidiaries of CHL to our Group	[1.10]

CONNECTED TRANSACTIONS

The proposed annual caps have been determined with reference to, among others, the following factors:

- (a) the expected significant increase in our demand for R&D materials, in particular, cisplatin/carboplatin injections, from certain subsidiaries of CHL, which is in line with the expected business growth and operational requirements of our Group; and
- (b) the expected significant increase in the sales of our biological products, in particular, Enshuxing, Enyitan and Guoweikang, to certain subsidiaries of CHL who are our distributors, taking into account, among others, the forecasted market demand for and the ability of such subsidiaries of CHL to sell our products.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We [have entered] into the following type of transactions with connected persons, which were entered into on normal commercial terms or better and are expected to continue after the [REDACTED]. Our Directors [have approved] the transactions and our independent non-executive Directors [have confirmed] that the terms of the transactions are fair and reasonable, the transactions are on normal commercial terms and in the interests of the Company and our Shareholders as a whole. Our Directors currently expect that the highest applicable percentage ratio in respect of the aggregate transaction amount within each such category as set out below, calculated for the purpose of Chapter 14A of the Listing Rules, will exceed 5%. Following the [REDACTED], these transactions will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

5. Mutual Provision of Services and Products Framework Agreement

In [●], 2026, the Company entered into a Mutual Provision of Services and Products Framework Agreement with CSPC Pharmaceutical (the “**Mutual Provision of Services and Products Framework Agreement**”), pursuant to which certain subsidiaries of CSPC Pharmaceutical will provide the following services and products to our Group: (i) R&D services, (ii) environmental treatment services, (iii) construction services, (iv) raw materials for production, (v) energy supplies, and (vi) other ancillary services and products. Further, pursuant to the Mutual Provision of Services and Products Framework Agreement, we will provide the following products and services to certain subsidiaries of CSPC Pharmaceutical: (i) functional ingredients, (ii) nutritional products, (iii) manufacturing services, and (iv) other ancillary products and services. The precise scope of the mutual provision of services and products, fees calculation, payment terms and other details will be agreed between the relevant parties separately based on the principles, and within the parameters provided, under the Mutual Provision of Services and Products Framework Agreement.

The initial term of the Mutual Provision of Services and Products Framework Agreement will commence on the [REDACTED] and end on December 31, 2026, subject to renewal upon mutual consent by the parties.

Pricing Policy

All fees under the Mutual Provision of Services and Products Framework Agreement shall be determined through arm’s length negotiations based on normal commercial terms, with reference to (i) the actual costs incurred and profit margins achieved on sales to Independent Third Parties, (ii) profit margins of comparable companies providing similar services and/or products and (iii) historical and prevailing market prices for similar services and/or products, and taking into account various factors including but not limited to specifications of the products and services, complexity and quality of the services, response time and transaction volumes. In particular, the service fees will be determined on a cost-plus basis and the fees for energy supplies are determined based on actual consumption and real-time market rates.

CONNECTED TRANSACTIONS

Reasons for the Transaction

Our Group has been purchasing a variety of services and products from CSPC Pharmaceutical Group to satisfy our business and operational needs. Moreover, we have been leveraging on our existing expertise to provide various products and services to CSPC Pharmaceutical Group and generate revenue. Owing to the complementary and mutually beneficial business relationship, our Group and CSPC Pharmaceutical Group have acquired a comprehensive understanding of each other’s business and operational requirements and established a solid foundation for mutual trust to foster our continuing cooperation. Based on our previous experience, both of our Group and CSPC Pharmaceutical Group are capable of satisfying each other’s business needs efficiently and reliably with a stable supply of high quality services and products, and entering into the Mutual Provision of Services and Products Framework Agreement would minimize disruption to operations without incurring unnecessary costs for both parties.

Historical Amounts

For the three years ended December 31, 2023, 2024 and 2025, the total historical transaction amounts for the provision of functional ingredients and nutritional products by us to certain subsidiaries of CSPC Pharmaceutical were approximately RMB300.13 million, RMB174.35 million and RMB57.76 million, respectively, and the historical transaction amounts for the provision of raw materials, environmental treatment services, construction services and R&D services by certain subsidiaries of CSPC Pharmaceutical to our Group were approximately RMB50.67 million, RMB162.72 million and RMB161.08 million, respectively.

Annual Caps

The proposed annual caps of the transactions contemplated under the Mutual Provision of Services and Products Framework Agreement are as follows:

	For the year ending December 31, 2026
	<i>(RMB in million)</i>
Transaction amount for the provision of services and products by us to certain subsidiaries of CSPC Pharmaceutical	[193.82]
Transaction amount for the provision of services and products by certain subsidiaries of CSPC Pharmaceutical to our Group	[276.15]

The proposed annual caps have been determined with reference to, among others, the following factors:

- (a) the historical transaction amounts under the existing mutual provision of services and products arrangements between our Group and certain subsidiaries of CSPC Pharmaceutical;
- (b) the expected increase in demand for our functional ingredients and nutritional products, in particular, the demand for our acarbose and anhydrous glucose from certain subsidiaries of CSPC Pharmaceutical is expected to increase due to their business needs; and
- (c) the expected significant increase in our demand for R&D services and raw materials for production, in particular, our demand for CROs from certain subsidiaries of CSPC Pharmaceutical is expected to increase, in view of the progress of our certain R&D projects, and we anticipate to procure more originator drugs from certain subsidiaries of CSPC Pharmaceutical to satisfy our requirements for production and R&D, in the meantime, our demand for construction services from certain subsidiaries of CSPC Pharmaceutical is also expected to increase due to our plan to renovate or expand our storage facilities, which is in line with the expected business growth and operational requirements of our Group.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR PARTIALLY-EXEMPT AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Directors, including the independent non-executive Directors, consider that disclosure and approval of the partially-exempt and non-exempt continuing connected transactions described above in full compliance with the Listing Rules would be impractical and unduly burdensome, given the operational nature and frequency of these transactions, and would impose unnecessary administrative costs on the Company. In addition, the Directors are of the view that it is in the interest of the Company to continue to enter into these transactions with connected persons described above after the [REDACTED].

As a result, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders’ approval requirements in respect of the above partially exempt and non-exempt continuing connected transactions, provided that the aggregate transaction amount of such continuing connected transactions shall not exceed the proposed annual cap set out above.

The Directors confirm that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of transactions. Save for the continuing connected transactions for which a waiver has been granted, the Directors confirm that the Company will maintain full compliance with all applicable requirements under Chapter 14A of the Listing Rules.

Directors’ Confirmation

The Directors (including the independent non-executive Directors) are of the view that the above continuing connected transactions have been and will continue to be entered into in the ordinary and usual course of business on normal commercial terms, the terms and proposed annual caps of which are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in connection with the aforesaid continuing connected transactions; and (ii) engaged in due diligence review and discussions with the management of the Company. On the basis of the foregoing, the Sole Sponsor is of the view that the aforementioned partially-exempt and non-exempt continuing connected transaction (in respect of which a waiver is sought) have been entered into in the ordinary and usual course of business on normal commercial terms or better, the terms and proposed annual cap of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company as of the Latest Practicable Date and immediately following completion of the [REDACTED].

As of the Latest Practicable Date

As of the Latest Practicable Date, the registered and issued share capital of our Company was RMB1,404,592,944, comprising 1,404,592,944 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shenzhen Stock Exchange. This includes 12,000,225 A Shares repurchased by our Company pursuant to repurchase mandates approved by our Board and held in our Company’s stock repurchase account as treasury shares.

Immediately after Completion of the [REDACTED]

Immediately after the completion of the [REDACTED], assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged issued share capital after the [REDACTED]
A Shares in issue*	[REDACTED]	[REDACTED]%
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]%
Total	<u>[REDACTED]</u>	<u>100%</u>

Note:

- * Including 12,000,225 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares as at the Latest Practicable Date (assuming no changes are made to the number of repurchased shares held in our Company’s stock repurchase account between the Latest Practicable Date and [REDACTED]), pursuant to repurchase mandates approved by our Board.

SHARES OF OUR COMPANY

Upon the completion of the [REDACTED], our H Shares in [REDACTED] and our A Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional [REDACTED] in Chinese Mainland, the qualified [REDACTED] in Chinese Mainland under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by, or traded between, legal or natural persons in Chinese Mainland.

Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between Chinese Mainland and Hong Kong. Our A Shares can be subscribed for and traded by investors in Chinese Mainland, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and [REDACTED] in Chinese Mainland in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

SHARE CAPITAL

RANKING

Except for the differences set out in “—Shares of our Company” above, H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and 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. Dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境内未上市股份申请“全流通”业务指引》) announced by the CSRC are not applicable to companies [REDACTED] in the PRC and on the [REDACTED]. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED].

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the [REDACTED]. Such approval was obtained by us at the shareholders’ general meeting of our Company held on October 16, 2025 and is subject to, among other things, the following conditions:

- (i) *Size of the [REDACTED]*. The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital enlarged by the [REDACTED] pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be [REDACTED] pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED]% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED]*. The method of [REDACTED] shall be by way of an [REDACTED] to [REDACTED] and a [REDACTED] for [REDACTED] in Hong Kong.
- (iii) [REDACTED]. The H Shares shall be [REDACTED] in Hong Kong under the [REDACTED], and [REDACTED], qualified domestic institutional [REDACTED] in Chinese Mainland and other [REDACTED] who are approved by Chinese Mainland regulatory bodies to [REDACTED] abroad in the [REDACTED].
- (iv) [REDACTED] *basis*. The [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, the domestic and overseas capital market conditions and [REDACTED].
- (v) *Validity period*. The [REDACTED] of H Shares and [REDACTED] of H Shares on the [REDACTED] shall be completed within 18 months from the date when the shareholders’ meeting was held on October 16, 2025. If the Company has obtained approval or filing from relevant regulatory bodies for the [REDACTED] of the H Shares within such validity period, the validity period of the resolution will automatically be extended to the completion of the [REDACTED] of the H Shares.

There are no other approved existing [REDACTED] plans for our Shares except for the [REDACTED].

SHAREHOLDERS’ MEETINGS

For details of circumstances under which our Shareholders’ meeting are required, please see the section headed “Summary of the Articles of Association—Shareholders and Shareholders’ Meeting” in Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company from the Latest Practicable Date to the [REDACTED], the following persons will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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 our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Description of Shares	Number of Shares held	As of the Latest Practicable Date	Immediately following completion of the [REDACTED]	
				Approximate percentage of shareholding in our total Share capital ⁽¹⁾	Approximate percentage of shareholding in our A Shares	Approximate percentage of shareholding in our total Share capital
NBP Pharmaceutical ⁽²⁾	Beneficial owner	A Shares	1,037,058,294	73.83%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	11,587,212	0.82%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%
Dragon Merit ⁽²⁾		A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%
Robust Sun ⁽²⁾		A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%
CSPC Pharmaceutical ⁽²⁾		A Shares	1,048,645,506	74.66%	[REDACTED]%	[REDACTED]%

Notes:

- (1) The calculation is based on the total number of 1,404,592,944 A Shares in issue (including 12,000,225 A Shares repurchased and held in our Company's stock repurchase account as treasury shares) as of the Latest Practicable Date.
- (2) NBP Pharmaceutical is a beneficial owner of 1,037,058,294 Shares and is deemed to be interested in 11,587,212 Shares owned by its wholly-owned subsidiary CSPC Ouyi under the SFO. Further, NBP Pharmaceutical is owned as to 45.94% and 54.06% by Dragon Merit and CSPC Pharmaceutical, respectively. Dragon Merit is wholly owned by Robust Sun which is in turn wholly owned by CSPC Pharmaceutical. As such, each of Dragon Merit, Robust Sun and CSPC Pharmaceutical is deemed to be interested in the same number of Shares owned by NBP Pharmaceutical and CSPC Ouyi under the SFO.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), have interests or short positions in 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 our share capital carrying rights to vote in all circumstances at general meetings of our Company.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

[REDACTED]

The table below sets forth the estimated [REDACTED] of the [REDACTED] that we will receive after deduction of [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED]:

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million (after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] stated in this document, and assuming the [REDACTED] is not exercised.

We intend to use the [REDACTED] of the [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund our R&D of biopharmaceuticals.
 - Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to advance the clinical development of over 15 drug candidates in China and overseas in the next three years.
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to advance the clinical development of our ADC drug candidates.
 - (a) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to support the clinical development of SYS6010 (an EGFR ADC):

Clinical Trial	Expected Timeframe
Phase III trial (mono for NSCLC)	Q1 2025 to Q4 2026
Phase I trial (mono for multiple advanced solid tumors)	Q2 2023 to Q4 2028
Phase Ib/III trial (combo with osimertinib for multiple advanced solid tumors)	Q3 2024 to Q4 2029

FUTURE PLANS AND [REDACTED]

- (b) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to support the clinical development of SYS6043 (a B7-H3 ADC):

Clinical Trial	Expected Timeframe
Phase I trial (mono for multiple solid tumors)	Q4 2024 to Q4 2027
Phase I/II trial (combo with PD-(L)1, chemo for SCLC and other solid tumors).	Phase I to complete around Q4 2028

- (c) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to support the clinical development of SYS6002 (a Nectin-4 ADC):

Clinical Trial	Expected Timeframe
Phase III trial (mono for cervical cancer) . . .	Q4 2025 to Q3 2027

- (d) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to advance the clinical development of multiple other ADC drug candidates directed against novel targets, including SYS6040 (a DLL3 ADC), SYS6023 (a HER3 ADC), and SYS6041 (an FR α ADC), for the treatment of multiple advanced solid tumors:

Clinical Trial	Expected Timeframe
SYS6041 Phase I trial	Q1 2025 to Q4 2026
SYS6040 Phase I trial	Q2 2025 to Q3 2027
SYS6023 Phase II trial	Q2 2026 to Q1 2028
SYS6023 Phase I trial	Q3 2024 to Q3 2028

- (ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to advance the clinical development of our mRNA vaccine candidates, including SYS6017, an mRNA vaccine candidate for the prevention of VZV:

Clinical Trial	Expected Timeframe
Phase II trial	Q1 2026 to Q4 2027
Phase III trial	2027 to Q4 2029

- (iii) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to advance the clinical development of our other antibody drug candidates, including SYS6090 (an anti-PD-1/IL-15 bi-functional fusion protein):

Clinical Trial	Expected Timeframe
Phase I/II trial (for advanced malignant tumors) . .	Q1 2025 to Q2 2028
Phase I/II trial (for unresectable or metastatic melanoma)	Q4 2025 to Q4 2028

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to upgrade our technology capabilities, drug discovery and preclinical studies of innovative drug candidates.

- (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used in the drug discovery and preclinical studies of drug candidates. Specifically, we plan to (a) invest in exploring multi-target ADCs and additional combination therapy opportunities, (b) leverage our antibody engineering platform to optimize the molecule design of ADCs, with a view to improving their efficacy and safety profiles; (c) screen differentiated targets and maximize the potential of combination therapies involving our

FUTURE PLANS AND [REDACTED]

drug assets; (d) capitalize on our mRNA vaccine development platform to develop additional mRNA vaccines for the prevention of infectious diseases; and (e) expand the indication coverage of our drug assets to address unmet medical needs.

- (ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to purchase state-of-the-art equipment and expand our R&D team by recruiting top-tier talent, particularly in the fields of antibody engineering and nucleic acid technologies.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund acquisitions of companies or drug assets that align with our strategic areas of focus, to expand our product portfolio and further enhance our technological capabilities. We intend to primarily evaluate the following potential targets: (a) companies that possess drug assets that complement our existing product portfolio. In the field of antibody therapeutics, our focus lies on collaborating opportunities on dual-target ADCs (such as TROP2/Nectin-4 ADC, B7-H3/ROR1 ADC and EGFR/MUC1 ADC) and dual-payload ADCs (such as ADCs combining topoisomerase I inhibitor and MMAE). In the field of mRNA medicines, our focus lies on *in vivo* CAR-T therapies, as well as therapeutics formulated with liver-targeting or extrahepatic delivery technologies; (b) companies with foundational technologies that can be applied to the development or enhancement of our product candidates; and (c) companies that demonstrate distinctive technological advantages that reinforce our CMC capability. In this regard, potential targets include those that excel at DAR distribution, free toxin residuals, and solvent residues, as well as those with expertise in mRNA production, particularly in stable production and effective encapsulation.

We may pursue such opportunities through the acquisition of controlling or minority interests in the target companies, or through the acquisition of specific pipeline assets. Our potential targets are expected to (i) have an operating history of more than three years with no material changes to senior management, maintaining good compliance, genuine business operations, and sound financials; (ii) if pre-commercial, possess at least one major drug asset in Phase II clinical trials or beyond, with broad market potential; and (iii) if commercial-stage, possess at least one approved new molecular entity that is included or about to be included in the NRDL, with annual sales revenue exceeding RMB200 million or otherwise demonstrating significant market potential. According to Frost & Sullivan, as of the Latest Practicable Date, there were over 100 potential targets worldwide that satisfied our criteria. As of the Latest Practicable Date, we had not identified any specific targets for acquisition.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to fund the commercialization of approved products and late-stage product candidates that are close to market launch, as well as the improvement of our brand recognition.
 - Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for various marketing and promotional activities that facilitate the commercialization of our products and drug candidates, including academic promotion, engagement with key opinion leaders and initiatives to enhance our brand visibility within the medical community. For example, upon the approval of SYS6010, we plan to actively pursue its inclusion in government-sponsored medical insurance programs. Our goal is to achieve the adoption of SYS6010 by over 200 Class III Grade A hospitals nationwide by 2028.
 - Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to strategically expand our in-house sales team for biopharmaceutical products. We intend to recruit approximately 180 sales staff with expertise in medicines, pharmacy and related fields, at an estimated average annual salary of RMB0.3 million.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

FUTURE PLANS AND [REDACTED]

If the [REDACTED] is fixed at the high end (low end) of the [REDACTED] stated in this document and assuming the [REDACTED] is not exercised, our [REDACTED] will increase (decrease) by approximately HK\$[REDACTED] million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the estimated [REDACTED].

[REDACTED]

We will only place the [REDACTED] of the [REDACTED] that are not immediately required for the above purposes into short-term interest-bearing accounts at licensed commercial banks and/or relevant authorized financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in relevant jurisdictions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[85], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CSPC INNOVATION PHARMACEUTICAL CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of CSPC Innovation Pharmaceutical Co., Ltd. 石藥創新製藥股份有限公司 (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4] to [I-85], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 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-85] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “[REDACTED]”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company (the “Directors”) are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “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.

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ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2023, 2024 and 2025, of the Company’s financial position as at December 31, 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note 17 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[Date]

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ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the HKFRS Accounting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”), and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Years ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	6	2,538,713	1,980,753	2,157,680
Cost of sales		(1,380,949)	(1,152,170)	(1,333,038)
Gross profit		1,157,764	828,583	824,642
Other income	8	91,890	55,651	92,042
Other gains or losses, net	9	25,759	12,166	22,302
Research and development expenses		(671,397)	(842,701)	(1,061,011)
Selling and distribution expenses		(210,503)	(154,245)	(281,252)
Administrative expenses		(131,718)	(115,186)	(128,866)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	11	5,622	2,925	(7,937)
Share of result of an associate	21	12,580	(2,297)	(13,783)
Share of result of a joint venture	22	—	(324)	(331)
Finance costs	10	(17,859)	(6,373)	(21,817)
[REDACTED] expenses		—	—	[REDACTED]
Profit/(loss) before tax		262,138	(221,801)	(576,538)
Income tax expense	12	(136,470)	(81,912)	(57,799)
Profit/(loss) for the year	13	125,668	(303,713)	(634,337)
Profit/(loss) for the year attributable to:				
Owners of the Company		434,436	53,471	(255,084)
Non-controlling interests		(308,768)	(357,184)	(379,253)
		125,668	(303,713)	(634,337)
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations		1,265	512	1,767
Total comprehensive income/(expense) for the year		126,933	(303,201)	(632,570)
Total comprehensive income/(expense) for the year attributable to:				
Owners of the Company		435,701	53,983	(253,317)
Non-controlling interests		(308,768)	(357,184)	(379,253)
		126,933	(303,201)	(632,570)
		RMB cents	RMB cents	RMB cents
Earnings/(losses) per share	16			
— Basic		31	4	(18)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	18a	2,310,620	2,666,824	2,797,782
Investment property	18b	—	—	18,743
Right-of-use assets	19	232,978	226,398	221,226
Intangible assets	20	115,227	114,643	89,575
Investment in an associate	21	266,069	263,772	229,880
Investment in a joint venture	22	1,000	676	29,345
Deferred tax assets	37	17,360	21,615	21,830
Prepayments and other receivables . . .	26	26,330	40,285	104,283
		<u>2,969,584</u>	<u>3,334,213</u>	<u>3,512,664</u>
Current assets				
Inventories	23	224,821	398,669	497,803
Trade receivables	24	392,376	314,097	441,331
Contract assets	25	11,875	—	—
Prepayments and other receivables . . .	26	61,835	146,272	295,972
Bills receivable	27	71,965	98,850	88,160
Financial assets at fair value through other comprehensive income (“FVTOCI”)	28	84,562	146,816	163,977
Financial assets at fair value through profit or loss (“FVTPL”)	29	—	825,618	593,736
Restricted bank deposit	30	—	13,099	2,932
Bank balances and cash	31	3,770,190	858,983	769,237
		<u>4,617,624</u>	<u>2,802,404</u>	<u>2,853,148</u>
Current liabilities				
Trade payables	32	1,124,677	320,404	621,201
Bills payable	33	—	92,882	100,852
Other payables	34	659,163	611,462	1,026,836
Contract liabilities	35	19,803	18,684	26,085
Lease liabilities	36	806	841	788
Other borrowing	39	—	—	3,205
Tax liabilities		26,597	17,155	7,304
Loans from the immediate holding company	51(d)	72,868	372,868	922,868
		<u>1,903,914</u>	<u>1,434,296</u>	<u>2,709,139</u>
Net current assets		<u>2,713,710</u>	<u>1,368,108</u>	<u>144,009</u>
Total assets less current liabilities . . .		<u>5,683,294</u>	<u>4,702,321</u>	<u>3,656,673</u>
Non-current liabilities				
Lease liabilities	36	841	—	1,662
Other payables	34	—	—	528,460
Deferred tax liabilities	37	24	1,404	1,869
Deferred income	38	84,158	90,487	239,915
		<u>85,023</u>	<u>91,891</u>	<u>771,906</u>
Net assets		<u>5,598,271</u>	<u>4,610,430</u>	<u>2,884,767</u>
Capital and reserves				
Share capital	40	1,170,742	1,404,593	1,404,593
Reserves		4,168,732	2,384,346	1,334,351
Equity attributable to owners of the Company		<u>5,339,474</u>	<u>3,788,939</u>	<u>2,738,944</u>
Non-controlling interests		258,797	821,491	145,823
Total equity		<u>5,598,271</u>	<u>4,610,430</u>	<u>2,884,767</u>

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at December 31,		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	18a	360,222	396,601	380,161
Right-of-use assets	19	12,948	11,355	11,169
Investment in an associate	21	266,069	263,772	229,880
Investments in subsidiaries	52	1,053,896	2,229,721	3,318,370
Deferred tax assets	37	4,146	3,920	6,513
Prepayments and other receivables . . .	26	16,458	12,854	2,854
		<u>1,713,739</u>	<u>2,918,223</u>	<u>3,948,947</u>
Current assets				
Inventories	23	67,889	70,562	64,982
Trade receivables	24	371,892	427,213	377,630
Prepayments and other receivables . . .	26	13,056	19,304	415,953
Bills receivable	27	16,280	10,062	17,284
Financial assets at FVTOCI	28	4,030	22,208	5,420
Financial assets at FVTPL	29	–	452,404	–
Bank balances and cash	31	2,631,951	600,935	454,258
		<u>3,105,098</u>	<u>1,602,688</u>	<u>1,335,527</u>
Current liabilities				
Trade payables	32	89,175	90,933	83,721
Bills payable	33	–	56,681	100,852
Lease liabilities	36	806	841	788
Other payables	34	141,686	639,047	674,558
Contract liabilities	35	12,067	13,330	11,228
Tax liabilities		22,113	10,395	1,056
		<u>265,847</u>	<u>811,227</u>	<u>872,203</u>
Net current assets		<u>2,839,251</u>	<u>791,461</u>	<u>463,324</u>
Total assets less current liabilities . . .		<u>4,552,990</u>	<u>3,709,684</u>	<u>4,412,271</u>
Non-current liabilities				
Lease liabilities	36	841	–	1,662
Other payables	34	–	–	528,460
Deferred tax liabilities	37	–	642	987
Deferred income	38	6,234	5,557	5,696
		<u>7,075</u>	<u>6,199</u>	<u>536,805</u>
Net assets		<u>4,545,915</u>	<u>3,703,485</u>	<u>3,875,466</u>
Capital and reserves				
Share capital	40	1,170,742	1,404,593	1,404,593
Reserves	42	3,375,173	2,298,892	2,470,873
Total equity		<u>4,545,915</u>	<u>3,703,485</u>	<u>3,875,466</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Equity attributable to owners of the Company

	Share capital	Treasury share	Share premium and capital reserves	Other reserve	Statutory reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	618,926	–	1,362,400	48,476	264,919	719	1,444,507	3,739,947	(179,388)	3,560,559
Profit/(loss) for the year	–	–	–	–	–	–	434,436	434,436	(308,768)	125,668
Other comprehensive income for the year, net of income tax	–	–	–	–	–	1,265	–	1,265	–	1,265
Total comprehensive income/ (expense) for the year	–	–	–	–	–	1,265	434,436	435,701	(308,768)	126,933
Interest waived by the immediate holding company	–	–	–	8,808	–	–	–	8,808	8,462	17,270
Issue of shares (Note 40)	31,486	–	468,514	–	–	–	–	500,000	–	500,000
Transaction costs attributable to issue of shares (Note 40)	–	–	(11,805)	–	–	–	–	(11,805)	–	(11,805)
Bonus issue (Note 40)	520,330	–	(520,330)	–	–	–	–	–	–	–
Capital injection (note i)	–	–	765,000	–	–	–	–	765,000	735,000	1,500,000
Payables waived by related parties in 2023	–	–	3,633	–	–	–	–	3,633	3,491	7,124
Repurchase of shares (Note 41)	–	(4,248)	–	–	–	–	–	(4,248)	–	(4,248)
Dividends recognized as distribution (Note 17)	–	–	–	–	–	–	(97,562)	(97,562)	–	(97,562)
Transfer to statutory reserves	–	–	–	–	60,957	–	(60,957)	–	–	–
At December 31, 2023	1,170,742	(4,248)	2,067,412	57,284	325,876	1,984	1,720,424	5,339,474	258,797	5,598,271

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ACCOUNTANTS’ REPORT

	Equity attributable to owners of the Company							
	Share premium and capital reserves				Non-controlling interests			
	Share capital	Treasury share	Other reserve	Statutory reserve	Translation reserve	Retained profits	Sub-total	Total
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At January 1, 2024	1,170,742	(4,248)	57,284	325,876	1,984	1,720,424	5,339,474	5,598,271
Profit/(loss) for the year	–	–	–	–	–	53,471	(357,184)	(303,713)
Other comprehensive income for the year, net of income tax	–	–	–	–	512	–	512	512
Total comprehensive income/ (expense) for the year	–	–	–	–	512	53,471	53,983	(303,201)
Bonus issue (Note 40)	233,851	–	–	–	–	–	–	–
Interest waived by the immediate holding company and discount on interest free loans from the immediate holding company	–	–	3,215	–	–	–	3,215	6,303
Capital injection into a subsidiary for business combination under common control in 2024 (Note 2)	–	–	–	–	–	–	(916,790)	–
Repurchase of shares (Note 41)	–	(316,782)	–	–	–	–	(316,782)	(316,782)
Dividends recognized as distribution (Note 17)	–	–	–	–	–	(374,161)	(374,161)	(374,161)
Transfer to statutory reserves	–	–	–	67,183	–	(67,183)	–	–
At December 31, 2024	1,404,593	(321,030)	60,499	393,059	2,496	1,332,551	3,788,939	4,610,430

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ACCOUNTANTS’ REPORT

	Equity attributable to owners of the Company							
	Share premium and capital reserves				Non-controlling interests			
	Share capital	Treasury share	Other reserve	Statutory reserve	Translation reserve	Retained profits	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025	1,404,593	(321,030)	916,771	60,499	393,059	2,496	3,788,939	4,610,430
Loss for the year	-	-	-	-	-	-	821,491	821,491
Other comprehensive income for the year, net of income tax	-	-	-	-	1,767	-	(379,253)	(634,337)
Total comprehensive income/(expense) for the year	-	-	-	-	1,767	-	(379,253)	1,767
Interest waived by the immediate holding company and discount on interest free loans from the immediate holding company	-	-	-	10,926	-	-	10,926	19,032
Acquisition of additional interests in a subsidiary (<i>note iv</i>)	-	-	(779,752)	-	-	-	(779,752)	(1,075,828)
Distribution to the non-controlling interest of a subsidiary upon deregistration (<i>note v</i>)	-	-	-	-	-	-	-	(8,445)
Dividends recognized as distribution (<i>Note 17</i>)	-	-	-	-	-	(27,852)	(27,852)	(27,852)
Transfer to statutory reserves	-	-	-	-	27,980	(27,980)	-	-
At December 31, 2025	1,404,593	(321,030)	137,019	71,425	421,039	1,021,635	2,738,944	2,884,767

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ACCOUNTANTS’ REPORT

Notes:

- i. The original shareholder of CSPC Megalith Biopharmaceutical Co., Ltd.* (石藥集團巨石生物製藥有限公司) (“Megalith Biopharmaceutical”) made capital injection to Megalith Biopharmaceutical of RMB500,000,000 and RMB1,000,000,000 in April 2023 and July 2023, respectively.
- ii. Other reserve as at January 1, 2023 mainly included equity transaction arising from interest waiver granted by the immediate holding company of RMB47,577,000 and the special fund for resource conservation in 2007 of RMB900,000.
- iii. The statutory reserve is appropriated from profit after tax of the Company’s subsidiaries in the People’s Republic of China (the “PRC”) under the laws and regulations of the PRC.
- iv. In November 2025, the Company acquired an additional 29% interest in Megalith Biopharmaceutical from NBP Pharmaceutical for a cash consideration of RMB1,100,000,000. After the acquisition, the Company’s ownership interest in Megalith Biopharmaceutical increased to 80%, with NBP Pharmaceutical retaining the remaining 20%. The difference of RMB779,752,000 between the net present value of the cash consideration of RMB1,075,828,000 and the carrying amount of 29% non-controlling interests of RMB296,076,000 has been recognized to other reserve .
- v. In May 2025, CSPC Alvogen Pharmaceutical (Taizhou) Co., Ltd.* (石藥集團安沃勤 醫藥(泰州)有限公司) (“Alvogen”), a non-wholly owned subsidiary, was deregistered. RMB8,445,000 was paid to non-controlling interests before deregistration.

* *English name is for identification purpose only.*

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Operating activities			
Profit/(loss) before tax	262,138	(221,801)	(576,538)
Adjustments for:			
Depreciation of property, plant and equipment	149,912	209,980	215,878
Depreciation of right-of-use assets	6,735	7,275	7,275
Amortization of intangible assets	82	10,575	25,082
Finance costs	17,859	6,373	21,817
Fair value gains on financial assets at FVTPL	–	(7,262)	(17,969)
Loss on disposal of property, plant and equipment	1,819	2,267	873
Impairment loss (reversed)/recognized under ECL model, net of reversal	(5,622)	(2,925)	7,937
Government grants released to other income	(6,450)	(10,923)	(15,122)
Impairment loss recognized on prepayment to suppliers	–	123	–
Impairment loss recognized on inventories	11,937	2,779	3,273
Share of result of an associate	(12,580)	2,297	13,783
Share of result of a joint venture	–	324	331
Net foreign exchange gains	(25,170)	(7,442)	(18,555)
Impairment loss on investment in an associate	–	–	10,882
Operating cash flows before movements in working capital	400,660	(8,360)	(321,053)
Decrease/(increase) in inventories	1,368	(176,627)	(102,407)
Decrease/(increase) in trade receivables	93,478	80,782	(135,240)
Decrease/(increase) in prepayments and other receivables	74,504	(84,588)	(115,555)
Decrease/(increase) in restricted bank deposit	4,138	(13,099)	10,167
Decrease/(increase) in bills receivable and financial assets at FVTOCI	57,451	(112,685)	38,865
Decrease in contract assets	–	12,500	–
Increase/(decrease) in trade payables	232,846	(754,665)	300,797
(Decrease)/ increase in contract liabilities	(48,457)	(1,119)	7,401
(Decrease)/ increase in bills payable	(20,000)	92,882	7,970
Increase/(decrease) in other payables	6,688	(83,275)	17,494
Increase in deferred income	1,400	2,112	64,230
Cash generated from/(used in) operations	804,076	(1,046,142)	(227,331)
Income tax paid	(143,120)	(94,263)	(68,682)
Net cash from/(used in) operating activities	660,956	(1,140,405)	(296,013)

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	Note	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Investing activities				
Purchase of property, plant and equipment		(471,223)	(461,692)	(568,386)
Payments for right-of-use assets		(68,514)	(695)	–
Purchase of intangible assets		(21)	(125,000)	–
Capital injection to a joint venture		(1,000)	–	(29,000)
Placement of financial assets at FVTPL		–	(1,276,000)	(1,780,000)
Withdrawal of financial assets at FVTPL		–	457,644	2,029,851
Receipts of government grants		50,600	15,140	100,320
Proceeds from disposal of property, plant and equipment		10,494	3,795	8,676
Refund of rental deposit and advance payment for right-for-use asset of an early termination		–	–	347
Net cash used in investing activities		(479,664)	(1,386,808)	(238,192)
Financing activities				
Dividends paid		(97,562)	(374,161)	(27,852)
Repurchase of shares		(4,248)	(316,782)	–
Interest paid		(612)	(70)	(153)
Repayment of lease liabilities		(773)	(806)	(841)
Repayment of bank borrowing		(20,000)	–	–
Advances drawn on bills discounted with recourse		–	–	3,205
Capital contribution from shareholders		1,500,000	–	–
Proceeds from issue of shares		500,000	–	–
Transaction costs attributable to issue of shares		(11,805)	–	(11,721)
Loans from the immediate holding company		193,551	300,000	550,000
Loans repayment to the immediate holding company		(700,000)	–	–
Distribution to the non-controlling interest of a subsidiary upon deregistration		–	–	(8,445)
Payments for the acquisition of additional interest in a subsidiary		–	–	(80,000)
Net cash from/(used in) financing activities		1,358,551	(391,819)	424,193
Net increase/(decrease) in cash and cash equivalents		1,539,843	(2,919,032)	(110,012)
Cash and cash equivalents at the beginning of the year		2,203,586	3,770,190	858,983
Effect of foreign exchange rate changes		26,761	7,825	20,266
Cash and cash equivalents at the end of the year represented by bank balances and cash	31	3,770,190	858,983	769,237

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established as a limited liability company in Hebei, PRC on April 5, 2006. The Company was converted into a joint stock company with limited liability under the Company Law of the PRC on March 31, 2008. The address of the registered office and the principal place of business of the Company is No. 62, Zhangju Road, Luancheng District, Shijiazhuang, Hebei Province, PRC. The Company is listed on Shenzhen Stock Exchange Growth Enterprise Market. The ultimate controlling shareholder of the Company is CSPC Pharmaceutical Group Limited (“CSPC Pharmaceutical”) which has been listed on the Main Board of the Stock Exchange.

The Group is principally engaged in research and development, production and sales of biopharmaceuticals, functional ingredients and nutritional products.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The statutory financial statements of the Company for the years ended December 31, 2023 and 2024 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by ShineWing Certified Public Accountants LLP* (信永中和會計師事務所(特殊普通合伙)) (“ShineWing”) certified public accountants registered in the PRC. The statutory financial statements of the Company for the year ended December 31, 2025 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the PRC.

* *English name is for identification purpose only.*

2. GROUP REORGANIZATION AND BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

In January 2024, the Company acquired 51% interest in Megalith Biopharmaceutical from CSPC NBP Pharmaceutical Co., Ltd* (石藥集團恩必普藥業有限公司) (“NBP Pharmaceutical”) by making a capital injection of RMB1,871,000,000 (the “Acquisition I”). Megalith Biopharmaceutical was established by NBP Pharmaceutical and CSPC Holdings Company Limited (“CSPC Holdings”) on April 16, 2019, which was principally engaged in the biopharmaceutical innovation sector, creating a platform for innovative biopharmaceutical research and development. The current pipeline under development includes ADC (Antibody-Drug Conjugate), mRNA vaccines, and antibody-based therapeutics. Prior to the Acquisition I, Megalith Biopharmaceutical was 100% owned by CSPC Pharmaceutical, making both the Group and Megalith Biopharmaceutical under the common control of CSPC Pharmaceutical.

As Megalith Biopharmaceutical and the Group have consistently been under the common control of CSPC Pharmaceutical both before and after the acquisitions, the Group has applied the principles of merger accounting in accordance with HKICPA Accounting Guideline 5—Merger Accounting for Common Control Combinations (“AG5”), treating the common control combinations as having been effective from the date of the businesses first came under the control of the controlling party. Consequently, the consolidated financial statements for each of the years ended December 31, 2023 and 2024 and as of December 31, 2023 and 2024 include Megalith Biopharmaceutical.

* *English name is for identification purpose only.*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025 throughout the Track Record Period.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards which have been issued but are not yet effective:

Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³

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- 1 Effective for annual periods beginning on or after a date to be determined
- 2 Effective for annual periods beginning on or after January 1, 2026
- 3 Effective for annual periods beginning on or after January 1, 2027

Except as described below, the Directors anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the Group’s financial position and performance in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party’s perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group’s share of losses of an associate or joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing

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its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to contracts with customers is provided in Note 6.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

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Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognized as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment (other than construction in progress), are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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Depreciation is recognized so as to write off the cost of property, plant and equipment, other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets—research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years/periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is designated and effective as a hedging instrument.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments/receivables had been measured at amortized cost. All other changes in the carrying amount of these receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

The Group’s financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “other gains or losses, net” line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9 “Financial Instruments”

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, bills receivable, financial assets at FVTOCI, other receivables, restricted bank deposit, bank balances and cash) and other item (contract assets) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets.

For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;

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- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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Trade receivables of the Group with credit-impaired are assessed for ECL individually. Except as those trade receivables, lifetime ECL for trade receivables, contract assets and bill receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account. For receivables measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of consideration received and receivable is recognized in profit or loss.

On derecognition of receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity and presented as treasury share. No gain or loss is recognized in profit or loss on the purchase or issue of the Company’s own equity instruments.

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Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities including trade payables, bills payable, certain other payables, other borrowing and loans from the immediate holding company.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenditures

Development costs incurred on the Group’s research and development activities are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group’s intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the pipeline, the Group’s ability to use or sell the asset and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred.

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all internally development costs are expensed when incurred.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months.

Estimated impairment assessment of intangible assets not yet available for use

For intangible assets not yet available for use, the Group would assess the assets individually for impairment annually. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating units to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

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As at December 31, 2023, the carrying amounts of intangible assets not yet available for use amounted to RMB115,000,000.

Estimated impairment of property, plant and equipment

Property, plant and equipment is stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at December 31, 2023, 2024 and 2025, the carrying amounts of property, plant and equipment are RMB2,310,620,000, RMB2,666,824,000 and RMB2,797,782,000. The management of the Group conducted impairment assessment for those property, plant and equipment with impairment indication and no impairment has been recognized.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Functional ingredients and nutritional products	2,450,350	1,840,312	1,857,415
Biopharmaceuticals	34,702	87,797	256,933
Others	53,661	52,644	43,332
	<u>2,538,713</u>	<u>1,980,753</u>	<u>2,157,680</u>
Timing of recognition			
At a point in time	<u>2,538,713</u>	<u>1,980,753</u>	<u>2,157,680</u>
Geographical market by the place of delivery of customers			
Chinese Mainland	1,283,087	1,027,423	1,127,681
Europe	419,320	336,444	333,704
North America	400,830	271,249	251,455
Rest of World	435,476	345,637	444,840
	<u>2,538,713</u>	<u>1,980,753</u>	<u>2,157,680</u>
Direct sale	1,813,382	1,459,325	1,428,328
Distribution model	<u>725,331</u>	<u>521,428</u>	<u>729,352</u>
	<u>2,538,713</u>	<u>1,980,753</u>	<u>2,157,680</u>
Sale of goods.	2,504,013	1,961,224	2,154,884
License fee income	34,700	17,831	–
Provision of service.	–	1,698	2,796
	<u>2,538,713</u>	<u>1,980,753</u>	<u>2,157,680</u>

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(ii) Performance obligations for contracts with customers and revenue recognition policies

Sale of goods

Revenue is recognized at a point in time upon control of the goods has transferred, being when the goods have been delivered to specific location agreed with customers. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 120 days upon delivery.

The transaction price received by the Group is recognized as a contract liability until the goods have been delivered to the customer.

License fee income

The Group provides license of its patented intellectual property (“IP”) or commercialization license to customers and revenue is recognized when the customers obtain rights to access or use the underlying IP or license. License fee income is recognized at a point in time upon the customer obtains control of IP.

The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties).

For license associated with customers’ right to use, upfront fee received is recorded under contract liabilities and recognized as revenue only when customers have ability to use the license and variable consideration is recognized only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future.

For sales-based royalty promised in exchange for a licence of IP, revenue is recognized only when (or as) the later of the following events occurs: (a) the subsequent sale occurs; and (b) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

Provision of service

The Group provides research and development services to the customers. Revenue relating to the research and development services is recognized at a point of time when the report is completed and accepted by customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Sale of goods

Sale of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

License fee income

In July 2022, Megalith Biopharmaceutical entered into a license agreement with a third party in the United States of America (“USA”). According to the agreement, the upfront payment is United States Dollars (“USD”) 27,000,000, the aggregate milestone payment is USD150,000,000 and the royalty rate to the aggregate annual net sales of the licensed products is subject to adjustment. The license agreement has been terminated in May 2025.

In February 2023, Megalith Biopharmaceutical entered into a license agreement with Corbus Pharmaceuticals, Inc. in the USA. According to the agreement, the upfront payment is USD7,500,000, the aggregate development and regulatory milestone payments are up to USD130,000,000, the aggregate sales milestone payments are up to USD555,000,000 and the royalty rate to the aggregate annual net sales of the licensed products is subject to adjustment. During the years ended December 31, 2023, 2024 and 2025, license fee income of USD5,000,000 (equivalent to RMB34,700,000), USD2,500,000 (equivalent to RMB17,831,000) and nil was recognized.

In January 2026, Megalith Biopharmaceutical entered into a license agreement with AstraZeneca Ireland Limited (“AstraZeneca”). According to the agreement, the upfront payment payable to Megalith Biopharmaceutical is USD420,000,000. Megalith Biopharmaceutical is also entitled to receive certain milestone payments under agreed circumstances, and the royalty rate on annual net sales of the licensed products is subject to adjustment. The upfront payment was received in May 2026.

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(iv) Information about major customers

During the Track Record Period, revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	309,344	N/A*	N/A*
CSPC Pharmaceutical and certain related parties .	346,350	199,739	N/A*

* During the year ended December 31, 2024 and 2025, revenue from customer A contributed less than 10% of the total revenue of the Group. During the year ended December 31, 2025, revenue from CSPC Pharmaceutical and certain related parties contributed less than 10% of the total revenue of the Group.

7. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Functional ingredients and nutritional products manufacture and sale of functional food products (including caffeine products, anhydrous glucose, acarbose and vitamin C buccal tablets and others); and
- (b) Biopharmaceuticals—research and development, manufacture and sale of pharmaceutical products and license fee income.

In addition to the above reportable segments, other operating segment is not met the quantitative thresholds for the reportable segments in the Track Record Period. Accordingly, these were grouped in “others”.

Segment revenues and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments.

For the year ended December 31, 2023

	Functional ingredients and nutritional products	Biopharmaceuticals	Segment total	Others	Consolidated
	RMB'000	RMB '000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE					
Sale of goods	2,450,350	2	2,450,352	53,661	2,504,013
License fee income . . .	—	34,700	34,700	—	34,700
TOTAL REVENUE . . .	2,450,350	34,702	2,485,052	53,661	2,538,713
SEGMENT					
PROFIT/(LOSS) . . .	871,745	(630,972)	240,773	20,776	261,549
Unallocated other gains or losses, net					589
Profit before tax					262,138

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For the year ended December 31, 2024

	Functional ingredients and nutritional products	Biopharmaceuticals	Segment total	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE					
Sale of goods	1,840,312	68,268	1,908,580	52,644	1,961,224
License fee income . . .	—	17,831	17,831	—	17,831
Provision of service . . .	—	1,698	1,698	—	1,698
TOTAL REVENUE . . .	<u>1,840,312</u>	<u>87,797</u>	<u>1,928,109</u>	<u>52,644</u>	<u>1,980,753</u>
SEGMENT					
PROFIT/(LOSS) . . .	493,147	(728,585)	(235,438)	16,597	(218,841)
Unallocated other gains or losses, net					(2,960)
Loss before tax					<u>(221,801)</u>

For the year ended December 31, 2025

	Functional ingredients and nutritional products	Biopharmaceuticals	Segment total	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE					
Sale of goods	1,857,415	254,137	2,111,552	43,332	2,154,884
Provision of service . . .	—	2,796	2,796	—	2,796
TOTAL REVENUE . . .	<u>1,857,415</u>	<u>256,933</u>	<u>2,114,348</u>	<u>43,332</u>	<u>2,157,680</u>
SEGMENT					
PROFIT/(LOSS) . . .	356,104	(940,440)	(584,336)	13,923	(570,413)
Unallocated other gains or losses, net					(6,125)
Loss before tax					<u>(576,538)</u>

Segment results represents the profit (loss) earned by each segment without allocation of unallocated other gains or losses of the corporate function. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment. The executive directors make decisions according to operating results of each segment.

Segment assets and liabilities

The following is an analysis of the Group’s assets and liabilities by reportable segments:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Segment assets			
Functional ingredients and nutritional products . .	5,632,123	3,901,891	3,718,128
Biopharmaceuticals	1,955,085	2,605,726	3,006,527
Eliminations	—	(371,000)	(358,843)
Consolidated assets	<u>7,587,208</u>	<u>6,136,617</u>	<u>6,365,812</u>
Segment liabilities			
Functional ingredients and nutritional products . .	544,960	950,661	1,567,981
Biopharmaceuticals	1,443,977	946,526	2,271,907
Eliminations	—	(371,000)	(358,843)
Consolidated liabilities	<u>1,988,937</u>	<u>1,526,187</u>	<u>3,481,045</u>

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Other segment information

For the year ended December 31, 2023

	Functional ingredients and nutritional products	Biopharmaceuticals	Consolidated
	RMB'000	RMB'000	RMB'000
Interest income.	(66,134)	(7,438)	(73,572)
Finance costs.	589	17,270	17,859
Impairment losses under ECL model, net of reversal . .	(4,863)	(759)	(5,622)
Amortization of intangible assets.	82	–	82
Depreciation of property, plant and equipment	96,888	53,024	149,912
Depreciation of right-of-use assets.	6,735	–	6,735
Loss on disposal of property, plant and equipment	1,819	–	1,819
Share of result of an associate	(12,580)	–	(12,580)
Income tax expense	136,470	–	136,470

For the year ended December 31, 2024

	Functional ingredients and nutritional products	Biopharmaceuticals	Consolidated
	RMB'000	RMB'000	RMB'000
Interest income.	(33,607)	(3,070)	(36,677)
Finance costs.	70	6,303	6,373
Impairment losses under ECL model, net of reversal . .	(3,843)	918	(2,925)
Amortization of intangible assets.	75	10,500	10,575
Depreciation of property, plant and equipment	104,253	105,727	209,980
Depreciation of right-of-use assets.	7,275	–	7,275
Loss on disposal of property, plant and equipment	2,267	–	2,267
Share of result of an associate	2,297	–	2,297
Share of result of a joint venture.	324	–	324
Income tax expense	81,912	–	81,912

For the year ended December 31, 2025

	Functional ingredients and nutritional products	Biopharmaceuticals	Consolidated
	RMB'000	RMB'000	RMB'000
Interest income.	(10,376)	(685)	(11,061)
Finance costs.	1,658	20,159	21,817
Impairment losses under ECL model, net of reversal . .	(6,820)	(1,117)	(7,937)
Amortization of intangible assets.	82	25,000	25,082
Depreciation of property, plant and equipment	108,076	107,802	215,878
Depreciation of right-of-use assets.	–	7,275	7,275
Loss/(gain) on disposal of property, plant and equipment	1,971	(1,098)	873
Share of result of an associate	13,783	–	13,783
Share of result of a joint venture.	331	–	331
Income tax expense	(57,799)	–	(57,799)

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ACCOUNTANTS’ REPORT

Geographical information

The Group’s operations are located on Chinese Mainland, Europe, and North America.

Information about the Group’s segment revenue from external customers is presented based on the location of the operations. Information about the Group’s non-current assets is presented based on the geographical location of the assets.

	Segment revenue from external customers			Non-current assets <i>(note)</i>		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chinese Mainland	1,663,862	1,336,439	1,431,566	2,951,913	3,311,007	3,490,729
Europe	450,628	354,145	377,881	298	1,591	91
North America	368,176	227,786	232,419	–	–	–
Rest of World	2,386	9,739	72,482	13	–	14
	<u>2,485,052</u>	<u>1,928,109</u>	<u>2,114,348</u>	<u>2,952,224</u>	<u>3,312,598</u>	<u>3,490,834</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

8. OTHER INCOME

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Interest income.	73,572	36,677	11,061
Government grants			
– Research and development activities	12,767	6,619	64,045
– Plant and machinery	3,071	9,332	13,334
– Additional value added tax input deduction.	2,405	2,904	3,461
– Individual tax handling fee refund	75	119	141
	<u>91,890</u>	<u>55,651</u>	<u>92,042</u>

9. OTHER GAINS OR LOSSES, NET

	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fair value gains on financial assets at FVTPL	–	7,262	17,969
Loss on disposal of property, plant and equipment	(1,819)	(2,267)	(873)
Net foreign exchange gains	25,170	7,442	18,555
Impairment loss on investment in an associate	–	–	(10,882)
Others	2,408	(271)	(2,467)
	<u>25,759</u>	<u>12,166</u>	<u>22,302</u>

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10. FINANCE COSTS

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on discounted bills receivable	—	—	38
Interest on lease liabilities	91	70	23
Interest on bank borrowing	498	—	—
Interest on letters of credit	—	—	92
Interest/imputed interest on loans from the immediate holding company	17,270	6,303	19,032
Interest on payables for acquisition of additional interests in a subsidiary	—	—	2,632
	<u>17,859</u>	<u>6,373</u>	<u>21,817</u>

11. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impairment losses (reversed)/recognized in respect of:			
Trade receivables	(4,846)	(2,328)	8,006
Other receivables	(776)	28	(69)
Contract assets	—	(625)	—
	<u>(5,622)</u>	<u>(2,925)</u>	<u>7,937</u>

Details of impairment assessment are set out in Note 47.

12. INCOME TAX EXPENSE

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current taxation:			
– PRC Corporate Income Tax (“PRC CIT”) . . .	129,668	78,614	47,164
– Overseas taxation	5,274	6,207	10,346
Deferred taxation (<i>Note 37</i>)	1,528	(2,909)	289
	<u>136,470</u>	<u>81,912</u>	<u>57,799</u>

The standard tax rate of the Company and its PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as High and New Technology Enterprises (the “HNTE”), and they are subject to a preferential tax rate of 15% up to 2027.

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

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The income tax expense for the year can be reconciled to the profit/(loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit/(loss) before tax	262,138	(221,801)	(576,538)
Tax at the PRC CIT rate of 15%	39,321	(33,270)	(86,481)
Effect of different tax rates	5,940	284	501
(Over)/under provision in respect of prior years	(28)	4,525	65
Tax effect of expenses not deductible for tax purpose	9,304	3,753	46,304
Tax effect of share of result of an associate	(1,887)	345	2,067
Tax effect of share of result of a joint venture	–	49	50
Utilization of previously unrecognized tax losses	(710)	(14)	(2,335)
Tax effect of tax losses not recognized	142,581	212,398	181,632
Utilization of deductible temporary differences previously not recognized	(114)	(1,901)	(237)
Tax effect of deductible temporary differences not recognized	9,229	1,703	23,364
Tax effect of super deduction for research and development expenses	(67,224)	(105,960)	(107,131)
Increase in opening deferred tax liability resulting from a decrease in applicable tax rate	58	–	–
Income tax expense for the year	<u>136,470</u>	<u>81,912</u>	<u>57,799</u>

Details of deferred taxation and unused tax losses are set out in Note 37.

13. PROFIT/(LOSS) FOR THE YEAR

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit/(loss) for the year has been arrived at after charging:			
Staff costs, including directors’ and chief executive’s remuneration			
– salaries, wages and other benefits	231,697	204,871	203,179
– performance related bonuses	51,218	41,230	81,524
– contribution to retirement benefit schemes	19,379	16,610	19,782
Total staff costs	<u>302,294</u>	<u>262,711</u>	<u>304,485</u>
Depreciation of property, plant and equipment	149,912	209,980	215,878
Depreciation of right-of-use assets	6,735	7,275	7,275
Amortization of intangible assets	82	10,575	25,082
Total depreciation and amortization	<u>156,729</u>	<u>227,830</u>	<u>248,235</u>
Auditors’ remuneration, including the auditors of subsidiaries	<u>1,831</u>	<u>1,200</u>	<u>1,520</u>

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ACCOUNTANTS’ REPORT

14. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ EMOLUMENTS

The emoluments paid or payable to the directors, chief executive and supervisors of the Company during the Track Record Period are as follows:

For the year ended December 31, 2023

	Fees	Salaries and other allowances	Performance related bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Feng Han (<i>note i</i>)	—	473	300	41	814
Dr. Bing Yao (<i>notes iv & ix</i>) . . .	—	—	—	—	—
Sub-total	—	473	300	41	814
Non-executive directors:					
Dr. LEI CAI (<i>notes ii & ix</i>)	—	—	—	—	—
Independent non-executive directors:					
Mr. Dibin Li (<i>note v</i>)	45	—	—	—	45
Dr. Congzhi Di (<i>note v</i>)	45	—	—	—	45
Mr. Peng Yang (<i>note v</i>)	45	—	—	—	45
Sub-total	135	—	—	—	135
Supervisors:					
Mr. Jiyong Zhang (<i>notes iii & ix</i>)	—	—	—	—	—
Ms. Ling Zhang (<i>notes iii & ix</i>) .	—	—	—	—	—
Mr. Bin Yuan (<i>note iii</i>)	—	144	303	39	486
Sub-total	—	144	303	39	486
Other directors:					
Mr. Weidong Pan (<i>notes viii & ix</i>)	—	—	—	—	—
Mr. Huaiyu Wang (<i>notes viii & ix</i>)	—	—	—	—	—
Dr. Shunxing Guo (<i>note viii</i>) . . .	20	—	—	—	20
Dr. Yimin Xu (<i>note viii</i>)	20	—	—	—	20
Dr. Lixiao Geng (<i>note viii</i>)	20	—	—	—	20
Mr. Hui Wang (<i>notes viii & ix</i>) . .	—	—	—	—	—
Mr. Dong Yang (<i>notes viii & ix</i>) .	—	—	—	—	—
Sub-total	60	—	—	—	60
Total	195	617	603	80	1,495

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For the year ended December 31, 2024

	Fees	Salaries and other allowances	Performance related bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Feng Han (<i>note i</i>)	–	380	75	29	484
Dr. Bing Yao (<i>note iv</i>)	–	495	–	43	538
Mr. Long Dai (<i>note vi</i>)	–	179	23	21	223
Sub-total	–	1,054	98	93	1,245
Non-executive directors:					
Dr. LEI CAI (<i>notes ii & ix</i>)	–	–	–	–	–
Ms. Wen Xu (<i>notes vi & ix</i>)	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors:					
Mr. Dibin Li (<i>note v</i>)	60	–	–	–	60
Dr. Congzhi Di (<i>note v</i>)	60	–	–	–	60
Mr. Peng Yang (<i>note v</i>)	60	–	–	–	60
Dr. Jianping Zhou (<i>note vii</i>)	35	–	–	–	35
Sub-total	215	–	–	–	215
Supervisors:					
Mr. Jiyong Zhang (<i>notes iii & ix</i>)	–	–	–	–	–
Ms. Ling Zhang (<i>notes iii & ix</i>)	–	–	–	–	–
Mr. Bin Yuan (<i>note iii</i>)	–	77	60	18	155
Sub-total	–	77	60	18	155
Other directors:					
Mr. Weidong Pan (<i>notes viii & ix</i>)	–	–	–	–	–
Mr. Huaiyu Wang (<i>notes viii & ix</i>)	–	–	–	–	–
Mr. Dong Yang (<i>notes viii & ix</i>)	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	215	1,131	158	111	1,615

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For the year ended December 31, 2025

	Fees	Salaries and other allowances	Performance related bonuses	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Feng Han (<i>note i</i>)	–	137	–	13	150
Dr. Bing Yao (<i>note iv</i>)	–	764	4,573	48	5,385
Mr. Long Dai (<i>note vi</i>)	–	306	137	23	466
Sub-total	–	1,207	4,710	84	6,001
Non-executive directors:					
Dr. LEI CAI (<i>notes ii & ix</i>)	–	–	–	–	–
Ms. Wen Xu (<i>notes vi & ix</i>)	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors:					
Mr. Dibin Li (<i>note v</i>)	60	–	–	–	60
Dr. Congzhi Di (<i>note v</i>)	60	–	–	–	60
Mr. Peng Yang (<i>note v</i>)	60	–	–	–	60
Dr. Jianping Zhou (<i>note vii</i>)	60	–	–	–	60
Sub-total	240	–	–	–	240
Supervisors (<i>note x</i>):					
Mr. Jiyong Zhang (<i>notes iii & ix</i>)	–	–	–	–	–
Ms. Ling Zhang (<i>notes iii & ix</i>)	–	–	–	–	–
Mr. Bin Yuan (<i>note iii</i>)	–	39	26	16	81
Sub-total	–	39	26	16	81
Total	240	1,246	4,736	100	6,322

Notes:

- i. Mr. Feng Han was appointed as a director of the Company in January 2017, and was re-designated as an executive director with effect from the [REDACTED] on which the Company’s H shares are [REDACTED].
- ii. Dr. LEI CAI was appointed as a director of the Company in September 2020, and was re-designated as a non-executive director with effect from the [REDACTED]. Dr. LEI CAI resigned from his position and from the Group with effect from December 22, 2025.
- iii. Mr. Jiyong Zhang, Ms. Ling Zhang and Mr. Bin Yuan were appointed as supervisors of the Company in March 2014, September 2020 and April 2020 respectively. The Company cancelled its board of supervisors with effect from October 16, 2025 and Mr. Jiyong Zhang and Ms. Ling Zhang resigned from the Group since then.
- iv. Dr. Bing Yao was appointed as a director in April 2023, promoted to chairman in September 2024, and was re-designated as an executive director with effect from the [REDACTED].
- v. Mr. Dibin Li, Dr. Congzhi Di and Mr. Peng Yang were appointed as directors of the Company in April 2023, and were re-designated as independent non-executive directors with effect from the [REDACTED].
- vi. Mr. Long Dai and Ms. Wen Xu were appointed as directors of the Company in May 2024, and Mr. Long Dai was re-designated as an executive director with effect from the [REDACTED], Ms. Wen Xu was re-designated as an executive director with effect from the [REDACTED].
- vii. Dr. Jianping Zhou was appointed as a director of the Company in May 2024, and was re-designated as an independent non-executive director with effect from the [REDACTED].

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viii. Mr. Weidong Pan and Mr. Huaiyu Wang resigned from their position in September 2024 and April 2024 respectively.

Dr. Shunxing Guo, Dr. Yimin Xu and Dr. Lixiao Geng resigned from their position in April 2023.

Mr. Hui Wang and Mr. Dong Yang resigned from their position in April 2023 and September 2024, respectively.

ix. These directors or supervisors did not receive any remuneration for their services in the capacity of the directors or supervisors of the Company. They also held management positions in CSPC Pharmaceutical and their remuneration were borne by CSPC Pharmaceutical.

x. According to the revised articles of the Company, which was approved by the shareholders’ meeting on October 16, 2025, the Company has dissolved its board of supervisors.

Ms. Wang Chau was appointed as an independent non-executive director with effect from the [REDACTED].

There were no arrangement under which a director, a supervisor or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one, two and one directors or supervisors for the years ended December 31, 2023, 2024 and 2025, respectively, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the remaining four, three and four employees who are not a director, a supervisor or chief executive of the Company for the Track Record Period were as follows:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	2,772	1,703	3,842
Contributions to retirement benefit schemes	145	99	249
	<u>2,917</u>	<u>1,802</u>	<u>4,091</u>

The number of the highest paid employees who are not the directors or supervisors whose remuneration fell within the following bands is as follows:

	Years ended December 31,		
	2023	2024	2025
	No. of employees	No. of employees	No. of employees
Nil to Hong Kong dollar (“HKD”) 1,000,000 . . .	4	3	3
HKD1,000,001 to 1,500,000.	—	—	1
	<u>4</u>	<u>3</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors, supervisors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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16. EARNINGS/(LOSSES) PER SHARE

The calculation of the basic earnings/(losses) per share attributable to owners of the Company is based on the following data:

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit/(loss) attributable to owners of the Company	434,436	53,471	(255,084)
	<u> </u>	<u> </u>	<u> </u>
	Years ended December 31,		
	2023	2024	2025
	Shares	Shares	Shares
	('000)	('000)	('000)
Weighted average number of ordinary shares for the purpose of basic earnings/(losses) per share	1,392,161	1,397,776	1,392,593
	<u> </u>	<u> </u>	<u> </u>

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the share split on April 27, 2023 and April 25, 2024.

No diluted earnings per share for the Track Record Period were presented as there were no potential ordinary shares in issue.

17. DIVIDENDS

	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognized as distribution:	97,562	374,161	27,852
	<u> </u>	<u> </u>	<u> </u>

During the years ended December 31, 2023, 2024 and 2025, a final dividend of RMB15 cents per share, RMB32 cents per share and RMB2 cents per share in respect of the years ended December 31, 2022, 2023 and 2024 were declared and paid to the owners of the Company.

No dividend has been proposed since the end of the reporting period.

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18a. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At January 1, 2023 . . .	638,997	1,048,628	37,185	4,133	622,232	2,351,175
Additions	216,863	114,752	15,440	180	350,157	697,392
Transfers	117,845	585,877	39,081	–	(742,803)	–
Exchange adjustments .	–	–	9	–	–	9
Disposals	(144)	(23,947)	(565)	(231)	–	(24,887)
At December 31, 2023 .	973,561	1,725,310	91,150	4,082	229,586	3,023,689
Additions	–	20,524	828	–	550,897	572,249
Transfers	46,097	112,862	425	–	(159,384)	–
Disposals	–	(13,599)	(756)	(2,022)	–	(16,377)
Exchange adjustments .	–	–	(9)	–	–	(9)
At December 31, 2024 .	1,019,658	1,845,097	91,638	2,060	621,099	3,579,552
Additions	2,709	20,194	2,437	156	349,629	375,125
Transfers	169,711	80,351	19,796	–	(269,858)	–
Transfers to investment property (<i>Note 18b</i>) .	–	–	–	–	(18,743)	(18,743)
Disposals	(4,098)	(33,883)	(575)	(785)	–	(39,341)
Transfer to inventory . .	–	–	–	–	(3)	(3)
Exchange adjustments .	–	–	21	–	–	21
At December 31, 2025 .	1,187,980	1,911,759	113,317	1,431	682,124	3,896,611
DEPRECIATION AND IMPAIRMENT						
At January 1, 2023 . . .	184,514	379,957	13,669	3,460	873	582,473
Provided for the year . .	34,854	105,737	9,166	155	–	149,912
Disposals	(20)	(18,671)	(462)	(169)	–	(19,322)
Exchange adjustments .	–	–	6	–	–	6
At December 31, 2023 .	219,348	467,023	22,379	3,446	873	713,069
Provided for the year . .	43,647	151,357	14,861	115	–	209,980
Disposals	–	(8,014)	(408)	(1,893)	–	(10,315)
Exchange adjustments .	–	–	(6)	–	–	(6)
At December 31, 2024 .	262,995	610,366	36,826	1,668	873	912,728
Provided for the year . .	43,097	157,942	14,715	124	–	215,878
Disposals	(3,169)	(25,347)	(542)	(734)	–	(29,792)
Transfer to inventory .	–	–	–	–	(3)	(3)
Exchange adjustments .	–	–	18	–	–	18
At December 31, 2025 .	302,923	742,961	51,017	1,058	870	1,098,829
CARRYING VALUES						
At December 31, 2023 .	754,213	1,258,287	68,771	636	228,713	2,310,620
At December 31, 2024 .	756,663	1,234,731	54,812	392	620,226	2,666,824
At December 31, 2025 .	885,057	1,168,798	62,300	373	681,254	2,797,782

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As at December 31, 2023, 2024 and 2025, the Group is in the process of applying for ownership certificates for its certain buildings in the PRC amounting to approximately RMB460,675,000, RMB267,617,000 and RMB371,134,000.

The Company

	Buildings	Plant and machinery	Furniture and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2023 . . .	191,171	347,186	2,716	3,427	59,180	603,680
Additions	–	5,681	36	–	44,160	49,877
Transfers	–	66,052	202	–	(66,254)	–
Disposals	–	(5,921)	–	(231)	–	(6,152)
At December 31, 2023 .	191,171	412,998	2,954	3,196	37,086	647,405
Additions	–	2,683	219	–	75,854	78,756
Transfers	–	93,395	–	–	(93,395)	–
Disposals	–	(13,386)	–	(2,022)	–	(15,408)
At December 31, 2024 .	191,171	495,690	3,173	1,174	19,545	710,753
Additions	2,663	7,323	365	156	18,318	28,825
Transfers	–	27,379	–	–	(27,379)	–
Disposals	(3,962)	(7,603)	(144)	(404)	–	(12,113)
At December 31, 2025 .	189,872	522,789	3,394	926	10,484	727,465
DEPRECIATION						
At January 1, 2023 . . .	100,013	154,453	2,619	2,833	–	259,918
Provided for the year . .	6,202	25,633	334	118	–	32,287
Disposals	–	(4,853)	–	(169)	–	(5,022)
At December 31, 2023 .	106,215	175,233	2,953	2,782	–	287,183
Provided for the year . .	6,126	30,393	203	60	–	36,782
Disposals	–	(7,920)	–	(1,893)	–	(9,813)
At December 31, 2024 .	112,341	197,706	3,156	949	–	314,152
Provided for the year . .	6,177	36,287	214	91	–	42,769
Disposals	(3,042)	(6,068)	(134)	(373)	–	(9,617)
At December 31, 2025 .	115,476	227,925	3,236	667	–	347,304
CARRYING VALUES						
At December 31, 2023 .	84,956	237,765	1	414	37,086	360,222
At December 31, 2024 .	78,830	297,984	17	225	19,545	396,601
At December 31, 2025 .	74,396	294,864	158	259	10,484	380,161

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Buildings	10 to 25 years
Plant and machinery	5 to 12 years
Furniture and equipment	5 to 12 years
Motor vehicles	8 years

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18b. INVESTMENT PROPERTY

The Group

	<u>Investment property</u>
	<i>RMB'000</i>
COST	
At January 1, 2025	–
Transfer from property, plant and equipment (<i>Note 18a</i>)	18,743
At December 31, 2025	18,743
DEPRECIATION AND IMPAIRMENT	
At January 1, 2025 and December 31, 2025	–
CARRYING VALUES	
At December 31, 2025	18,743

The Group construct a property to earn rentals. The fair value of the Group’s investment property at December 31, 2025 was RMB20,020,000. The fair value has been arrived at based on a valuation carried out by the management of the Group.

As at December 31, 2025, the Group is in the process of applying for the ownership certificate for this investment property in the PRC.

19. RIGHT-OF-USE ASSETS

The Group

	<u>Leasehold lands</u>	<u>Leasehold properties</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
As at January 1, 2023	208,917	1,646	210,563
Additions	68,514	–	68,514
Modification	–	2,420	2,420
As at December 31, 2023	277,431	4,066	281,497
Additions	–	695	695
As at December 31, 2024	277,431	4,761	282,192
Additions	–	2,450	2,450
Early termination of a lease	–	(695)	(695)
As at December 31, 2025	277,431	6,516	283,947
ACCUMULATED DEPRECIATION			
As at January 1, 2023	40,138	1,646	41,784
Provided for the year	5,928	807	6,735
As at December 31, 2023	46,066	2,453	48,519
Provided for the year	6,295	980	7,275
As at December 31, 2024	52,361	3,433	55,794
Provided for the year	6,295	980	7,275
Early termination of a lease	–	(348)	(348)
As at December 31, 2025	58,656	4,065	62,721
CARRYING AMOUNT			
As at December 31, 2023	231,365	1,613	232,978
As at December 31, 2024	225,070	1,328	226,398
As at December 31, 2025	218,775	2,451	221,226

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	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	10,283	355	1,141
Variable lease payments not included in the measurement of lease liabilities	–	16,610	9,620
Total cash outflows for leases	11,147	18,181	10,666

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group leases lands and properties to operate its business. These leases are made for fixed terms of 2 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group’s lease agreements do not contain any extension nor termination option or purchase option for lessee. The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

The Group entered into certain short-term leases for property during the Track Record Period. As at December 31, 2023, 2024 and 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

As at December 31, 2023, 2024 and 2025, The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB67,415,000, RMB65,949,000 and RMB64,484,000 in which the Group is in the process of obtaining.

The Company

	Leasehold lands	Leasehold properties	Total
	RMB'000	RMB'000	RMB'000
COST			
As at January 1, 2023	32,987	1,646	34,633
Modification	–	2,420	2,420
As at December 31, 2023	32,987	4,066	37,053
Additions	–	695	695
As at December 31, 2024	32,987	4,761	37,748
Additions	–	2,450	2,450
Disposals	–	(695)	(695)
As at December 31, 2025	32,987	6,516	39,503
ACCUMULATED DEPRECIATION			
As at January 1, 2023	20,344	1,646	21,990
Provided for the year	1,308	807	2,115
As at December 31, 2023	21,652	2,453	24,105
Provided for the year	1,308	980	2,288
As at December 31, 2024	22,960	3,433	26,393
Depreciation provided for the year	1,309	980	2,289
Early termination of a lease	–	(348)	(348)
As at December 31, 2025	24,269	4,065	28,334
CARRYING AMOUNT			
As at December 31, 2023	11,335	1,613	12,948
As at December 31, 2024	10,027	1,328	11,355
As at December 31, 2025	8,718	2,451	11,169

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	Years ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	—	—	183
Total cash outflows for leases	<u>864</u>	<u>1,571</u>	<u>1,046</u>

The Company leases lands and properties to operate its business. These leases are made for fixed terms of 2 to 25 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract is enforceable.

The Company entered into certain short-term leases for property during the year ended December 31, 2025. As at December 31, 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the shortterm lease expense is disclosed above.

20. INTANGIBLE ASSETS

	Software	License-in right	Commercialized drugs	Total
	RMB'000	RMB'000 (note)	RMB'000	RMB'000
COST				
As at January 1, 2023	368	115,000	—	115,368
Additions	<u>21</u>	<u>—</u>	<u>—</u>	<u>21</u>
As at December 31, 2023	389	115,000	—	115,389
Additions	<u>—</u>	<u>10,000</u>	<u>—</u>	<u>10,000</u>
Commercialization	<u>—</u>	<u>(125,000)</u>	<u>125,000</u>	<u>—</u>
Exchange adjustments	<u>(16)</u>	<u>—</u>	<u>—</u>	<u>(16)</u>
As at December 31, 2024	373	—	125,000	125,373
Exchange adjustments	<u>35</u>	<u>—</u>	<u>—</u>	<u>35</u>
As at December 31, 2025	<u>408</u>	<u>—</u>	<u>125,000</u>	<u>125,408</u>
AMORTIZATION AND IMPAIRMENT				
As at January 1, 2023	80	—	—	80
Provided for the year	<u>82</u>	<u>—</u>	<u>—</u>	<u>82</u>
As at December 31, 2023	162	—	—	162
Provided for the year	<u>75</u>	<u>—</u>	<u>10,500</u>	<u>10,575</u>
Exchange adjustments	<u>(7)</u>	<u>—</u>	<u>—</u>	<u>(7)</u>
As at December 31, 2024	230	—	10,500	10,730
Provided for the year	<u>82</u>	<u>—</u>	<u>25,000</u>	<u>25,082</u>
Exchange adjustments	<u>21</u>	<u>—</u>	<u>—</u>	<u>21</u>
As at December 31, 2025	<u>333</u>	<u>—</u>	<u>35,500</u>	<u>35,833</u>
CARRYING VALUES				
As at December 31, 2023	<u>227</u>	<u>115,000</u>	<u>—</u>	<u>115,227</u>
As at December 31, 2024	<u>143</u>	<u>—</u>	<u>114,500</u>	<u>114,643</u>
As at December 31, 2025	<u>75</u>	<u>—</u>	<u>89,500</u>	<u>89,575</u>

Note: According to the license agreement with Synermore Biologics (Suzhou) Co., Ltd.* (興盟生物醫藥(蘇州)有限公司) (“Synermore”), Synermore agreed to grant an exclusive license to the Group to use the patent rights and technology for the development, manufacturing and commercialization of licensed product in Chinese Mainland.

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According to the license agreement with Hangzhou Shangjian Biotechnology Co., Ltd.* (杭州尚健生物技术有限公司) (“Hangzhou Shangjian”), Hangzhou Shangjian agreed to grant an exclusive license to the Group to use the patent rights and technology for the development, manufacturing and commercialization of licensed product in the PRC.

As at December 31, 2023, the carrying amount of intangible asset associated with license-in right that was not ready for use was RMB115,000,000.

Annual impairment test is performed in respect of the intangible asset not ready for use based on the recoverable amount of the cash-generating unit to which the intangible asset belongs. The appropriate cash-generating units are at the product level. The annual impairment test was performed for each drug by the management team to estimate the value in use as the recoverable amount of the relevant intangible assets. The value in use is estimated using discounted cash flow approach. The management determined the recoverable amount of the intangible assets based on the following approach and key assumptions:

- cash inflows are generated for each drug based on the progress of regulatory approval, commercial ramp up to reach expected peak revenue potential, and up to the end of the exclusivity for the product. The estimated revenue of each drug is based on the management’s estimate of timing of commercialization. Revenue growth rate is based on estimated market penetration rate and market sizes etc.. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The management considers the length forecast period is appropriate because it generally takes longer for the Company to generate positive cash flows. Hence, the management believes that a forecast period for the cash-generating unit longer than five years is justifiable and consistent with industry practice; and
- The discount rate used is pre-tax and reflects specific risks relating to the relevant products that would be considered by market participants

The range of certain key assumptions used for value in use calculation as of December 31, 2023 as follows:

	<u>As at December 31, 2023</u>
Pre-tax discount rate	13.41%
Expected average annual revenue growth rates	12.00%/26.49%
Expected success rate of commercialization	90%

The intangible assets’ recoverable amounts above their carrying amounts (headroom) as at December 31, 2023 are more than 30% of their carrying amounts.

Considering there was still sufficient headroom based on the assessment, the management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

Since December 31, 2024, the relevant intangible assets have been ready for use, and the commercialized products have generated a gross profit margin no less than 50% during the periods presented. Accordingly, no impairment indicators have been identified thereafter.

The above intangible assets having finite useful lives are amortized on a straight-line basis over their estimated useful lives:

Software	5 years
Commercialized drugs	5 years

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21. INVESTMENT IN AN ASSOCIATE

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of investment in an associate	231,485	231,485	231,485
Share of post-acquisition profits and other comprehensive income in associates, net of dividends receivable	34,584	32,287	9,277
Impairment loss recognized in profit or loss	—	—	(10,882)
	<u>266,069</u>	<u>263,772</u>	<u>229,880</u>

As at December 31, 2025, the management of the Group proposed to transfer 30.07% equity interest in Beijing Guoxin Huijin Co., Ltd.* (“Beijing Guoxin Huijin”) (“北京國新匯金股份有限公司”) and concluded there was indication for impairment and conducted impairment assessment. The recoverable amount of this investment has been determined based on the fair value less costs of disposal. The Group uses market approach to estimate the fair value less costs of disposal of the investment in an associate. The fair value is estimated based on value of comparable listed companies and discounted for lack of liquidity. The fair value measurement is categorized into Level 3 fair value hierarchy. The investment in Beijing Guoxin Huijin was impaired to its recoverable amount of RMB229,880,000 which is the carrying value at year end and the impairment of RMB10,882,000 has been recognized in profit or loss.

The key assumptions used for fair value calculation as at December 31, 2025 are as follows:

Average price-to-sales ratio of comparable listed companies	8.34%
discounted for lack of liquidity	30.59%

In February 2026, the Company entered an agreement with CSPC Holdings to transfer all the equity interest of Beijing Guoxin Huijin held by the Company to CSPC Holdings at consideration of RMB230,000,000. The transaction was completed in April 2026, and the Company ceased to hold any interest in Beijing Guoxin Huijin. No gain or loss was recognized for this transaction.

* English name is for identification purpose only.

Details of the Group’s associate at the end of the reporting period are as follows:

Name of company	Place of establishment	Proportion of ownership interest			Voting rights			Principal activity
		31/12/2023	31/12/2024	31/12/2025	31/12/2023	31/12/2024	31/12/2025	
		%	%	%	%	%	%	
Beijing Guoxin Huijin	The PRC	30.07	30.07	30.07	30.07	30.07	30.07	Business services

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Summarized financial information of Beijing Guoxin Huijin

The summarized financial information below represents amounts shown in the associate’s financial statements prepared in accordance with HKFRS Accounting Standards. This associate is accounted for using the equity method in the Historical Financial Information.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current assets	419,659	430,395	464,059
Non-current assets	465,122	444,258	420,661
Current liabilities	27,220	28,403	91,202
Non-current liabilities	68,415	65,194	61,973
	Years ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	204,415	131,265	44,056
Profit/(loss) and total comprehensive income/(expense) for the year attributable to Beijing Guoxin Huijin	41,836	(7,638)	(45,834)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information:

	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Net assets of Beijing Guoxin Huijin	789,146	781,056	731,545
Non-controlling interests	82	(370)	(4,046)
Goodwill	28,798	28,798	28,798
Proportion of the Group’s ownership interest in Beijing Guoxin Huijin	30.07%	30.07%	30.07%
Dividends receivable	–	–	(9,228)
Impairment loss on the investment	–	–	(10,882)
The Group’s share of net assets of Beijing Guoxin Huijin	266,069	263,772	229,880

22. INVESTMENT IN A JOINT VENTURE

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of investment in a joint venture	1,000	1,000	30,000
Share of post-acquisition losses	–	(324)	(655)
	1,000	676	29,345

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In September 2023, the Group entered an agreement to invest RMB30,000,000 for 50% equity interest in Shijiazhuang Henglu Biotechnology Co., Ltd.* (“Shijiazhuang Henglu”) (石家莊恒魯生物科技有限公司). The Group has joint control over Shijiazhuang Henglu which is accounted for as a joint venture of the Group. In November 2023, the Group injected RMB1,000,000 to Shijiazhuang Henglu. In January 2025 and April 2025, the Group made the remaining investment of RMB29,000,000 to Shijiazhuang Henglu.

* English name is for identification purpose only.

23. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	23,621	20,363	41,999
Work in progress	9,924	54,852	39,279
Finished goods	172,978	307,861	341,927
Others	18,298	15,593	74,598
	<u>224,821</u>	<u>398,669</u>	<u>497,803</u>

The inventories of the Group are net of provision of RMB11,937,000, RMB2,915,000 and RMB4,806,000 as at December 31, 2023, 2024 and 2025, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	6,417	4,015	3,284
Work in progress	6,738	17,161	8,044
Finished goods	51,018	45,914	51,191
Others	3,716	3,472	2,463
	<u>67,889</u>	<u>70,562</u>	<u>64,982</u>

24. TRADE RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	413,368	332,085	467,405
Less: Allowance for credit losses	(20,992)	(17,988)	(26,074)
	<u>392,376</u>	<u>314,097</u>	<u>441,331</u>

Included in trade receivables of the Group are amounts due from related parties of RMB3,129,000, RMB12,530,000 and RMB50,120,000 as at December 31, 2023, 2024 and 2025, respectively. Details are set out in Note 51(c).

As at January 1, 2023, trade receivables from contracts with customers amounted to RMB481,379,000.

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Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer’s credit quality and defines credit limits by customer. The Group allows a general credit period of 30-120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the respective revenue recognition dates at the end of the reporting period:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
0 to 90 days	350,102	274,878	360,536
91 to 180 days	36,249	32,195	62,048
181 to 365 days	3,865	3,123	16,452
More than 365 days	2,160	3,901	2,295
	<u>392,376</u>	<u>314,097</u>	<u>441,331</u>

As at December 31, 2023, 2024 and 2025, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB84,665,000, RMB84,159,000 and RMB82,015,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB6,683,000, RMB8,851,000 and RMB21,317,000, respectively, has been past due 90 days or more and is not considered as in default because there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Details of impairment assessment of trade receivables are set out in Note 47.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	376,502	431,004	383,273
Less: Allowance for credit losses	(4,610)	(3,791)	(5,643)
	<u>371,892</u>	<u>427,213</u>	<u>377,630</u>

Included in trade receivables of the Company are amounts due from related parties of RMB284,443,000, RMB364,430,000 and RMB285,823,000 as at December 31, 2023, 2024 and 2025, respectively. Details are set out in Note 51(c).

As at January 1, 2023, trade receivables from contracts with customers amounted to RMB482,366,000.

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
0 to 90 days	200,981	230,781	169,545
91 to 180 days	169,182	144,324	144,442
181 to 365 days	1,729	52,108	63,643
	<u>371,892</u>	<u>427,213</u>	<u>377,630</u>

As at December 31, 2023, 2024 and 2025, included in the Company’s trade receivables balance are debtors with aggregate carrying amount of RMB80,555,000, RMB103,671,000 and RMB84,173,000, respectively, which are past due as at the reporting date. Out of the past due balances, RMB1,820,000, nil and RMB1,040,000, respectively, has been past due 90 days or more and is not considered as in default because there has not been significant change in credit quality and the amounts are still considered recoverable.

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25. CONTRACT ASSETS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Research projects	11,875	—	—

Contract assets as at December 31, 2023 are attributable to a related party. Details are set out in Note 51(c).

As at January 1, 2023, contract assets is RMB11,875,000.

26. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for raw materials, research and development expenses	37,547	33,354	72,708
Prepayments for purchase of property, plant and equipment	26,330	40,285	104,283
Other taxes recoverable	18,420	100,508	177,311
Prepayments for income tax	4,323	10,362	11,683
Deferred share issue costs	—	—	23,527
Prepayments for [REDACTED] expenses	—	—	[REDACTED]
Dividends receivable (Note 51(c))	—	—	9,228
Others	1,545	2,048	1,465
	<u>88,165</u>	<u>186,557</u>	<u>400,255</u>
Analyzed as:			
Non-current	26,330	40,285	104,283
Current	61,835	146,272	295,972
	<u>88,165</u>	<u>186,557</u>	<u>400,255</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Prepayments for raw materials, research and development expenses	7,303	9,308	15,598
Prepayments for purchase of property, plant and equipment	16,458	12,854	2,854
Other taxes recoverable	5,753	9,996	8,661
Deferred share issue costs	—	—	23,527
Prepayments for [REDACTED] expenses	—	—	[REDACTED]
Dividends receivable	—	—	9,228
Loans to a subsidiary (Note 51(e))	—	—	358,843
Others	—	—	46
	<u>29,514</u>	<u>32,158</u>	<u>418,807</u>
Analyzed as:			
Non-current	16,458	12,854	2,854
Current	13,056	19,304	415,953
	<u>29,514</u>	<u>32,158</u>	<u>418,807</u>

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27. BILLS RECEIVABLE

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable	<u>71,965</u>	<u>98,850</u>	<u>88,160</u>

The bills receivable of the Group are with a maturity period of less than one year and not yet due at the end of the reporting period. The management considers the default risk is low based on historical information, experience and forward-looking information that is available without undue cost of effort.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable	<u>16,280</u>	<u>10,062</u>	<u>17,284</u>

28. FINANCIAL ASSETS AT FVTOCI

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable	<u>84,562</u>	<u>146,816</u>	<u>163,977</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bills receivable	<u>4,030</u>	<u>22,208</u>	<u>5,420</u>

Certain bills which were held by the Group within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets before the bills due for payment were classified as “financial assets at FVTOCI”. At the end of each reporting period, all the bills are with a maturity period of less than one year.

The Group considers the credit risk is limited because counterparties are banks with good credit standing, and the ECL are considered as insignificant. Details of impairment assessment are set out in Note 47.

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29. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Structured bank deposits (<i>note i</i>)	470,090	385,388
Investment in the certificate of deposit (<i>note ii</i>)	355,528	208,348
	<u>825,618</u>	<u>593,736</u>

The Company

	As at December 31,	
	2024	
	RMB'000	
Structured bank deposits (<i>note i</i>)		300,010
Investment in the certificate of deposit (<i>note ii</i>)		152,394
		<u>452,404</u>

Notes:

- i. The structured bank deposits carry guaranteed return up to 1.0% per annum and have a total expected return up to 2.6% per annum, depending on certain exchange rates in the market as specified in the terms of relevant deposits. There is no predetermined return for each product. Such financial products are accounted for as financial assets at FVTPL under HKFRS 9.
- ii. The Group invested in certain certificate of deposits with a bank in the PRC. The certificate of deposits carry fixed interest rate of 2.60% per annum. The Directors determine the deposits are mainly for the purpose of short-term fund management, which will be sold in the secondary market within one year, therefore the deposits are classified as current assets.

30. RESTRICTED BANK DEPOSIT

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Restricted bank deposit.	<u>13,099</u>	<u>2,932</u>

The restricted bank deposit mainly represents amounts placed in banks to provide guarantees for the Group’s letters of credit, and are classified as current assets. As at December 31, 2024 and 2025, the restricted bank deposit carries interest at a prevailing market rate of 1.3% and 1.0% to 2.0% per annum.

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31. BANK BALANCES AND CASH

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank balances and cash	3,770,190	858,983	769,237
Bank balances and cash denominated in:			
RMB	3,682,516	661,705	661,611
USD	81,458	154,504	95,154
European Union Registry (“EUR”).	5,509	40,810	8,948
Singapore Dollar.	–	35	1,717
Brazilian Real	707	1,929	1,774
HKD	0	0	33
	<u>3,770,190</u>	<u>858,983</u>	<u>769,237</u>

The Group’s bank balances carries interest at prevailing market rate of 0.00% to 4.00% per annum, 0.00% to 4.80% per annum and 0.00% to 3.66% per annum as at December 31, 2023, 2024 and 2025, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Bank balances and cash	2,631,951	600,935	454,258

The bank balances of the Company carries interest at prevailing market rate of 0.05% to 4.00% per annum, 0.05% to 4.80% per annum and 0.00% to 3.66% per annum as at December 31, 2023, 2024 and 2025.

32. TRADE PAYABLES

The general credit period of the Group on purchases of goods is up to 90 days during the Track Record Period. The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice dates:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	398,317	274,005	503,989
1 to 2 years	318,942	41,681	79,461
2 to 3 years	203,768	881	33,201
More than 3 years	203,650	3,837	4,550
	<u>1,124,677</u>	<u>320,404</u>	<u>621,201</u>

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Included in the Group’s trade payables are amounts due from related parties of RMB883,720,000, RMB35,757,000 and RMB202,778,000 as at December 31, 2023, 2024 and 2025, respectively. Details are set out in Note 51(c).

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Less than 1 year	87,449	88,509	81,914
1 to 2 years	33	699	28
2 to 3 years	4	32	56
More than 3 years	<u>1,689</u>	<u>1,693</u>	<u>1,723</u>
	<u>89,175</u>	<u>90,933</u>	<u>83,721</u>

Included in trade payables are an amount due from a related party of RMB346,000, RMB346,000 and RMB346,000 as at December 31, 2023, 2024 and 2025, respectively. Details are set out in Note 51(c).

33. BILLS PAYABLE

The Group

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Bills payable	<u>92,882</u>	<u>100,852</u>

As at December 31, 2024 and 2025, The bills payable of the Group are aged within 184 days and not yet due at the end of the reporting period. As at December 31, 2024, bank deposits of RMB13,099,000 have been pledged to banks for the guarantee of bills payable.

The Company

	As at December 31,	
	2024	2025
	RMB'000	RMB'000
Bills payable	<u>56,681</u>	<u>100,852</u>

As at December 31, 2024 and 2025, The bills payable of the Company are aged within 184 days and not yet due at the end of the reporting period.

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34. OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other tax payable	12,643	1,283	1,146
Payables arising from construction and acquisition of property, plant and equipment to third parties	270,668	348,086	334,726
Payables arising from construction and acquisition of property, plant and equipment to related parties	166,236	188,389	117,520
Payables for acquisition of additional interest in a subsidiary	—	—	998,460
Payables for intangible assets to related parties	115,000	—	—
Salaries, wages and other benefits payable	36,697	31,132	41,543
Selling expense payable	25,025	8,088	17,055
Payables arising from short-term lease from related parties	—	355	2,986
Suppliers’ deposits	8,124	7,506	8,850
Freight charges	4,274	6,926	5,650
Accrued [REDACTED] expenses and share issue costs	—	—	[REDACTED]
Others	20,496	19,697	15,052
	<u>659,163</u>	<u>611,462</u>	<u>1,555,296</u>
Analyzed as:			
Non-current	—	—	528,460
Current	<u>659,163</u>	<u>611,462</u>	<u>1,026,836</u>
	<u>659,163</u>	<u>611,462</u>	<u>1,555,296</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other tax payable	170	—	54
Payables arising from construction and acquisition of property, plant and equipment to third parties	88,886	95,381	57,452
Payables arising from construction and acquisition of property, plant and equipment to related parties	21,614	21,938	13,799
Loans from a subsidiary (Note 51(d))	—	120,000	90,000
Payables for acquisition of additional interest in a subsidiary	—	371,000	998,460
Salaries, wages and other benefits payable	20,441	17,784	20,131
Amount due to a subsidiary	—	1,137	1,137
Accrued [REDACTED] expenses and share issue costs	—	—	[REDACTED]
Others	10,575	11,807	9,677
	<u>141,686</u>	<u>639,047</u>	<u>1,203,018</u>
Analyzed as:			
Non-current	—	—	528,460
Current	<u>141,686</u>	<u>639,047</u>	<u>674,558</u>
	<u>141,686</u>	<u>639,047</u>	<u>1,203,018</u>

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35. CONTRACT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of functional ingredients and nutritional products	19,803	18,684	26,085

As at January 1, 2023, contract liabilities from customers amounted to RMB68,260,000.

Revenue recognized during the years ended December 31, 2023, 2024 and 2025 related to contract liabilities balance at the beginning of the period amounted to RMB68,260,000, RMB19,803,000 and RMB18,684,000, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Sales of functional ingredients and nutritional products	12,067	13,330	11,228

As at January 1, 2023, contract liabilities from customers amounted to RMB20,382,000.

Revenue recognized during the years ended December 31, 2023, 2024 and 2025 related to contract liabilities balance at the beginning of the period amounted to RMB20,382,000, RMB12,067,000 and RMB13,330,000, respectively.

36. LEASE LIABILITIES

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
The lease liabilities are payable as follows:			
Within one year	806	841	788
Within a period of more than one year but not more than two years	841	—	816
Within a period of more than two years but not more than five years	—	—	846
	1,647	841	2,450
Less: Amount due for settlement within one year shown under current liabilities	(806)	(841)	(788)
Amount due for settlement after one year shown under non-current liabilities	841	—	1,662

The lease liabilities are measured at the present value of lease payments that are not yet paid to a related party. The incremental borrowing rate applied to lease liabilities is 4.30% per annum, 4.30% per annum and 3.50% per annum as at December 31, 2023, 2024 and 2025, respectively. Details are set out in Note 51(c).

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37. DEFERRED TAXATION

For the purpose of presentation in the Historical Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	17,360	21,615	21,830
Deferred tax liabilities	(24)	(1,404)	(1,869)
	<u>17,336</u>	<u>20,211</u>	<u>19,961</u>

The following are the major deferred tax assets/(liabilities) recognized and their movements:

	ECL provision	Long-aged payable	Construction in progress and inventory impairment	Deferred income	Fair value adjustments	Accelerated tax depreciation	Right-of-use assets	Lease liabilities	Depreciation	Unrealised profit arising from inter-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	4,368	2,481	131	2,347	-	(65)	-	-	-	9,551	18,813
Exchange adjustments	51	-	-	-	-	-	-	-	-	-	51
(Charge)/credit to profit or loss	(815)	-	-	(428)	-	41	(242)	247	-	(331)	(1,528)
At December 31, 2023	3,604	2,481	131	1,919	-	(24)	(242)	247	-	9,220	17,336
Exchange adjustments	(34)	-	-	-	-	-	-	-	-	-	(34)
(Charge)/credit to profit or loss	(1,449)	3,013	229	(290)	(831)	(476)	43	(121)	285	2,506	2,909
At December 31, 2024	2,121	5,494	360	1,629	(831)	(500)	(199)	126	285	11,726	20,211
Exchange adjustments	39	-	-	-	-	-	-	-	-	-	39
Credit/(charge) to profit or loss	570	460	2,078	(77)	(419)	(119)	(169)	242	305	(3,160)	(289)
At December 31, 2025	<u>2,730</u>	<u>5,954</u>	<u>2,438</u>	<u>1,552</u>	<u>(1,250)</u>	<u>(619)</u>	<u>(368)</u>	<u>368</u>	<u>590</u>	<u>8,566</u>	<u>19,961</u>

As at December 31, 2023, 2024 and 2025, the PRC subsidiaries of the Group had unused tax losses of approximately RMB1,394,695,000, RMB2,802,611,000 and RMB3,993,255,000, respectively, available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

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For qualified HNTE, the unutilized tax losses incurred in the previous 5 years and since the date of accreditation can be utilized in 10 years from the year of loss, The unrecognized tax losses with expiry dates are disclosed in the following table:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2023	—	—	—
2024	—	—	—
2025	110	73	—
2026	1,016	957	531
2027	—	—	—
2028	281	281	—
2029	102	22,316	22,316
2030	3,703	3,703	40,674
2031	87,201	87,201	87,201
2032	352,322	352,322	347,317
2033	949,960	949,960	949,960
2034	—	1,385,798	1,375,267
2035	—	—	1,169,989
	<u>1,394,695</u>	<u>2,802,611</u>	<u>3,993,255</u>

As at December 31, 2023, 2024 and 2025, the Group has deductible temporary differences of RMB63,557,000, RMB85,125,000 and RMB239,077,000, respectively. No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	4,146	3,920	6,513
Deferred tax liabilities	—	(642)	(987)
	<u>4,146</u>	<u>3,278</u>	<u>5,526</u>

The following are the major deferred tax assets/(liabilities) recognized and their movements:

	ECL provision	Long-aged payable	Construction in progress and Inventory impairment	Deferred income	Fair value adjustments	Accelerated tax depreciation	Right-of-use assets	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023 . . .	1,562	2,481	—	1,186	—	—	—	—	5,229
(Charge)/credit to profit or loss	(838)	—	—	(250)	—	—	(242)	247	(1,083)
At December 31, 2023	724	2,481	—	936	—	—	(242)	247	4,146
(Charge)/credit to profit or loss	(122)	3	—	(102)	(361)	(208)	43	(121)	(868)
At December 31, 2024	602	2,484	—	834	(361)	(208)	(199)	126	3,278
Credit/(charge) to profit or loss	245	697	1,632	20	361	(780)	(169)	242	2,248
At December 31, 2025	847	3,181	1,632	854	—	(988)	(368)	368	5,526

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38. DEFERRED INCOME

The Group

	Deferred government grants related to		
	Plant and machinery	Research and development activities	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	35,728	2,880	38,608
Government grants received	50,600	1,400	52,000
Release to profit or loss	(3,071)	(3,379)	(6,450)
At December 31, 2023	83,257	901	84,158
Government grants received	15,140	2,112	17,252
Release to profit or loss	(9,332)	(1,591)	(10,923)
At December 31, 2024	89,065	1,422	90,487
Government grants received	100,320	64,230	164,550
Release to profit or loss	(13,334)	(1,788)	(15,122)
At December 31, 2025	176,051	63,864	239,915

The Company

	Deferred government grants related to		
	Plant and machinery	Research and development activities	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2023	6,430	1,480	7,910
Government grants received	600	500	1,100
Release to profit or loss	(796)	(1,980)	(2,776)
At December 31, 2023	6,234	–	6,234
Government grants received	140	20	160
Release to profit or loss	(837)	–	(837)
At December 31, 2024	5,537	20	5,557
Government grants received	1,000	–	1,000
Release to profit or loss	(841)	(20)	(861)
At December 31, 2025	5,696	–	5,696

Government grants include subsidies from local PRC governments which are specifically for (i) compensations of the capital expenditure incurred for purchase of plant and machinery, which are recognized over the useful life of the related assets and (ii) the research and development activities, which are recognized upon compliance with the attached conditions.

39. OTHER BORROWING

	As at December 31,
	2025
	RMB'000
Other borrowing	3,205

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The Group transferred certain bills receivable to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognize the full carrying amount of bills receivable and has recognized the cash received on the transfer as a collateralised borrowing. The other borrowing bears interest at the rate of 0.64% to 0.8% per annum and will mature within one year.

40. SHARE CAPITAL

The Group and the Company

Ordinary shares of RMB1 each	Number of shares	Share capital
	'000	RMB'000
At January 1, 2023	618,926	618,926
Issue of shares (<i>note i</i>)	31,486	31,486
Bonus issue (<i>note ii</i>)	520,330	520,330
At December 31, 2023	1,170,742	1,170,742
Bonus issue (<i>note iii</i>)	233,851	233,851
At December 31, 2024 and 2025	1,404,593	1,404,593

Notes:

- i. On March 10, 2023, an aggregate of 31,486,146 new shares with par value of RMB1 each of the Company have been issued to certain parties at the total consideration of RMB500,000,000. The net proceeds of RMB488,195,000 had been received, resulting in an increase of the share capital and share premium of RMB31,486,000 and RMB456,709,000, respectively.
- ii. The Company’s 2022 annual equity distribution plan of issuance of additional 8 shares for every 10 shares had been approved by the Company’s 2022 annual general meeting (“AMG”) held on April 7, 2023. The shares registered on April 27, 2023.
- iii. The Company’s 2023 annual equity distribution plan of issuance of additional 2 shares for every 10 shares had been approved by the Company’s 2023 AMG held on April 9, 2024. The shares registered on April 25, 2024.

41. TREASURY SHARE

During the Track Record Period, the Company has repurchased its own ordinary shares as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		RMB	RMB	RMB'000
Oct 2023	220,300	25.14	18.68	4,248
At December 31, 2023	220,300			4,248
Feb 2024	1,164,900	34.99	25.10	31,496
Mar 2024	103,000	34.50	33.12	3,493
May 2024	1,689,000	31.39	29.93	51,905
Jun 2024	4,903,605	31.39	25.00	135,849
Jul 2024	3,877,320	25.81	22.74	93,023
Aug 2024	42,100	24.40	23.88	1,016
At December 31, 2024 and 2025	12,000,225			321,030

All repurchased shares were maintained as treasury shares at the end of the reporting period.

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42. RESERVES

The Company

	Treasury share	Share premium	other reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000	RMB'000
At January 1, 2023 . . .	–	1,074,877	900	221,930	1,633,322	2,931,029
Profit and total comprehensive income for the year . . .	–	–	–	–	609,575	609,575
Bonus issue	–	(520,330)	–	–	–	(520,330)
Repurchase of shares . .	(4,248)	–	–	–	–	(4,248)
Issue of shares	–	468,514	–	–	–	468,514
Transaction costs attributable to issue of shares	–	(11,805)	–	–	–	(11,805)
Dividends distribution . .	–	–	–	–	(97,562)	(97,562)
Transfer to statutory reserves	–	–	–	60,957	(60,957)	–
At December 31, 2023 . .	(4,248)	1,011,256	900	282,887	2,084,378	3,375,173
Profit and total comprehensive income for the year . . .	–	–	–	–	563,288	563,288
Bonus issue	–	(233,851)	–	–	–	(233,851)
Repurchase of shares . .	(316,782)	–	–	–	–	(316,782)
Adjustment of consideration under common control . . .	–	(714,775)	–	–	–	(714,775)
Dividends distribution . .	–	–	–	–	(374,161)	(374,161)
Transfer to statutory reserves	–	–	–	56,329	(56,329)	–
At December 31, 2024 . .	(321,030)	62,630	900	339,216	2,217,176	2,298,892
Profit and total comprehensive income for the year . . .	–	–	–	–	199,833	199,833
Dividends distribution . .	–	–	–	–	(27,852)	(27,852)
Transfer to statutory reserves	–	–	–	19,983	(19,983)	–
At December 31, 2025 . .	(321,030)	62,630	900	359,199	2,369,174	2,470,873

Note: Other reserve as at January 1, 2023 mainly included the special fund for resource conservation in 2007 of RMB900,000.

43. TRANSFER OF FINANCIAL ASSETS

The Group

The following were the Group’s financial assets that were transferred to suppliers by endorsing on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognize the full carrying amount. These financial assets are carried at amortized cost in the Historical Financial Information.

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Bills endorsed to suppliers with full recourse:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	28,186	25,821	27,073
Carrying amount of associated liabilities	(28,186)	(25,821)	(27,073)
	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

During the Track Record Period, the Group have derecognized certain bills endorsed to certain suppliers and discounted to certain banks on a full recourse basis. In the opinion of the Directors, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group’s obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable is low because all endorsed and discounted bills receivable are issued and guaranteed by the reputable PRC banks. The maximum exposure to the Group that may result from the default of these endorsed and discounted bills receivable at the end of each reporting period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Outstanding endorsed bills receivable	92,259	92,003	120,541
Outstanding discounted bills receivable	<u>—</u>	<u>—</u>	<u>13,375</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>13,375</u></u>

The outstanding endorsed bills receivable are with maturities within one year.

The Company

The following were the Company’s financial assets that were transferred to suppliers by endorsing on a full recourse basis. As the Company has not transferred the significant risks and rewards, it continues to recognize the full carrying amount. These financial assets are carried at amortized cost in the Historical Financial Information.

Bills endorsed to suppliers with full recourse:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	14,889	6,304	16,648
Carrying amount of associated liabilities	(14,889)	(6,304)	(16,648)
	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

During the Track Record Period, the Company have derecognized certain bills endorsed to certain suppliers on a full recourse basis. In the opinion of the Directors, the Company has transferred the significant risks and rewards relating to these bills receivable, and the Company’s obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed bills receivable is low because all endorsed bills receivable are issued and guaranteed by the reputable PRC banks. The maximum exposure to the Company that may result from the default of these endorsed bills receivable at the end of each reporting period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Outstanding endorsed bills receivable	<u>34,360</u>	<u>29,548</u>	<u>28,914</u>
	<u><u>34,360</u></u>	<u><u>29,548</u></u>	<u><u>28,914</u></u>

The outstanding endorsed bills receivable are with maturities within one year.

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44. RETIREMENT BENEFIT SCHEMES

The employees of the subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The relevant subsidiaries are required to make contributions to the retirement benefit scheme based on a certain percentage of payroll costs stipulated by the local government authorities. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. Upon retirement, the local government authorities are responsible for the payment of the retirement benefits to the retired employees.

The retirement benefits cost charged to profit or loss for the years ended December 31, 2023, 2024 and 2025 amounted to RMB19,379,000, RMB16,610,000 and RMB19,782,000, respectively.

45. CAPITAL COMMITMENTS

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries	271,261	289,187	258,782
Commitments arise from the Group’s investment in a joint venture and an associate	29,000	29,000	157,500

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the other borrowing and loans from the immediate holding company as disclosed in Notes 39 and 51(d), net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the repayment of existing debt.

47. FINANCIAL INSTRUMENTS

a. Categories of major financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
FVTPL			
– structured bank deposits	–	470,090	385,388
– investment in the certificate of deposit	–	355,528	208,348
FVTOCI			
– bills receivables	84,562	146,816	163,977
Amortized cost	4,236,076	1,287,077	1,312,353
Financial liabilities			
Amortized cost	1,807,368	1,365,201	3,160,733

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The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
FVTPL			
– structured bank deposits	–	300,010	–
– investment in the certificate of deposit	–	152,394	–
FVTOCI			
– bills receivables	4,030	22,208	5,420
Amortized cost	3,020,123	1,038,210	1,217,289
Financial liabilities			
Amortized cost	210,250	768,877	1,367,406

b. Financial risk management objectives and policies

The Group’s major financial instruments include trade receivables, financial assets at FVTOCI, financial assets at FVTPL, other receivables, bills receivable, restricted bank deposit, bank balances and cash, trade payables, certain other payables, bills payable, lease liabilities, loans from the immediate holding company and other borrowing. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group

The carrying amounts of the Group’s major foreign currency denominated monetary assets and monetary liabilities and intra-group balances at the end of the reporting period are as follows:

	Liabilities			Assets		
	As at December 31,			As at December 31,		
	2023	2024	2025	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD denominated items:						
Bank balances and cash	–	–	–	56,876	134,600	63,659
Trade receivables	–	–	–	54,840	55,919	117,118
Intra-group balances	186,020	194,709	126,040	284,300	355,757	275,776
EUR denominated items:						
Trade receivables	–	–	–	1,658	–	–
Intra-group balances	–	–	–	–	–	–

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The Company

The carrying amounts of the Company’s major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities			Assets		
	As at December 31,			As at December 31,		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
USD denominated items:						
Bank balances and cash . .	-	-	-	28,921	98,106	47,355
Trade receivables.	-	-	-	45,184	33,797	61,427
Intra-group balances . . .	-	-	-	284,300	355,176	270,854
EUR denominated items:						
Trade receivables.	-	-	-	1,299.60	-	-
Intra-group balances . . .	-	-	-	-	-	-

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis also includes intra-group balances where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. At the end of the reporting period, if the exchange rate of RMB had been weakened against USD and EUR by 5% and all other variables were held constant, the Group’s post-tax profit would increase as follows. For a 5% strengthening of RMB against USD and EUR, there would be an opposite impact on the post-tax profit for the year.

The Group

	Increase in post-tax profit			Increase in post-tax profit		
	USD Impact			EUR Impact		
	As at December 31,			As at December 31,		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Post-tax profit	8,873	14,913	14,075	70	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company

	Increase in post-tax profit			Increase in post-tax profit		
	USD Impact			EUR Impact		
	As at December 31,			As at December 31,		
	2023	2024	2025	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Post-tax profit	15,232	20,701	16,135	55	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(ii) Interest rate risk

The Group’s fair value interest rate risk relates primarily to restricted bank deposit, fixed-rate lease liabilities (Note 36), fixed-rate bank borrowing (Note 39). The Company’s fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 36). The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

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Credit risk and impairment assessment

The Group and the Company

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations resulting in financial losses to the Group. The Group’s credit risk exposures are primarily attributable to trade receivables, deposits and other receivables, bills receivables, financial assets at FVTOCI, restricted bank deposit, bank balances and cash and contract assets. The Company’s maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of trade receivables, deposits and other receivables, bills receivables, financial assets at FVTOCI, restricted bank deposit, bank balances and cash. The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimize the credit risk, the Group and the Company monitor the exposure to credit risk on an on-going basis. The Group’s and the Company’s internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk.	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful.	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of financial assets, contract assets, which are subject to ECL assessment upon application of HKFRS 9:

The Group

				Gross carrying amount		
				As at December 31		
				2023	2024	2025
				RMB'000	RMB'000	RMB'000
Financial assets at amortized cost						
Restricted bank deposit	30	N/A	12m ECL	–	13,099	2,932
Bank balances and cash	31	N/A	12m ECL	3,770,190	858,983	769,237
Other receivables	26	Low risk	12m ECL	1,850	2,380	10,770
Bills receivable	27	Low risk	12m ECL	71,965	98,850	88,160
Trade receivables	24	Low risk	Lifetime ECL (not credit-impaired)	413,368	332,085	467,405
Contract assets	25	Low risk	12m ECL	11,875	–	–
Financial assets at FVTOCI	28	Low risk	12m ECL	84,562	146,816	163,977

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The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach:

The Group

	Lifetime ECL
	RMB'000
As at January 1, 2023	25,467
Impairment losses recognized	2,891
Impairment losses reversed	(7,737)
Exchange adjustments	371
As at December 31, 2023	20,992
Impairment losses recognized	2,250
Impairment losses reversed	(4,578)
Write-offs	(501)
Exchange adjustments	(175)
As at December 31, 2024	17,988
Impairment losses recognized	16,119
Impairment losses reversed	(8,113)
Exchange adjustments	80
As at December 31, 2025	26,074

As at December 31, 2023, 2024 and 2025, included in the above balance was nil, RMB934,000 and RMB934,000 related to the loss allowance recognized for credit-impaired trade receivables, respectively. During the year ended December 31, 2024, loss allowance on credit impaired balance of RMB501,000 was written off.

The average loss rates as at December 31, 2023, 2024, and 2025 were 4.86%, 5.15% and 5.05%, respectively, which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

The Company

	Lifetime ECL
	RMB'000
As at January 1, 2023	10,184
Impairment losses reversed	(5,574)
As at December 31, 2023	4,610
Impairment losses reversed	(694)
Write-offs	(125)
As at December 31, 2024	3,791
Impairment losses recognized	3,120
Impairment losses reversed	(1,268)
As at December 31, 2025	5,643

As at December 31, 2023, 2024 and 2025, nil balance was related to the loss allowance recognized for credit-impaired trade receivables. During the year ended December 31, 2024, loss allowance on credit impaired balance of RMB125,000 was written off.

The average loss rates as at December 31, 2023, 2024, and 2025 were 1.22%, 0.88% and 1.47%, respectively, which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

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Other receivables

The management believes that there is no significant increase in credit risk of other receivables since initial recognition and the Group provided impairment based on 12m ECL. The following table shows the movement in ECL that has been recognized for other receivables:

The Group

	12m ECL
	<i>RMB'000</i>
As at January 1, 2023	1,081
Impairment losses reversed	(776)
As at December 31, 2023	305
Impairment losses recognized	28
Exchange adjustments	(1)
As at December 31, 2024	332
Impairment losses recognized	59
Impairment losses reversed	(128)
Write-offs	(184)
Exchange adjustments	(2)
As at December 31, 2025	77

The average loss rates as at December 31, 2023, 2024, and 2025 were 16.46%, 13.94% and 0.72%, respectively, which were assessed on a collective basis by using provision matrix within 12m ECL (not credit-impaired).

The Company

	12m ECL
	<i>RMB'000</i>
As at January 1, 2023	227
Impairment losses reversed	(8)
As at December 31, 2023 and 2024	219
Impairment losses recognized	2
Impairment losses reversed	(35)
Write-offs	(184)
As at December 31, 2025	2

The average loss rates as at December 31, 2023, 2024, and 2025 were 100%, 100% and 0.001%, respectively, which were assessed on a collective basis by using provision matrix within 12m ECL (not credit-impaired).

Bills receivable and financial assets at FVTOCI

The credit risk of bills receivable and financial assets at FVTOCI is limited because the counterparties are mainly banks/financial institutions with high credit ratings assigned by independent credit-rating agencies. The management of the Group considers that the credit risk on bills receivables and financial assets at FVTOCI is insignificant and no loss allowance was recognized for the Group and the Company.

Bank balances and restricted bank deposit

The credit risk of bank balances and restricted bank deposit is limited because the counterparties are mainly banks/financial institutions with high credit ratings assigned by independent credit-rating agencies. The management of the Group considers that the credit risk on bank balances and restricted bank deposit is insignificant and no loss allowance was recognized for the Group and the Company.

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The Group has concentration risk with approximately 26.25%, 48.76% and 11.58% of the Group’s bank balances placed with bank A, bank B and bank C, respectively at December 31, 2023, with 36.91%, 19.07% and 13.18% of the Group’s bank balances placed with bank A, bank B and bank C, respectively at December 31, 2024, and with 36.26%, 15.35% and 15.15% of the Group’s bank balances placed with bank A, bank B and bank C, respectively at December 31, 2025.

The Company has concentration risk with approximately 28.28%, 55.52% and 12.75% of the Company’s bank balances placed with bank A, bank B and bank C, respectively at December 31, 2023, and with 53.32% and 26.94% of the Company’s bank balances placed with bank A and bank B, respectively at December 31, 2024, and with 61.19%, 18.70% and 8.77% of the Company’s bank balances placed with bank A, bank B and bank C, respectively at December 31, 2025.

Liquidity risk

In management of the liquidity risk, the Group monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The Group relies on loans from the immediate holding company and shareholders’ investment as a significant source of liquidity.

The following table details the Group’s remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group

	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Trade payables	N/A	1,124,677	–	–	1,124,677	1,124,677
Other payables	N/A	609,823	–	–	609,823	609,823
Loans from the immediate holding company	3.45%	72,868	–	–	72,868	72,868
Lease liabilities	4.30%	864	864	–	1,728	1,647
		<u>1,808,232</u>	<u>864</u>	<u>–</u>	<u>1,809,096</u>	<u>1,809,015</u>

	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Trade payables	N/A	320,404	–	–	320,404	320,404
Other payables	N/A	579,047	–	–	579,047	579,047
Loans from the immediate holding company	nil-3.35%	372,868	–	–	372,868	372,868
Bills payable	N/A	92,882	–	–	92,882	92,882
Lease liabilities	4.30%	864	–	–	864	841
		<u>1,366,065</u>	<u>–</u>	<u>–</u>	<u>1,366,065</u>	<u>1,366,042</u>

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	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025						
Trade payables	N/A	621,201	–	–	621,201	621,201
Other payables	N/A	984,147	550,000	–	1,534,147	1,512,607
Other borrowing	0.64%-0.80%	3,205	–	–	3,205	3,205
Loans from the immediate holding company	nil-3.10%	922,868	–	–	922,868	922,868
Bills payable	N/A	100,852	–	–	100,852	100,852
Lease liabilities	3.50%	864	864	864	2,592	2,450
		<u>2,633,137</u>	<u>550,864</u>	<u>864</u>	<u>3,184,865</u>	<u>3,163,183</u>

The Company

	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Trade payables	N/A	89,175	–	–	89,175	89,175
Other payables	N/A	121,075	–	–	121,075	121,075
Lease liabilities	4.30%	864	864	–	1,728	1,647
		<u>211,114</u>	<u>864</u>	<u>–</u>	<u>211,978</u>	<u>211,897</u>

	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Trade payables	N/A	90,933	–	–	90,933	90,933
Other payables	N/A	621,263	–	–	621,263	621,263
Bills payable	N/A	56,681	–	–	56,681	56,681
Lease liabilities	4.30%	864	–	–	864	841
		<u>769,741</u>	<u>–</u>	<u>–</u>	<u>769,741</u>	<u>769,718</u>

	Interest rates	Within 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025						
Trade payables	N/A	83,721	–	–	83,721	83,721
Other payables	N/A	654,373	550,000	–	1,204,373	1,182,833
Bills payable	N/A	100,852	–	–	100,852	100,852
Lease liabilities	3.50%	864	864	864	2,592	2,450
		<u>839,810</u>	<u>550,864</u>	<u>864</u>	<u>1,391,538</u>	<u>1,369,856</u>

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48. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

The Group

	Fair value as at				
	December 31,				
Financial assets	2023	2024	2025	Fair value hierarchy	Valuation techniques and key input(s)
	RMB'000	RMB'000	RMB'000		
Financial assets at FVTOCI. .	84,562	146,816	163,977	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers
Structured bank deposits . . .	–	470,090	385,388	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers
Investment in the certificate of deposit	–	355,528	208,348	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers

The Company

Financial assets	Fair value as at			Fair value hierarchy	Valuation techniques and key input(s)
	December 31,				
	2023	2024	2025		
	RMB'000	RMB'000	RMB'000		
Financial assets at FVTOCI. .	4,030	22,208	5,420	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers
Structured bank deposits . . .	–	300,010	–	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers
Investment in the certificate of deposit	–	152,394	–	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their respective fair values at the end of each reporting period.

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49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash transactions. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowing	Other borrowings	Lease liabilities	Loans from the immediate holding company	Accrued share issue costs	Payables for acquisition of additional interests in a subsidiary	Total
	RMB'000 (Note 39)	RMB'000	RMB'000 (Note 36)	RMB'000 (Note 51(d))	RMB'000	RMB'000	RMB'000
At January 1, 2023.	20,023	–	–	579,317	–	–	599,340
Financing cash flows	(20,521)	–	(864)	(506,449)	–	–	(527,834)
Interest expenses	498	–	91	17,270	–	–	17,859
Modification of leases	–	–	2,420	–	–	–	2,420
Interest waived by the immediate holding company	–	–	–	(17,270)	–	–	(17,270)
At December 31, 2023. . . .	–	–	1,647	72,868	–	–	74,515
Financing cash flows	–	–	(876)	300,000	–	–	299,124
Interest expenses	–	–	70	6,303	–	–	6,373
Interest waived and discount on interest free loan.	–	–	–	(6,303)	–	–	(6,303)
At December 31, 2024. . . .	–	–	841	372,868	–	–	373,709
Acquisition of additional interests in a subsidiary . . .	–	–	–	–	–	1,075,828	1,075,828
Financing cash flows	–	3,075	(864)	550,000	(11,721)	(80,000)	460,490
Interest expenses	–	130	23	19,032	–	2,632	21,817
Modification of leases	–	–	2,450	–	–	–	2,450
Deferred share issue costs . .	–	–	–	–	23,527	–	23,527
Interest waived and discount on interest free loan.	–	–	–	(19,032)	–	–	(19,032)
At December 31, 2025. . . .	–	3,205	2,450	922,868	11,806	998,460	1,938,789

50. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2023, the Group remeasured the lease liabilities of RMB2,420,000 due to a lease modification and made a corresponding adjustment of RMB2,420,000 to the right-of-use assets.

During the Track Record Period, the immediate holding company and its fellow subsidiaries granted certain waivers in respect of interest and amounts payable to the relevant related parties. Further details are set out in the consolidated statements of changes in equity and Note 51.

During the year ended December 31, 2025, the Group remeasured the lease liabilities of RMB2,450,000 due to a lease modification and made a corresponding adjustment of RMB2,450,000 to the right-of-use assets.

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51. RELATED PARTY DISCLOSURES

a. Name and relationship

Names	Relationships
NBP Pharmaceutical	The immediate holding company
CSPC Ouyi Pharmaceutical Co., Ltd.* (石藥集團歐意藥業有限公司)	A fellow subsidiary
CSPC Jiangsu Enpu Medical Device Co., Ltd.* (石藥集團江蘇恩普醫療器械有限公司)	A fellow subsidiary
Hebei Zhongrun Ecological Environmental Protection Co., Ltd* (河北中潤生態環保有限公司)	A fellow subsidiary
CSPC Zhongnuo Pharmaceutical (Shijiazhuang) Co., Ltd.* (石藥集團中諾藥業(石家莊)有限公司).	A fellow subsidiary
CSPC Yinhu Pharmaceutical Co., Ltd.* (石藥銀湖製藥有限公司)	A fellow subsidiary
CSPC Hebei Zhongcheng Pharmaceutical Co., Ltd. and its subsidiaries* (石藥集團河北中誠醫藥有限公司及其子公司)	Related companies*
Shijiazhang Ouyihe Medical Trading Co., Ltd.*(石家莊歐意和醫藥銷售有限公司).	A fellow subsidiary
CSPC Zhongqi Pharmaceutical Technology (Shijiazhuang) Co., Ltd.* (石藥集團中奇製藥技術(石家莊)有限公司)	A fellow subsidiary
CSPC Zhongcheng Pharmaceutical Logistics Co., Ltd* (石藥中誠醫藥物流有限公司).	Related companies*
Shijiazhuang Shiyao construction Co., Ltd.* (石家莊世耀工程有限公司)	A fellow subsidiary
CSPC Neimenggu Zhongnuo Pharmaceutical Co., Ltd.* (石藥集團內蒙古中諾藥業有限公司)	A fellow subsidiary
CSPC Weisheng Pharmaceutical (Shijiazhuang) Co., Ltd.* (石藥集團維生藥業(石家莊)有限公司).	A fellow subsidiary
CSPC Baike (Shandong) Biopharmaceutical Co., Ltd.* (石藥集團百克(山東)生物製藥股份有限公司)	A fellow subsidiary
Shanghai JMT-BIO Technology Co., Ltd.* (上海津曼特生物科技有限公司)	A fellow subsidiary
Taizhou Tainuo Pharmaceutical Co., Ltd.* (泰州泰諾醫藥有限公司)	Related companies*
Hebei CSPC Puen Charity Foundation* (河北省石藥普恩慈善基金會).	A fellow subsidiary
Shijiazhuang Zhongrun Pharmaceutical Technology Co., Ltd.* (石家莊中潤醫藥科技有限公司)	A fellow subsidiary
CSPC HEALTHCARE INC	A fellow subsidiary
CSPC DERMAY EUROPE GMBH	A fellow subsidiary
Shanghai JMT-BIO Pharmaceutical Co., Ltd.* (上海津曼特生物製藥有限公司)	A fellow subsidiary
Beijing Xinlongli Technology Co., Ltd.* (北京新龍立科技有限公司)	Related companies*
Bioworkshops-BIO Technology Co., Ltd.* (康日百奧生物科技(蘇州)有限公司)	A joint venture of ultimate controlling shareholder
Neimenggu Changsheng Pharmaceutical Co., Ltd.* (內蒙古常盛製藥有限公司)	Related companies*
Hebei Huarong Pharmaceutical Co., Ltd.* (河北華榮製藥有限公司)	Related companies*
CSPC IBERICA, S.L.	A fellow subsidiary
Harbin Enwei Biopharmaceutical Co., Limited (哈爾濱恩維生物製藥有限公司)	A joint venture of ultimate controlling shareholder

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Names	Relationships
Shijiazhuang CSPC Zhongnuo Import and Export Co., Limited (石家莊石藥中諾進出口有限公司)	A fellow subsidiary
CSPC Group Jiangxi Jin Furong Pharmaceutical Co., Limited (石藥集團江西金芙蓉藥業有限公司)	Related companies*
ConjuPro Biotherapeutics Inc.	A fellow subsidiary

* English name is for identification purpose only.

* Mr. Cai Dongchen, Chairman and executive director of CSPC Pharmaceutical, has significant influence over the Company and exercises control over CSPC Holdings through a series of controlled corporations. Accordingly, CSPC Holdings and its subsidiaries and joint venture (the “CHL Group”) are related parties of the Group.

- b. Other than the equity transactions disclosed elsewhere in the Historical Financial Information the Group and the Company had the following related party transactions during the Track Record Period:

The Group

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
The immediate holding company	<u>Trade nature</u>			
	Sale of functional ingredients and nutritional products	396	169	29
	<u>Non-trade nature</u>			
	Sale energy and income of labor services	377	—	—
	<u>Trade nature</u>			
	Purchase of raw materials	39	—	—
	<u>Non-trade nature</u>			
	Purchase of equipment	84,292	—	—
	Purchase of research and development services	315	—	—

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries	<u>Trade nature</u>			
	Sale of functional ingredients and nutritional products	299,730	154,390	56,227
	<u>Non-trade nature</u>			
	Income of research and development services	—	1,698	2,796
	Sale energy and income of labor services	743	—	—
	Donated pharmaceutical products	—	642	2,561

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Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
	<u>Trade nature</u>			
	Purchase of raw materials	10,560	9,406	5,055
	Purchase of research and development services	94,219	86,339	76,381
	Purchase of research and development materials	—	—	2,665
	<u>Non-trade nature</u>			
	Acquisition of right-of-use asset	2,419	—	—
	Interest on lease liabilities	91	58	23
	Short-term lease expenses	10,283	355	864
	Payment of variable lease	—	16,610	9,620
	Purchase of equipment	321,300	1,720	6,625
	Purchase of environmental treatment services	1,703	3,924	743
	Purchase of construction services	27,784	37,864	48,313

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Related companies	<u>Trade nature</u>			
	Sale of functional ingredients and nutritional products	51,023	196,462	214,540
	<u>Non-trade nature</u>			
	Lease income	255	—	—
	<u>Trade nature</u>			
	Purchase nutritional products	302	20	—
	Purchase of raw materials	39,612	6,433	129
	Purchase of research and development materials	9	12	623
	<u>Non-trade nature</u>			
	Purchase of equipments	—	3,940	51
	Purchase of warehousing services	—	—	141

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
A joint venture of ultimate controlling shareholder . .	Purchase of research and development services	10,019	25,512	27,927
	Sale of equipments	—	—	6,927

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The Company

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries	<u>Trade nature</u>			
	Sale of functional ingredients and nutritional products	129,323	86,117	22,257
	<u>Non-trade nature</u>			
	Acquisition of right-of-use asset	2,419	–	–
	Interest on lease liabilities	92	58	23
	Purchase of equipment	171	–	2,148
	Purchase of research and development services	–	386	–
	Purchase of environmental treatment services	1,571	3,898	449
	Purchase of construction services	18,851	26,273	16,117

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Related companies	<u>Trade nature</u>			
	Purchase of nutritional products	229	4	–
	<u>Non-trade nature</u>			
	Purchase of warehousing services	–	–	141

Relationship	Nature of transactions	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Subsidiaries of the Company	<u>Trade nature</u>			
	Sale of functional ingredients and nutritional products	733,693	637,075	472,149
	<u>Trade nature</u>			
	Purchase of raw materials	57	42	13

- c. The Group and the Company had the following related parties balance during the Track Record Period:

The Group

Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
The immediate holding company	<u>Trade nature</u>			
	Financial assets at FVTOCI	–	–	33
	<u>Non-trade nature</u>			
	Payables arising from construction and acquisition of property, plant and equipment	94,908	72,765	73,293
	Payables for acquisition of additional interests in a subsidiary	–	–	998,460

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Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries	<u>Trade nature</u>			
	Trade receivables	1,180	10,216	41,552
	Contract assets	11,875	–	–
	Financial assets at FVTOCI	5,193	32,261	475
	Bills receivable	5,099	18,986	6,649
	<u>Trade nature</u>			
	Trade payables	869,707	34,224	186,542
	<u>Non-trade nature</u>			
	Lease liabilities	1,647	841	2,450
	Payables arising from short-term lease	–	355	2,986
	Payables arising from construction and acquisition of property, plant and equipment	71,249	115,624	44,227
	Payables for intangible assets	121,900	–	–

Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Related companies	<u>Trade nature</u>			
	Trade receivables	1,949	2,314	8,568
	Financial assets at FVTOCI	27,071	55,966	66,698
	Bills receivable	15,080	40,864	25,902
	<u>Trade nature</u>			
	Trade payables	8,613	317	436
	<u>Non-trade nature</u>			
	Payables arising from construction and acquisition of property, plant and equipment	79	–	–

Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
A joint venture of ultimate controlling shareholder . .	<u>Trade nature</u>			
	Trade payables	5,400	1,216	15,800

Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Associate of the Company .	<u>Non-trade nature</u>			
	Dividends receivable	–	–	9,228

All balances with related parties of the Group that are of a non-trade nature will be settled prior to [REDACTED], except for (i) payables amounted to RMB528,460,000 in respect of the acquisition of additional interests in a subsidiary, which are scheduled to be settled in April 2027 in accordance with the acquisition agreement and (ii) lease liabilities amounted to RMB1,662,000 and payables arising from construction and acquisition of property, plant and equipment amounted to RMB20,664,000, both of which are subject to the Group’s normal credit terms.

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The Company

Relationship	Nature of balances	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Fellow subsidiaries	<u>Trade nature</u>			
	Trade receivables	143	9,254	14,643
	Financial assets at FVTOCI	–	12,391	350
	Bills receivable	–	644	4,532
	<u>Trade nature</u>			
	Trade payables	29	29	346
	<u>Non-trade nature</u>			
	Lease liabilities	1,647	841	2,450
	Payables arising from construction and acquisition of property, plant and equipment	21,614	21,938	13,799

Relationship	Nature of balances	As at December 31,		
		2023	2024	2025
The immediate holding company	<u>Non-trade nature</u>			
	Payables for acquisition of additional interests in a subsidiary	–	–	998,460

Relationship	Nature of balances	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Related companies	<u>Trade nature</u>			
	Trade payables	317	317	–

Relationship	Nature of balances	Years ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Subsidiaries of the Company	<u>Trade nature</u>			
	Trade receivables	284,300	355,176	270,409
	<u>Non-trade nature</u>			
	Consideration payable for Megalith Biopharmaceutical	–	371,000	–
	Amount due to a subsidiary	–	1,137	1,137
Associate of the Company	<u>Non-trade nature</u>			
	Dividends receivable	–	–	9,228

All balances with related parties of the Company that are of a non-trade nature will be settled prior to the [REDACTED], except for (i) payables amounted to RMB528,460,000 in respect of the acquisition of additional interests in a subsidiary, which are scheduled to be settled in April 2027 in accordance with the acquisition agreement and (ii) lease liabilities amounted to RMB1,662,000 and payables arising from construction and acquisition of property, plant and equipment amounted to RMB7,832,000, both of which are subject to the Company’s normal credit terms.

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d. Loans from the related parties

The Group

Category	As at January 1, 2023	Drawdown during the year	Interest expense accrued during the year	Interest waived during the year	Repayment during the year	As at December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The immediate holding company . .	<u>579,317</u>	<u>193,551</u>	<u>17,270</u>	<u>(17,270)</u>	<u>(700,000)</u>	<u>72,868</u>

These loans were unsecured, carried interest rates of 3.45% per annum and repayable within one year from the date a demand is made.

Category	As at January 1, 2024	Drawdown during the year	Interest expense accrued during the year	Interest waived and discount on interest free loan during the year	Repayment during the year	As at December 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The immediate holding company . .	<u>72,868</u>	<u>300,000</u>	<u>6,303</u>	<u>(6,303)</u>	<u>—</u>	<u>372,868</u>

RMB72,868,000 of these loans were unsecured, carried interest rates of 3.35% per annum and repayable within one year from the date a demand is made. RMB300,000,000 of these loans were unsecured, interest free and repayable within one year upon the occurrence of any material adverse change.

Category	As at January 1, 2025	Drawdown during the year	Interest expense accrued during the year	Interest waived and discount on interest free loan during the year	Repayment during the year	As at December 31, 2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The immediate holding company . .	<u>372,868</u>	<u>550,000</u>	<u>19,032</u>	<u>(19,032)</u>	<u>—</u>	<u>922,868</u>

RMB72,868,000 of these loans were unsecured, carried interest rates of 3.10% per annum and repayable within one year from the date a demand is made. RMB850,000,000 of these loans were unsecured, interest free and repayable within one year upon the occurrence of any material adverse change.

The Company

Category	As at January 1, 2024	Drawdown during the year	Interest expense accrued during the year	Repayment during the year	As at December 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
A subsidiary	<u>—</u>	<u>120,000</u>	<u>—</u>	<u>—</u>	<u>120,000</u>

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The loan was unsecured, interest free and repayable on demand.

Category	As at January 1, 2025	Drawdown during the year	Interest expense accrued during the year	Repayment during the year	As at December 31, 2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
A subsidiary	120,000	—	—	(30,000)	90,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The loan was unsecured, interest free and repayable on demand.

e. Loans to a subsidiary

Category	As at January 1, 2025	Advances during the year	Interest income accrued during the year	Interest waived to a Subsidiary	Repayments received during the year	As at December 31, 2025
A subsidiary	—	358,843	3,020	(3,020)	—	358,843
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The loan was unsecured, interest free and repayable on demand.

f. Guarantees provided by a related party

In 2022, CSPC Holdings, a company controlled by Mr. CAI Dongchen provided a guarantee to a bank for the Group’s banking facility amounting to RMB30 million. This guarantee expired in September 2023 since the associated borrowing has been repaid.

g. Compensation to key management personnel

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	1,240	1,472	2,405
Performance related bonuses	914	201	4,767
Contributions to retirement benefits schemes . . .	149	131	156
	<u>2,303</u>	<u>1,804</u>	<u>7,328</u>

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52. PARTICULARS OF SUBSIDIARIES

At December 31, 2023, 2024 and 2025, the investments in subsidiaries of the Company comprise the capital injections to the subsidiaries and the consideration paid to acquire the subsidiaries of RMB1,053,896,000, RMB2,229,721,000 and RMB3,318,370,000, respectively.

Details of all the subsidiaries directly and indirectly held by the Company during the Track Record Period and on the date of this report are set out below:

Percentage of nominal value of issued share capital/registered capital and voting power held by the Company														
Name of subsidiaries	Place of incorporation/ registration and operations	Legal form	Paid up issued/ registered capital	As at December 31,						Date of the report		Principal activities		
				2023		2024		2025		Directly	Indirectly			
				Directly	Indirectly	Directly	Indirectly	Directly	Indirectly					
CSPC Zhongnuo Pharmaceutical (Taizhou) Co., Ltd.* (石藥集團中諾藥業(泰州)有限公司) (“Zhongnuo Taizhou”) (note i)	The PRC August 22, 2011	Limited liability	Registered capital of RMB170,000,000 and issued and paid-in capital of RMB170,000,000	100	–	100	–	100	–	–	[100]	–	Manufacture and sales of health supplement products	
CSPC Shengxue Glucose Co., Ltd.* (石藥集團聖雪葡萄糖有限責任公司) (“CSPC Shengxue”) (note i)	The PRC March 30, 2002	Limited liability	Registered capital of RMB500,000,000 and issued and paid-in capital of RMB500,000,000	100	–	100	–	100	–	–	[100]	–	Research and development and manufacture of functional ingredients	
Hebei Zhongnuo GWK Medicines & Health Products Co., Ltd.* (河北中諾果維康 保健品有限公司) (“Hebei GWK”) (note ii)	The PRC October 12, 2015	Limited liability	Registered capital of RMB30,000,000 and issued and paid-in capital of RMB30,000,000	100	–	100	–	100	–	–	[100]	–	Manufacture and sales of health supplement products	
CSPC Taizhou GWK Medicines & Health Products Co., Ltd.* (石藥集團泰州果維康保健品有限公司) (“Taizhou GWK”) (note i)	The PRC December 22, 2015	Limited liability	Registered capital of RMB70,000,000 and issued and paid-in capital of RMB70,000,000	28.57	71.43	28.57	71.43	28.57	71.43	28.57	71.43	[28.57]	[71.43]	Sales of health supplement products
Megalith Biopharmaceutical (notes i & viii)	The PRC April 16, 2019	Limited liability	Registered capital of RMB2,040,816,326 and issued and paid-in capital of RMB1,632,653,061	51	–	51	–	80	–	–	[80]	–	–	Research and development, manufacture and sales of pharmaceutical products

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Percentage of nominal value of issued share capital/registered capital and voting power held by the Company														
Name of subsidiaries		Place of incorporation/ registration and operations	Legal form	Paid up issued/ registered capital	As at December 31,						Date of the report		Principal activities	
					2023		2024		2025		Directly	Indirectly		
					Directly	Indirectly	Directly	Indirectly	Directly	Indirectly				
					%	%	%	%	%	%	%	%		
CSPC Megalith Biopharmaceutical (Shanghai) Co., Ltd. Interests* (石藥 巨石生物製藥(上海)有限公司) (“Megalith Shanghai”) (note iv)	The PRC	Limited liability	Registered capital of RMB5,000,000 and issued and paid-in capital of RMB5,000,000	NA	NA	-	51	-	80	-	[80]	-	Research and development of biopharmaceutical products	
Alvogen (notes iii & viii)	The PRC	Limited liability	Registered capital of USD4,000,000 and issued and paid-in capital of USD4,000,000	-	60	-	60	N/A	N/A	N/A	N/A	N/A	Sales of health supplement products	
CSPC Innovation USA Inc. (“CSPC Innovation USA”) (note v)	USA	Limited liability	Registered capital of USD200,000 and issued and paid-in capital of USD50,000	100	-	100	-	100	-	100	[100]	-	Sales of functional ingredients	
CSPC Deryang Europe GMBH (“CSPC Deryang”) (note vi)	Germany	Limited liability	Registered capital of EUR50,000 and issued and paid-in capital of EUR50,000	100	-	100	-	100	-	100	[100]	-	Sales of functional ingredients	
CSPC Innovation Singapore Pte. Ltd. (“Innovation Singapore”) (note vii).	Singapore	Limited liability	Registered capital of USD200,000 and issued and paid-in capital of USD200,000	N/A	N/A	-	100	-	100	-	[100]	-	Sales of functional ingredients and nutritional products	
CSPC Brazil LTDA (note ii)	Brazil	Limited liability	Registered capital of USD200,000 and issued and paid-in capital of USD150,000	100	-	100	-	100	-	100	[100]	-	Sales of functional ingredients and nutritional products	

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None of the subsidiaries had issued any debt securities at the end of the year or at any time during the Track Record Period.

Notes:

- i. The financial statements of Zhongnuo Taizhou, CSPC Shengxue, Taizhou GWK and Megalith Biopharmaceutical for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by ShineWing, Shine Wing and Beijing Jinrui Yongda Certified Public Accountants LLP* (北京金瑞永大會計師事務所(特殊普通合伙)) (“Jinrui Yongda”), respectively.
- ii. No audited statutory financial statements were available for the years ended December 31, 2023, 2024 and 2025 as there was no requirement to issue audited accounts by the local authorities.
- iii. No audited statutory financial statements were available for the years ended December 31, 2023 and 2024 as there was no requirement to issue audited accounts by the local authorities. In September 2025, Alvogen was deregistered.
- iv. No audited statutory financial statements were available for the years ended December 31, 2023 as Megalith Shanghai was established after December 31, 2023. No audited statutory financial statements were available for the year ended December 31, 2024 as there was no requirement to issue audited accounts by the local authorities. The financial statements of Megalith Shanghai for the year ended December 31, 2025 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Jinrui Yongda.
- v. The financial statements of CSPC Innovation USA for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with accounting standards generally accepted in the USA and were audited by Soren McAdam LLP.
- vi. The financial statements of Deryang Europe for the years ended December 31, 2023 and 2024 were prepared in accordance with principles of IDW Auditing Standards 45 n. F and were audited by DELFS & PARTNER mbB. [The audited statutory financial statements of Deryang Europe for the year ended December 31, 2025 are not yet due to be issued.]
- vii. No audited statutory financial statements were available for the years ended December 31, 2023 as Innovation Singapore was established in early 2024. The financial statements of Innovation Singapore for the years ended December 31, 2024 were prepared in accordance with Singapore Standards on Auditing and were audited by Foo Kon Tan LLP Public Accountants and Chartered Accountants. [The audited statutory financial statements of Innovation Singapore for the year ended December 31, 2025 are not yet due to be issued.]
- viii. The Group hold 80% ownership in Megalith Shanghai and 60% ownership in Alvogen, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Megalith Shanghai and Alvogen on the basis of the Group’s shareholding.

* *English name is for identification purpose only.*

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ACCOUNTANTS’ REPORT

53. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of a non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Loss allocated to non-controlling interests			Accumulated non-controlling interests		
		As at December 31,			As at December 31,			As at December 31,		
		2023	2024	2025	2023	2024	2025	2023	2024	2025
		%	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Megalith Biopharmaceutical	the PRC	49	49	20	(308,529)	(357,315)	(379,214)	250,443	813,007	145,823
Individually immaterial subsidiary with non-controlling interests								8,354	8,484	—
								258,797	821,491	145,823

Summarized financial information in respect of the Group’s subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

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Megalith Biopharmaceutical and its subsidiary

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	397,742	790,979	973,931
Non-current assets	1,557,342	1,814,746	2,032,596
Current liabilities	(1,393,076)	(886,313)	(2,060,113)
Non-current liabilities	(50,900)	(60,214)	(211,794)
Equity attributable to owners of the Company	260,665	846,191	588,797
Non-controlling interests of Megalith Biopharmaceutical	250,443	813,007	145,823
Revenue	37,014	88,400	257,048
Expenses	666,665	817,614	1,203,677
Loss for the year	(629,651)	(729,214)	(946,629)
Loss attributable to owners of the Company	(321,122)	(371,899)	(567,415)
Loss attributable to the non-controlling interests of Megalith Biopharmaceutical	(308,529)	(357,315)	(379,214)
Net cash (outflow)/inflow from operating activities . . .	(179,032)	(1,611,040)	319,808
Net cash outflow from investing activities	(478,191)	(478,987)	(369,564)
Net cash inflow from financing activities	993,551	1,800,000	376,497
Effect of foreign exchange rate changes	(350)	3	186
Net cash inflow/(outflow)	335,978	(290,024)	326,927

54. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed in Notes 6 and 21 in the Historical Financial Information, [there is no other significant event took place subsequent to December 31, 2025].

55. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2025.

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXES FOR SECURITIES HOLDERS

The income tax and the tax on capital gains for holders of H Shares shall be subject to the laws and practices of the PRC and the jurisdictions in which the holders of H Shares are residents or subject to taxes for other reasons. The following summary of certain relevant tax provisions is based on current laws and practices, and does not take into consideration the anticipated changes in or amendments to the relevant laws or policies or constitute any opinions or suggestions. The discussion does not address all the possible tax implications associated with H-Shares of [REDACTED], nor does it take into account the particular circumstances, some of which may be subject to special rules. Accordingly, you should consult your own tax adviser as to the tax implications of [REDACTED] in the H-Shares. The discussion is based on the laws and the relevant interpretations in force as of the Latest Practicable Date. All these laws and relevant interpretations are subject to changes or adjustments and may have a retrospective effect.

Apart from the income tax, tax on capital gains and profit tax, sales tax, value-added tax, stamp duty and estate duty, the discussion does not address any aspects of the PRC taxation. Prospective [REDACTED] should consult their financial advisors regarding the Chinese and other tax implications of holding and disposing of H-shares.

Mainland China Taxation

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) or the Individual Income Tax Law (《個人所得稅法》) revised by the Standing Committee of the National People’s Congress (the “NPCSC”) on August 31, 2018 and effective as of January 1, 2019, and the Implementation Regulations for the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) revised by the State Council on December 18, 2018 and effective as of January 1, 2019, dividends distributed by domestic companies to individual investors shall be subject to withholding individual income tax at the uniform rate of 20%. Meanwhile, according to the Circular on Issues Relating to the Differential Individual Income Tax Policy on Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on September 7, 2015 and effective as of September 8, 2015, individuals are temporarily exempted from individual income tax on dividends from shares of listed companies acquired from the public offering and transfer market and held for a period of more than one year. For the shares of listed companies acquired from the public offering and transfer market and held for less than one month (inclusive), all the dividend income shall be included in taxable income; whereas for shares held for above one month to one year (inclusive), 50% of the dividend income shall be included in taxable income; and their applicable uniform tax rate is 20%.

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Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), executed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable. Where a Hong Kong resident directly holds at least 25% of the shares in a PRC company, and such Hong Kong resident is the beneficial owner of the dividends and other conditions are satisfied, the tariff imposed shall not exceed 5% of the total dividends payable of the PRC company. The Fifth Protocol on the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income issued by the State Administration of Taxation (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) or the Fifth Protocol (《第五議定書》), which was promulgated by the State Administration of Taxation and became effective on December 6, 2019, provides that such provisions shall not apply to any arrangement or transaction for one of the main purposes thereof to obtain such tax preference.

Enterprise Investors

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) or the EIT Law (《企業所得稅法》) revised by the NPCSC and effective as of December 29, 2018 and the Implementing Regulations of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) or the Implementation Regulations of the EIT Law (《企業所得稅法實施條例》) revised by the State Council and effective on April 23, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC, or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The income tax payable by a non-resident enterprise shall be withheld at source, and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid to the non-resident enterprise when such payment is made or due. This taxation may be reduced or exempted in accordance with the applicable treaty for the avoidance of double taxation.

According to the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-resident Enterprise Shareholders of H Shares 《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》 released by the State Administration of Taxation (the “SAT”) and effective on November 6, 2008, a PRC resident enterprise paying dividends since the year of 2008 to its non-resident enterprises shareholders of H shares shall withhold the enterprise income tax thereon at the uniform rate of 10%. The Reply on the Issue of Enterprise Income Tax on

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Dividends on B Shares and Other Stocks Acquired by Non-Resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was promulgated by the SAT and became effective on July 24, 2009, further provides that PRC resident enterprises that have publicly issued shares (including A-shares, B-shares and overseas shares) on domestic and overseas stock exchanges shall withhold enterprise income tax at a uniform rate of 10% when distributing dividends since the year of 2008 and years thereafter to non-resident enterprises shareholders. The above tax rate may be further adjusted in accordance with the tax treaties or agreements entered into by and between the PRC and the relevant jurisdictions, as applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but the relevant tax shall not exceed 10% of the total dividends payable by the PRC company. Where a Hong Kong resident directly holds at least 25% of the shares in a PRC company, and such Hong Kong resident is the beneficial owner of the dividends and other conditions are satisfied, the tax imposed shall not exceed 5% of the total dividends payable of the PRC company. The Fifth Protocol provides that such provisions shall not apply to any arrangement or transaction for one of the main purposes thereof to obtain such tax preference.

In accordance with applicable regulations, we intend to withhold the income tax at the tax rate of 10% from dividends paid to non-PRC resident enterprise shareholders (including HKSCC nominees) of our H Shares. Non-PRC resident enterprises, which are entitled to enjoy tax reduction or exemption pursuant to the applicable income tax treaty, shall apply to the tax authorities in China for the refund of the amount of withheld tax exceeding the tax rate under the applicable income tax treaty, and the tax refund shall be verified by the tax authorities in China.

Taxes Involved in Income from Share Transfers

Individual Investors

According to the Individual Income Tax Law and its implementation regulations, gains from the sale of shares held by a PRC resident enterprise shall be levied with individual income tax at a rate of 20%. According to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the Ministry of Finance (the “MOF”) and the SAT and effective on March 30, 1998, as of January 1, 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The SAT did not explicitly specify in the newly revised EIT Law and the Implementation Regulations of the EIT Law whether the individual income tax on income of individuals from the transfer of shares in listed companies shall continue to be exempted.

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Enterprise Investors

In accordance with the EIT Law and its implementing regulations, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including gains from the sale of shares held by a PRC resident enterprise), if such non-resident enterprise does not have an establishment or place in the PRC, or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The income tax payable by a non-resident enterprise shall be withheld at source, and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid to the non-resident enterprise when such payment is made or due. The tax may be reduced or exempted pursuant to the applicable tax treaty or arrangement.

Shanghai-Hong Kong Stock Connect Taxation Policy

According to the Circular on Tax Policies relating to the Pilot Program of Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the MOF, the SAT and the CSRC on October 31, 2014 and effective as of November 17, 2014, gains from the transfer price difference from investments by domestic enterprises in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total revenues subject to EIT in accordance with the law. For dividends received by mainland individual investors investing in H-shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, the H-share company shall apply to CSDC, which shall provide the H-share company with the roster of mainland individual investors, and then the H-share company shall withhold the individual income tax according to the tax rate of 20%.

According to the Announcement on Continued Implementation of Individual Income Tax Policies relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Mutual Recognition of Funds between the Mainland China and the Hong Kong Special Administrative Region (關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告) promulgated on August 21, 2023 and implemented on the same day, individual income tax shall be exempted on gains from the transfer price difference from investments by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect to December 31, 2027.

According to the Circular on Tax Policies relating to the Pilot Program of Shanghai-Hong Kong Stock Connect, income from dividends from investments by mainland resident enterprises in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total revenue and subject to enterprise income tax in accordance with the law. Dividend income derived by mainland resident enterprises from holding H-shares continuously for 12 months is exempted from enterprise income tax in accordance with the law. The company of such H Shares will not withhold the income tax on dividends for mainland enterprise investors and those investors shall report and pay the relevant tax themselves.

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Shenzhen-Hong Kong Stock Connect Taxation Policy

According to the Circular on Tax Policies relating to the Pilot Program of Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) issued by the MOF, the SAT and the CSRC on November 5, 2016 and effective as of December 5, 2016, gains from the transfer price difference from investments by domestic enterprises in stocks listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect shall be included in their total revenue and subject to EIT in accordance with the law. For dividends received by mainland individual investors investing in H-shares listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the H-share company shall apply to CSDC, which shall provide the H-share company with the roster of mainland individual investors, and then the H-share company shall withhold the individual income tax according to the tax rate of 20%.

According to the Announcement on Continuing the Implementation of Individual Income Tax Policies relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Mutual Recognition of Funds between the Mainland China and the Hong Kong Special Administrative Region (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) jointly issued by the MOF, the SAT, and the CSRC on December 4, 2019 and effective as of December 5, 2019 and the Announcement on Continued Implementation of Individual Income Tax Policies relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Mutual Recognition of Funds between the Mainland China and the Hong Kong Special Administrative Region (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated on August 21, 2023 and implemented on the same day, individual income tax shall be exempted on gains from the transfer price difference from investments by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect from December 5, 2019 to December 31, 2027.

According to the Circular on Tax Policies relating to the Pilot Program of Shenzhen-Hong Kong Stock Connect, income from dividends from investments by mainland enterprise investors in stocks listed on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect shall be included in their total revenue and subject to enterprise income tax in accordance with the law. Dividend income derived by mainland resident enterprises from holding H-shares continuously for 12 months shall be exempted from enterprise income tax in accordance with the law. The company of such H Shares will not withhold the income tax on dividends for domestic enterprises and those enterprises shall report and pay the relevant tax themselves.

Stamp Duty

According to the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated on June 10, 2021 and effective as of July 1, 2022, disposal of H shares outside China by non-mainland China investors shall not be subject to the Stamp Tax Law of the People's Republic of China.

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Estate Tax

According to the PRC laws, no estate tax is currently levied in the Chinese mainland.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China, within the territory of the PRC, the enterprises and other organizations (the “enterprises”) that have incomes are taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with this law. The enterprise income tax rate is 25%. High-tech enterprises that the Chinese government needs to prioritize supporting shall be subject to a reduced enterprise income tax rate of 15%.

Enterprises are classified into resident and non-resident enterprises. Where non-resident enterprises do not have an establishment or place in the PRC, or have an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC, they shall be subject to enterprise income tax on PRC-sourced income. The income tax payable by a non-resident enterprise shall be withheld at source, and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid to the non-resident enterprise when such payment is made or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to enterprise income tax by way of withholding if such gains are regarded as income derived from the transfer of property within the PRC.

Value-added Tax

According to the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》) and the Detailed Rules for the Implementation of the Provisional Regulations on Value-Added Tax of the People’s Republic of China, (《中華人民共和國增值稅法實施條例》) which shall come into force simultaneously on January 1, 2026, entities and individuals selling goods, providing processing, repair and maintenance services, leasing tangible movable property services or importing goods within the territory of China shall be value-added tax taxpayers. Unless otherwise stipulated herein, the basic VAT rate applicable to the sale and import of goods is 13%.

According to the Announcement on Matters Concerning the Connection of VAT Preferential Policies Following the Implementation of the Value-Added Tax Law (Announcement No. 10 of 2026 issued by the Ministry of Finance and the State Taxation Administration) (《關於增值稅法施行後增值稅優惠政策銜接事項的公告》(財政部稅務總局公告2026年第10號)), which shall take effect on January 1, 2026, from January 1, 2026 to December 31, 2027, the sales revenue derived by pharmaceutical manufacturers from selling

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self-developed innovative drugs shall be the total consideration received from purchasers. The identical innovative drugs provided free of charge to patients subsequently shall not be deemed as taxable transactions for value-added tax purposes.

In accordance with the Circular on VAT Policies for Anti-cancer Drugs (《關於抗癌藥品增值稅政策的通知》) jointly promulgated by the MOF, the General Administration of Customs, the SAT, and the National Medical Products Administration on April 27, 2018, as of May 1, 2018, general VAT taxpayers engaged in the production, distribution, and wholesale and retail of anti-cancer drugs may opt to calculate and pay VAT at a rate of 3% under the simplified method. Once the above taxpayers choose the simplified method for VAT calculation and payment, they shall not change it within 36 months. For the purposes of this Circular, anti-cancer drugs refer to anti-cancer preparations and active pharmaceutical ingredients (APIs) registered and approved by the NMPA. The scope of anti-cancer drugs shall be dynamically adjusted, and shall be duly clarified by the NMPA and relevant authorities in light of actual changes.

FOREIGN EXCHANGE CONTROL OF CHINA

Renminbi is the legal currency of the PRC. The State Administration of Foreign Exchange (the “SAFE”) is authorized by the People’s Bank of China to be responsible for the administration of matters related to foreign exchange, including the implementation of foreign exchange laws and regulations.

According to the Foreign Exchange Control Regulations of the People’s Republic of China (《中華人民共和國外匯管理條例》) revised by the State Council and effective on August 5, 2008, all international payments and transfers are classified into current account and capital account. China imposes no restrictions on international payments and transfers under the current account. Foreign exchange earnings of Chinese enterprises under the current account may be retained or sold to the financial institution operating foreign exchange settlement and sale business in accordance with relevant national regulations. Where the foreign exchange earnings under the capital account are to be retained or sold to the financial institution operating foreign exchange settlement and sale business shall be approved by the foreign exchange regulatory authorities, unless it is otherwise provided by the State.

According to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People’s Bank of China on June 20, 1996 and effective on July 1, 1996, other restrictions on foreign exchange convertibility under the current account are abolished, but the existing restrictions on foreign exchange transactions under the capital account remain.

Pursuant to relevant PRC laws and regulations, companies in China (including foreign-invested enterprises) which need foreign exchange for current account transactions may produce valid receipts and transaction vouchers to make payments in their foreign exchange accounts at designated foreign exchange banks, without the need of approval by the SAFE. Foreign-invested enterprises which need to use foreign exchange to distribute profits to

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shareholders and the Chinese-invested enterprises which need to use foreign exchange to pay fixed dividends pursuant to relevant regulations shall make payment from their foreign exchange account or cash at a designated foreign exchange bank pursuant to a resolution on profit distribution passed by the Board of Directors.

According to the Decision of the State Council on Matters relating to Cancelling and Adjusting A Number of Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and effective on October 23, 2014, the administrative examination and approval by the SAFE and its branches for the repatriation and settlement of overseas-raised funds were cancelled.

According to the Circular of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE and effective on December 26, 2014, the relevant provisions on foreign exchange administration for domestic joint stock limited companies (the “domestic companies”) engaging in overseas listing are as follows:

- (i) The SAFE, and its branches and the department of foreign exchange management (the “Administration of Foreign Exchange”) shall supervise, administer and inspect the business registration, opening and use of account, cross-border income and expenditure, and fund exchange involved in the overseas listing of domestic companies.
- (ii) The domestic companies shall register for the overseas listing with the relevant materials at the Administration of Foreign Exchange located at its registered address within 15 working days after the completion of the overseas listing and issuance.
- (iii) After a domestic company gets listed overseas, if any of its domestic shareholders intends to increase or decrease overseas shares, the domestic shareholder shall handle overseas shareholding registration formalities with the relevant materials at the local Administration of Foreign Exchange within 20 working days prior to the intended share increase or decrease.
- (iv) Domestic companies (excluding banking financial institutions) shall, based on the business registration certificate for overseas listing, open a “Special Foreign Exchange Account for Overseas Listing of Domestic Companies” with domestic banks for their initial public offerings (or follow-on offerings) and share repurchase activities, through which relevant fund settlements and transfers shall be processed.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated on February 13, 2015 and effective on June 1, 2015, the SAFE has cancelled the requirement for the foreign exchange registration approval for domestic and overseas direct

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investments. Instead, the banks are directly responsible for the review and handling of foreign exchange registration for domestic and overseas direct investments, and the SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investment via the banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Policy on Settlement Management of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated and implemented by the SAFE on June 9, 2016, relevant policies have made it clear that domestic institutions may settle their foreign exchange incomes under the capital account (including funds raised from the overseas listing), which are subject to discretionary settlement, with banks as actually needed for business operation. Domestic institutions may, at their discretion, temporarily settle up to 100% of their foreign exchange incomes under the capital account. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix summarizes certain aspects of PRC laws and regulations relevant to the Company’s operations and business. The PRC tax laws and regulations are discussed separately in “Appendix III—Taxation and Foreign Exchange” to this document. This appendix also contains a summary of the PRC Company Law and other relevant legal and regulatory provisions. The primary purpose of this summary is to provide potential [REDACTED] with an overview of the principal legal and regulatory provisions applicable to the Company. This summary is not intended to contain all of the information that is important to potential [REDACTED]. For a discussion of the laws and regulations that are relevant to the business of the Company, please refer to the “Regulatory Overview” in this document.

LEGAL SYSTEM OF CHINA

The legal system within China is based on the Constitution of the People’s Republic of China (the “Constitution”), and is composed of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments under the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, laws of special administrative regions, and international treaties and other regulatory documents signed by the Chinese government. Court decisions do not constitute binding precedents, but can be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the People’s Republic of China (“Legislation Law”), which was amended by the National People’s Congress on March 13, 2023 and entered into force on March 15, 2023, the National People’s Congress and its Standing Committee have the authority to exercise state legislative authority. The National People’s Congress has the power to enact and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the National People’s Congress has the authority to enact and amend laws other than those that should be enacted by the National People’s Congress, and to supplement and amend in part the laws enacted by the National People’s Congress when the National People’s Congress is not in session, provided that the supplements and amendments shall not contravene the basic principles of such laws.

The State Council is the highest state administrative authority and has the authority to enact administrative regulations in accordance with the Constitution and laws. The people’s congresses and their standing committees of the provinces, autonomous regions and municipalities directly under the Central Government may, in light of the specific conditions and actual needs of their respective administrative areas, enact local regulations, provided that such regulations shall not contravene the Constitution, the laws and administrative regulations. The people’s congresses and their standing committees of the cities divided into districts may, in light of the specific local conditions and actual needs, enact local regulations regarding urban and rural development and management, environmental protection, historical and cultural protection and other matters, provided that such local regulations shall not contravene the Constitution, the laws, administrative regulations, and the local regulations of their

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respective provinces or autonomous regions. Where there are other legal provisions on the enactment of local regulations by the cities divided into districts, such provisions shall prevail. Local regulations of the autonomous region shall be submitted for approval prior to taking effect.

The standing committees of the people’s congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval, and shall approve such regulations within four months if they believe that such regulations do not contravene the Constitution, laws, administrative regulations, and the local regulations of their respective provinces or autonomous regions. The people’s congresses of national autonomous areas have the power to enact regulations on the exercise of autonomy and separate regulations in the light of the political, economic and cultural characteristics of the nationality or nationalities in the areas concerned. All ministries and commissions of the State Council, the People’s Bank of China, the National Audit Office, and public institutions with administrative functions directly under the State Council may, in accordance with laws and administrative regulations, decisions and rulings of the State Council, formulate rules within the scope of their respective functions and powers.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations, and separate regulations or rules may contravene the Constitution. A law is of higher legal force than an administrative regulation, local regulation and rule. 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 or autonomous regions is greater than that of the rules enacted by the people’s governments of the cities with subordinate districts within the administrative areas of the provinces and the autonomous regions.

The National People’s Congress has the power to amend or withdraw any inappropriate laws formulated by its Standing Committee, as well as to withdraw any autonomous regulations or separate regulations which have been approved by its Standing Committee but contravene the provisions of the Constitution or the Legislation Law. The Standing Committee of the National People’s Congress has the power to withdraw any administrative regulations which contravene the Constitution or laws, any local regulations which contravene the Constitution, laws or administrative regulations, and any autonomous regulations or 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 provisions of the Constitution or the Legislation Law. The State Council has the power to amend or withdraw any inappropriate departmental rules or local rules. The people’s congress of a province, autonomous region or municipality directly under the Central Government has the power to amend or withdraw any inappropriate local regulations formulated or approved by its standing committee. The standing committee of a local people’s congress has the power to withdraw any inappropriate rules formulated by the

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people’s government at the same level. The people’s government of a province or autonomous region has the power to amend or withdraw any inappropriate local government rules formulated by people’s governments at the next lower level.

In accordance with the Constitution and the Legislation Law, the power of legal interpretation belongs to the Standing Committee of the National People’s Congress. According to the Resolution of the Standing Committee of the National People’s Congress on Strengthening the Interpretation of Laws, adopted by the Standing Committee of the National People’s Congress and effective on June 10, 1981, the Supreme People’s Court shall provide interpretations on issues concerning the specific application of laws and decrees encountered during court trial proceedings. The Supreme People’s Procuratorate shall provide interpretations on issues concerning the specific application of laws and decrees in procuratorial work. Issues concerning the specific application of laws and decrees unrelated to judicial and prosecutorial work shall be interpreted by the State Council and the competent authorities.

Where the scope of local regulations needs further definition or supplementary provisions, it shall be interpreted or stipulated by the standing committees of the people’s congresses of the provinces, autonomous regions and municipalities directly under the Central Government that have formulated such regulations. The competent departments of the people’s governments of provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for the interpretation of local regulations on the specific application thereof.

JUDICIAL SYSTEM OF CHINA

According to the Constitution and the Organic Law of the People’s Courts of the People’s Republic of China, as amended by the Standing Committee of the National People’s Congress on October 26, 2018, and effective as of January 1, 2019, the people’s courts in the People’s Republic of China are composed of the Supreme People’s Court, local people’s courts at various levels and special people’s courts. Local people’s courts at various levels are divided into three levels, that is, primary people’s courts, intermediate people’s courts and higher people’s courts. A primary people’s court may set up a number of people’s tribunals according to the conditions of the locality, population and cases. The Supreme People’s Court is the highest adjudicative organ of the State. The Supreme People’s Court supervises the exercise of judicial power by local people’s courts at various levels and by the special people’s courts. People’s courts at higher levels supervise the judicial work of those at lower levels.

According to the Constitution and the Organic Law of the People’s Procuratorates of the People’s Republic of China revised by the Standing Committee of the National People’s Congress on October 26, 2018 and effective January 1, 2019, people’s procuratorates are state

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organs for legal supervision. The Supreme People’s Procuratorate is the highest procuratorial organ which directs the work of local people’s procuratorates at various levels and that of the special people’s procuratorates. People’s procuratorates at higher levels direct the work of those at lower levels.

The people’s courts operate a two-tier trial system, with the second-instance judgments or rulings of the people’s courts constituting final judgments. A party may appeal against a first-instance judgment or ruling issued by a local people’s court. The people’s procuratorate may file a protest with the higher-level people’s court in accordance with the procedures prescribed by law. If the parties concerned have not filed any appeals and the people’s procuratorate has not filed any protest within the stipulated period of time, the judgment or ruling of the people’s court shall be final. Judgments and rulings in cases of second instance tried by intermediate people’s courts, higher people’s courts and the Supreme People’s Court, and the same in cases of first instance tried by the Supreme People’s Court, are final. However, if the Supreme People’s Court or a higher-level people’s court discovers that a final judgment or ruling of a lower-level people’s court that has already taken legal effect is indeed erroneous, or if the presiding judge of a people’s court at any level believes that such a final judgment or ruling is indeed erroneous, it may be retried through judicial supervision procedures.

The Civil Procedure Law of the People’s Republic of China (2023 Revision) adopted by the Standing Committee of the National People’s Congress on September 1, 2023 and effective as of January 1, 2024 (the “Civil Procedure Law of the People’s Republic of China”) stipulates the requirements for initiating civil proceedings, the jurisdiction of people’s courts, the procedures for civil litigation and the enforcement procedures for civil judgments or orders. All parties to civil proceedings within the territory of the People’s Republic of China must abide by the Civil Procedure Law of the People’s Republic of China. Civil cases shall generally be heard by the court at the domicile of the defendant. The court with jurisdiction over civil litigation may be explicitly agreed upon by the parties, but the court must be located in a place with a real connection to the dispute, such as the domicile of the plaintiff or defendant, the place of contract performance or execution, or the location of the subject matter of the litigation. However, under no circumstances shall the court’s choice conflict with the provisions of different jurisdictions and exclusive jurisdictions.

Foreigners, stateless persons, foreign-invested enterprises and organizations filing a lawsuit or making defense at a people’s court shall have equal litigation rights and obligations as Chinese citizens, legal persons and other organizations. Where a court of a foreign country imposes restrictions on the civil litigation rights of Chinese citizens and enterprises, the people’s courts of China may impose the same restrictions on the citizens and enterprises of that country. Foreigners, stateless persons, foreign-invested enterprises and organizations filing a lawsuit or making defense at a people’s court that are required to engage a lawyer to participate in proceedings shall engage a Chinese lawyer. Pursuant to the international treaties signed or acceded to by the People’s Republic of China or in accordance with the principle of reciprocity, a people’s court and a foreign court may request each other to carry out service of

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documents on behalf, investigation and collection of evidence and any other actions. Where a request by a foreign court for assistance is prejudicial to the sovereignty, security or public interest of the People’s Republic of China, the people’s court shall refuse to enforce.

The parties concerned must perform the civil judgment or ruling which has come into legal effect. If any party to a civil lawsuit refuses to comply with a judgment or ruling issued by a people’s court of the People’s Republic of China, or an award issued by an arbitration tribunal, the other party may apply to the people’s court for enforcement within two years. The suspension or interruption of the period for applying for enforcement shall comply with the applicable legal provisions concerning the suspension or interruption of the statute of limitations.

Where a party applies to a people’s court for enforcement of an effective judgment or ruling rendered by a people’s court against a party not within the territory of the People’s Republic of China or whose property is not within the territory of the People’s Republic of China, the party may apply to a foreign court with appropriate jurisdiction for recognition and enforcement of such judgment or ruling. If an international treaty concluded or acceded to by the People’s Republic of China with the relevant foreign state provides for the recognition and enforcement of foreign judgments or awards, or if such judgments or awards meet the requirements of a court’s examination based on the principle of reciprocity, the people’s court may also recognize and enforce them in accordance with China’s enforcement procedures except for other exceptional circumstances. However, this shall not apply where the people’s court determines that the recognition or enforcement of such judgments or awards would result in a violation of China’s fundamental legal principles, sovereignty, or security, or where considerations of public interest so require.

THE COMPANY LAW OF THE PEOPLE’S REPUBLIC OF CHINA, THE TRIAL MEASURES, AND THE GUIDANCE ON THE ARTICLES OF ASSOCIATION

A joint stock company incorporated in the PRC and seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations in the PRC.

The Company Law of the People’s Republic of China adopted by the Fifth Meeting of the Standing Committee of the Eighth National People’s Congress on December 29, 1993, effective as of July 1, 1994, and amended separately on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018, and December 29, 2023 (the “Company Law”). The latest revision of the Company Law took effect on July 1, 2024.

The Trial Measures and five interpretative guidelines, which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, and are applicable to direct and indirect offshore share offering and listing of domestic companies.

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Pursuant to the Trial Measures and its interpretative guidelines, a domestic company that directly issues shares for listing overseas shall formulate its articles of association in accordance with the Guidance on Articles of Association of Listed Companies (the “Guidance on Articles of Association”, which shall replace the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, which were no longer applicable as of March 31, 2023). The Guidance on Articles of Association was promulgated by the CSRC on December 16, 1997 and last amended on March 28, 2025.

The following is a summary of the main clauses of the Company Law, the Trial Measures and the Guidance on Articles of Association that are applicable to the Company.

General Provisions

A joint stock company is an enterprise legal person incorporated in accordance with the Company Law, whose registered capital is divided into shares of equal par value. Shareholders bear liability up to the value of their shares, while the company is liable for its debts only to the extent of its entire assets.

A company must abide by laws, social ethics and business ethics when conducting its business activities. A company may invest in other limited liability companies. The company’s liability to such investee companies is limited to the amount invested. Unless otherwise provided by law, the company shall not be the investor who is jointly and severally liable for the debts of the investee companies.

Incorporation

A joint stock company may be incorporated by way of promotion or subscription. A joint stock company shall be incorporated by one to two hundred promoters, and more than half of the promoters shall have their domicile within the territory of China.

The promoters of a joint stock company established by subscription shall convene the company’s founding meeting within thirty days from the date on which the share capital is fully paid up, and shall notify each subscriber of the meeting date or publish an announcement at least fifteen days prior to the founding meeting. The founding meeting can only be held when the promoters and the subscribers holding more than 50% of the total shares are present. The powers exercised at the founding meeting include but are not limited to adopting the company’s articles of association and electing the members of the company’s Board of Directors. The above matters must be approved by more than 50% of the votes cast by the subscribers present at the meeting.

Where a joint stock company is established by way of promotion, the convening and voting procedures of the founding meeting shall be stipulated by the articles of association of the company or the promoters’ agreement.

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Within 30 days after the conclusion of the founding meeting, the Board of Directors shall apply to the registration authority for registration of the establishment of the joint stock company. Upon issuance of the business license by the relevant registration authority, the company is formally established and acquires legal person status.

Registered Shares

Pursuant to the Company Law, shareholders may make capital contributions in the form of currency, in kind, intellectual property rights, land use rights, equities, creditor’s rights and other non-currency properties that can be valued in currency and transferred pursuant to the law.

The Trial Measures stipulate that domestic enterprises listed overseas can raise funds and distribute dividends in either foreign currency or RMB.

Pursuant to the Companies Law, a joint stock company shall maintain a register of shareholders detailing the following information: (i) the name or designation and domicile of each shareholder; (ii) the class and number of shares subscribed by each shareholder; (iii) the serial number of the shares (if issued in paper form); and (iv) the date on which each shareholder acquired the shares.

Allotment and Issuance of Shares

The issuance of all shares of a joint stock company shall follow the principles of equality and fairness. The same class of shares shall carry equal rights. Shares of the same class under the same offering must be issued on the same terms and at the same price. A joint stock company can issue its shares at par value or at a premium, but it must not issue shares at a price lower than the par value.

Domestic enterprises intending to issue shares overseas shall file with the CSRC pursuant to the provisions of the Trial Measures, submit filing reports, legal opinions and relevant materials, and provide truthful, accurate and complete information pertaining to shareholders. Where domestic enterprises directly issue and list shares overseas, the issuers shall file with the CSRC for record. In case of the indirect overseas issuance and listing of domestic enterprises, the issuer shall designate a major domestic operating entity as the domestic responsible person to file with the CSRC for record.

Increase of Share Capital

Pursuant to the Company Law, when a joint stock company issues new shares, the general meeting shall adopt resolutions regarding the class, quantity, issue price, and the starting and ending dates of the issuance of the new shares, as well as the class and quantity of new shares to be offered to existing shareholders, if any. The proceeds from the new share issuance shall

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be included in the registered capital, where shares without par value are to be issued. In addition, if the company intends to make a public offering of shares, it shall be registered by the securities regulatory authority under the State Council and announce the document.

Reduction of Share Capital

The company can reduce its registered capital in accordance with the following procedures stipulated in the Company Law:

- (i) the company shall prepare a balance sheet and a list of property;
- (ii) the company shall make a resolution on the reduction of registered capital at the general meeting;
- (iii) the company shall notify the creditors within 10 days of the date on which the resolution on the reduction of registered capital is approved, and shall make an announcement on newspapers or the National Enterprise Credit Information Publicity System within 30 days;
- (iv) the creditors shall be entitled to demand the company to liquidate its debts or provide corresponding guarantees within 30 days since the date of the notification or within 45 days since the date of announcement if no notice is received;
- (v) the company shall apply for registration of changes with the company registration authority upon reduction of share capital.

If the company reduces its registered capital, it shall reduce the amount of capital contribution or shares according to the proportion of shareholders' capital contribution or shareholding, unless otherwise provided by law, agreed by all shareholders of the limited liability company, or stipulated in the articles of association of the joint stock limited company.

Repurchase of Shares

According to the Company Law, a company shall not repurchase its own shares except in the following circumstances:

- (i) to reduce the registered capital of the company;
- (ii) to merge with other companies holding the company's shares;
- (iii) to use the shares for employee stock ownership plan or equity incentives;

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- (iv) to meet the request by any shareholders of the company to acquire their shares due to their objection to the general meeting's resolution on the merger or division of the company;
- (v) to use the shares for the conversion of corporate bonds issued by the listed company that are convertible into shares;
- (vi) necessary for the listed company to safeguard the value of the company and shareholders' rights and interests.

Where the company repurchases its shares under the circumstances set out in preceding item (i) or (ii), it shall be resolved at the general meeting. Where the company repurchases its shares under the circumstances set out in preceding item (iii), (v) or (vi), it shall be resolved at a board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or upon authorization by the general meeting.

The shares repurchased by the company in accordance with the above provisions shall be processed in the following ways: for the circumstance in item (i), such shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (ii) or (iv), such shares shall be transferred or canceled in six months; for the circumstance in item (iii), (v) or (vi), the total number of shares held by the company shall not exceed 10% of the total issued shares of the company, and such shares shall be transferred or canceled in three years.

Transfer of Shares

Shares held by shareholders are legally transferable. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Transfer of registered shares must be made by means of an endorsement by shareholders or by other means stipulated by laws or administrative regulations. After the transfer of shares, the company shall record the name or designation and domicile of the transferee in the register of shareholders. Alteration registration for the register of shareholders referred to in the preceding paragraph shall not be carried out for a period of twenty days prior to the holding of a general meeting, or five days prior to the record date for the purpose of dividend distribution determined by the company. If the laws, administrative regulations or the securities regulatory authorities under the State Council provide otherwise for the registration of changes of the register of shareholders of a listed company, the relevant provisions shall apply.

Pursuant to the Company Law, shares that have been issued before the public offering shall not be transferred for a period of one year commencing from the date on which the company's shares are listed and traded on a stock exchange. The directors, supervisors, and senior officers of the company shall report the number of shares held by them and the relevant changes to the company, and shall not transfer more than 25% of the total number of shares held by them in the company each year during their term of appointment determined when they

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take office. The company’s shares held by the directors, supervisors, and senior officers of the company shall not be transferred within one year from the date on which the company’s shares are listed on a stock exchange. The aforesaid persons shall not transfer the shares they hold in this company within six months after they leave their posts.

If the shares are pledged within the period of restriction on transfer prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within such period.

Shareholders

According to the Company Law and the Guidance on Articles of Association, shareholders shall enjoy the following rights:

- (i) to receive dividends and other forms of distributions of benefits in proportion to the number of shares held by them;
- (ii) to request, convene, preside over a general meeting, attend the general meeting in person or by proxy, and exercise the corresponding voting rights in accordance with the laws;
- (iii) to supervise the operation of the company and to make suggestions or inquiries;
- (iv) to transfer, donate or pledge the shares held by them in accordance with laws, administrative regulations and the articles of association;
- (v) to inspect and copy the articles of association, register of shareholders, minutes of general meetings, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee, financial and accounting reports;
- (vi) shareholders who individually or collectively hold more than 3% of the company’s shares for more than 180 consecutive days may inspect the company’s accounting books and accounting vouchers according to law;
- (vii) to participate in the distribution of the remaining property of the company according to the proportion of shares they hold when the company is terminated or liquidated;
- (viii) to request the company to purchase the shares held by shareholders who raise objection to the resolution on the merger or division of the company as adopted by the general meeting;
- (ix) other rights stipulated by laws, administrative regulations, departmental rules, the regulatory rules of the place where the company’s shares are listed and the articles of association.

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Obligations of shareholders include:

- (i) to comply with the laws, administrative regulations and the articles of association;
- (ii) to make capital contribution according to the shares they subscribe for and the capital participation method;
- (iii) no withdrawal from the company except for the circumstances set out in the relevant laws and administrative regulations;
- (iv) not to abuse their shareholder rights to harm the interests of the company or other shareholders; not to abuse the independent legal status of the company and the limited liability of shareholders to harm the interests of the company’s creditors;
- (v) other obligations as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the company’s shares are listed.

General Meeting

According to the Company Law, the general meeting of the limited liability company shall be composed of all shareholders. The general meeting shall be the organ of authority of the company and shall exercise the following powers:

- (i) to elect and replace directors and supervisors and decide matters relating to the remuneration of directors and supervisors;
- (ii) to review and approve reports of the Board of Directors;
- (iii) to review and approve reports of the Supervisory Committee;
- (iv) to review and approve the profit distribution plans and loss recovery plans of the company;
- (v) to make resolutions on the increase or decrease of the company’s registered capital;
- (vi) to make resolutions on the issuance of corporate bonds;
- (vii) to make resolutions on the merger, division, dissolution, liquidation of the company or change in the organizational form of the company;
- (viii) to amend the articles of association;
- (ix) other powers as stipulated by the articles of association.

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According to the Company Law, the annual general meeting shall be convened once a year. An extraordinary general meeting shall be held within two months upon the occurrence of any of the following circumstances:

- (i) The number of directors is less than the number prescribed in the Company Law or two-thirds of the number stipulated in the articles of association;
- (ii) The company's losses which are not covered amount to one-third of the total paid-in capital;
- (iii) Shareholders who individually or collectively hold more than 10% of the company's shares request the convening of an extraordinary general meeting;
- (iv) The Board of Directors considers it necessary;
- (v) The Supervisory Committee proposes to convene an extraordinary general meeting;
- (vi) Other circumstances as stipulated by the articles of association.

The general meeting shall be convened by the Board of Directors and presided over by the Chairman. If the chairman of the Board of Directors is unable or fails to carry out his/her duties, the vice-chairman shall preside over the general meeting. If the vice-chairman of the Board of Directors is unable or fails to carry out his/her duties, more than half of the directors shall nominate a director to preside over the general meeting.

Where the Board of Directors is unable to or fail to perform the duties to convene a general meeting, the meeting shall be called and presided over by the Supervisory Committee in a timely manner. Where the Supervisory Committee does not perform the duties to convene and preside over a general meeting, the shareholders individually or jointly holding 10% or more of the shares of the company for over 90 consecutive days may, at their own discretion, convene and preside over a general meeting.

If the shareholders who individually or jointly hold more than 10% of the shares of the company request to convene an extraordinary general meeting, the Board of Directors and Supervisory Committee shall decide whether to convene an extraordinary general meeting within 10 days as of the receipt of such request, and reply to the shareholders in writing.

The shareholders shall be notified of the time and place of the meeting and the matters to be considered twenty days prior to the convening of the general meeting, and fifteen days prior to the convening of the extraordinary general meeting.

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Shareholders holding more than 1% of the shares of the company individually or collectively may raise a provisional proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall issue a supplementary notice for the general meeting within two days after receiving the proposal and disclose the content of the provisional proposal.

According to the Company Law, a shareholder appointing a proxy to attend a general meeting should clearly specify the matters, authority, and period of agency of that proxy. The proxy shall submit the power of attorney to the company and exercise the voting rights within the scope of authorization. The Company Law does not contain specific provisions regarding the number of shareholders required to constitute a quorum for a general meeting.

According to the Company Law, each share held by shareholders attending a general meeting shall carry one voting right, except for shareholders holding other classes of shares. However, shares held by the company have no voting rights.

A general meeting can adopt, in accordance with the provisions of the articles of association or resolutions of general meetings, a cumulative voting system in the election of directors and supervisors. Under the cumulative voting system, when a general meeting elects directors or supervisors, each share shall carry the number of voting rights equivalent to the number of candidates for directors or supervisors, and the shareholder can cumulatively use his/her voting rights.

Pursuant to the Company Law and the Guidance on Articles of Association, the adoption of any resolution at a general meeting requires the affirmative vote of more than half of the votes represented by the shareholders present. Matters concerning the merger, division, or dissolution of the company; the increase or decrease of registered capital; the change of corporate form; or the amendment of the articles of association must be approved by a majority of two-thirds or more of the voting rights held by the shareholders present at the meeting.

Directors

According to the Company Law, a joint stock company shall have a Board of Directors, which shall consist of three or more members. The term of office of the directors is stipulated by the articles of association, but shall not exceed three years. Directors may be re-elected for consecutive terms.

The Board of Directors shall hold meetings at least twice a year, and notice shall be given to all directors and supervisors ten days in advance. The Board of Directors shall exercise the following powers:

- (i) to convene a general meeting and report to the general meeting on the work of the Board;

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- (ii) to implement resolutions adopted by the general meeting;
- (iii) to decide on the company's business plans and investment plans;
- (iv) to formulate the profit distribution plan and loss recovery plan of the company;
- (v) to formulate plans of the company regarding increase or reduction of the registered capital and issuance of bonds;
- (vi) to formulate plans for the merger, division, dissolution, and change of company form of the company;
- (vii) to decide on the establishment of the internal management organization of the company;
- (viii) to appoint or dismiss the general manager, and decide on matters of remuneration; to appoint or dismiss the deputy general manager and CFO according to the nomination of the general manager, and decide on matters of remuneration;
- (ix) to formulate the basic management system of the company;
- (x) any other powers granted by the articles of association or the general meeting.

A Board meeting shall be held only if more than half of the directors are present. If a director is unable to attend a meeting for any reason, he/she can entrust another director in writing to attend the meeting on his/her behalf, and the power of attorney shall state the scope of authorization. If a resolution of the Board of Directors is in violation of laws, administrative regulations, or the articles of association, and causes any material loss to the company, the directors who participated in the adoption of such resolution shall be liable to compensate the company. If a director can prove that he/she raised an objection to such resolution, and that such objection was recorded in the minutes of the meeting, the director may be exempted from such liability.

In accordance with the Company Law, a person who falls under any of the following circumstances shall not be the director of a company:

- (i) A person without civil capacity or with restricted civil capacity;
- (ii) A person who has been sentenced to criminal penalties for crimes such as corruption, bribery, embezzlement of property, misappropriation of property, or undermining the socialist market economic order; or has been deprived of political rights due to a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary period;

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- (iii) A person who served as a director, factory manager, or general manager of a company or enterprise which has been declared bankrupt and liquidated and who was personally accountable for the bankruptcy of such company or enterprise, where three years has not elapsed since the completion of the bankruptcy and liquidation of such company or enterprise;
- (iv) A person who was the legal representative of a company which had its business license revoked, or was ordered to close down, and who was personally accountable for the revocation or close-down, where three years has not elapsed since the revocation of the business license or close-down of such company; and
- (v) A person who has been listed by the people's court as defaulter because he/she has incurred debts of a large amount that have not been settled as at the due date.

The Board of Directors shall have one chairman, who shall be elected by the Board of Directors through affirmative votes by more than half of all the directors. The chairman shall exercise the following powers (including but not limited to):

- (i) to preside over general meetings and to convene and preside over meetings of the Board of Directors;
- (ii) to examine the implementation of resolutions of the Board of Directors;
- (iii) to exercise other powers granted by the Board of Directors.

Supervisors

According to the Company Law, a joint stock company shall have a Supervisory Committee, which shall consist of three or more members. The Supervisory Committee shall be composed of shareholders' representatives and an appropriate proportion of representatives of the staff and workers of the company. The number of the staff and workers' representatives shall not be lower than one third of all the supervisors, the specific percentage of which shall be determined in the articles of association. The representatives of the staff and workers on the Supervisory Committee shall be democratically elected by the staff and workers through the congresses or assemblies of the workers and staff members or other forms. Directors or senior officers are not allowed to hold the position of supervisor concurrently.

The Supervisory Committee shall exercise the following power:

- (i) to examine the financial position of the company;

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- (ii) to supervise the directors and senior officers in the performance of their duties and to propose the dismissal of directors or senior officers who violate laws, administrative regulations, the articles of association or resolutions of the general meeting;
- (iii) when the acts of any director or senior officer are found to damage the interests of the company, to urge them to make correction;
- (iv) to propose to convene an extraordinary general meeting, and to convene and preside over general meetings when the Board fails to perform the duty of convening and presiding over the general meeting under the Company Law;
- (v) to submit proposals to the general meeting;
- (vi) to raise litigation against any director or senior officer according to the Company Law;
- (vii) other powers as stipulated by the articles of association.

General Manager and Senior Officers

In accordance with the Company Law, a company shall have a general manager, who shall be appointed or dismissed by the Board of Directors. The general manager shall be responsible to the Board of Directors and shall exercise his/her functions and powers in accordance with the articles of association or the authorization of the Board of Directors. The general manager shall attend meetings of the Board of Directors as a non-voting member.

In accordance with the Company Law, senior officers shall refer to the general manager, deputy general manager, chief financial officer, the secretary of the Board of Directors and any other personnel specified in the articles of association.

Duties of the Directors, Supervisors and Senior Officers

According to the Company Law, the directors, supervisors and senior officers shall abide by the relevant laws, regulations and the articles of association, and have the obligations of loyalty and diligence to the company. The directors, supervisors and senior officers shall not take advantage of his/her functions and powers to accept bribes or other illegal income, and shall not embezzle the property of the company.

Directors, supervisors and senior officers shall not engage in the following behaviors:

- (i) embezzling company assets or misappropriating company funds;

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- (ii) depositing the company's funds in an account opened in his/her own name or in the name of any other individual;
- (iii) taking bribery or other illegal income by taking advantage of their functions and powers;
- (iv) accepting commissions on transactions between the company and the third party and pocketing the same;
- (v) disclosing the company's trade secrets without authorization; or
- (vi) other acts in violation of the duty of loyalty to the company.

Directors, supervisors and senior officers, who directly or indirectly enter into contracts or conduct transactions with the company, shall report to the Board or the general meeting on matters relating to the conclusion of the contract or the conduct of the transaction, which shall be adopted by a resolution of the Board or the general meeting in accordance with the provisions of the articles of association.

Where a close relative of a director, supervisor or senior officer, an enterprise directly or indirectly controlled by a director, supervisor or senior officer or any of his/her close relatives, or an affiliated party having any other relationship with a director, supervisor or senior officer, concludes a contract or engages in a transaction with the company, the provisions of the preceding paragraph shall apply.

Directors, supervisors or senior officers shall not take advantage of their powers to seek business opportunities that belong to the company for themselves or any other persons, except in any of the following circumstances:

- (i) Report has been made to the Board of Directors or general meeting and it has been approved by the Board of Directors or general meeting in accordance with the articles of association; or
- (ii) The company is unable to make use of such business opportunities in accordance with the provisions of laws, administrative regulations or the articles of association.

Directors, supervisors and senior officers shall not operate the same kind of business as the company they work in for themselves or for another person without reporting to the Board or the general meeting and passing a resolution by the Board or the general meeting in accordance with the provisions of the articles of association.

Directors, supervisors and senior officers shall be liable for compensation if they violate laws, administrative regulations or the articles of association in performing their powers and functions, thereby causing losses to the company.

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Financial and Accounting

Under the Company Law, the company shall establish financial and accounting systems according to laws, administrative regulations and rules of the financial department under the State Council. The company shall, at the end of each fiscal year, prepare a financial and accounting report, which shall be audited by an accounting firm as required by law. The financial and accounting report shall be prepared in accordance with the provisions of laws, administrative regulations and rules of the financial department of the State Council.

A joint stock company shall, in 20 days prior to the convening of the annual general meeting, make the financial and accounting report available at the company for examination by its shareholders; and a joint stock company that publicly issues its shares shall publicize its financial and accounting report.

When the company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory surplus reserve. No further allocation is required if the aggregate amount of the statutory surplus reserve exceeds 50% of the registered capital of the company. Where the statutory surplus reserve of the company is not sufficient to cover its losses in the previous years, the profits of the current year shall be used to make up for the loss before the withdrawal of the statutory surplus reserve in accordance with the above provisions. After the company has allocated the statutory surplus reserve from its after-tax profits, it may, as per the general meeting or upon a resolution made by the general meeting, allocate a discretionary surplus reserve from its after-tax profits.

A joint stock company shall distribute profits in accordance with the shareholding proportion of its shareholders, unless otherwise provided for in its articles of association.

The premium income from issuing shares of a joint stock company at a price above the par value of the shares, the proceeds from issuing shares without par value which has not been included in the registered capital, and other gains which are required to be allocated to the capital reserve by the financial department under the State Council shall be allocated to the capital reserve of the company.

The surplus reserve of the company shall be used to cover the company's losses, expand its production and operation, or increase its capital. To make up for the company's losses, the company shall first use the discretionary surplus reserve and statutory surplus reserve; If they are insufficient, the capital reserve can be used in accordance with the regulations. Upon the conversion of statutory surplus reserve into registered capital, the balance of the statutory surplus reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall not have separate accounting books other than the statutory ones.

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Appointment and Dismissal of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms undertaking the audit of a company shall be decided by the general meeting, the Board of Directors or the Supervisory Committee according to the articles of association. The accounting firm should be allowed to make representations when the general meeting, Board of Directors or Supervisory Committee conducts a vote on the dismissal of the accounting firm. The company shall ensure the provision to the accounting firm appointed of true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse to provide the required information, hide any information or provide any false information.

According to the Guidance on Articles of Association, the company shall ensure the provision to the accounting firm appointed of true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse to provide the required information, hide any information or provide any false information. The audit fee for the accounting firm shall be decided by the general meeting.

Profit Distribution

If a company distributes profits to its shareholders in violation of the Company Law, the shareholders concerned shall return such distributed profits to the company. Shareholders causing any loss the company and the responsible directors, supervisors and senior officers shall undertake liability for compensation.

Dissolution and Liquidation

According to the Company Law, a company may be dissolved if:

- (i) the business term as specified in the articles of association expires or any other dissolution event occurs as specified in the articles of association;
- (ii) the general meeting or a resolution of the general meeting resolves to dissolve the company;
- (iii) a dissolution is required due to merger or division of the company;
- (iv) the company is revoked of business license, ordered to close or canceled according to law;

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- (v) there is severe difficulty in the operation and management of the company, and the continued existence of the company will have material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders who hold an aggregate of over ten percent of all voting rights can make a petition to the people's court to dissolve the company.

If the company encounters any of the dissolution causes specified in the preceding paragraph, it shall publicize the dissolution causes through the National Enterprise Credit Information Publicity System within 10 days.

If the company is in the situations of item (i) above, it may survive by amending the articles of association or by a resolution of the general meeting, which shall require the affirmative votes of more than two-thirds of the voting rights held by the shareholders present at the meeting. If the company is dissolved under item (i), (ii), (iv) or (v) above, it shall be liquidated. The directors shall be the liquidation obligors of the company, and shall form a liquidation committee to liquidate the company within 15 days after the occurrence of any event leading to dissolution. The liquidation committee shall be composed of directors, except as otherwise provided in the articles of association or as otherwise elected by the resolution of the general meeting. Where the liquidation obligors fail to perform their liquidation obligations in a timely manner, thereby causing losses to the company or the creditors, they shall be liable for compensation.

Where the liquidation committee fails to be established within the time limit or fails to conduct liquidation after its establishment, any interested parties may apply to the people's court for appointing relevant personnel to form a liquidation committee and conduct liquidation. The people's court shall accept such application, and form a liquidation committee in a timely manner to conduct liquidation.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- (i) to liquidate the company's property and prepare separate balance sheets and lists of property;
- (ii) to notify creditors by a notice or public announcement;
- (iii) to handle the outstanding business of the company related to liquidation;
- (iv) to pay the taxes owed and taxes incurred in the course of liquidation;
- (v) to clear claims and debts;
- (vi) to distribute the remaining property after the company has paid off its debts;

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(vii) to participate in civil litigation activities on behalf of the company.

The liquidation committee shall, within 10 days of its establishment, notify the company’s creditors, and make an announcement on newspapers or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall, within 30 days since the date of receiving the notice, or for those who do not receive the notice, within 45 days since the date of the public announcement, report their claims to the liquidation committee.

After paying off the liquidation expenses, employees’ wages, social insurance premiums, statutory compensation, outstanding taxes and company debts, the remaining assets of the company shall be distributed in proportion to the shareholdings of the shareholders.

During the liquidation period, the company still exists but shall not carry out any business activities not related to liquidation. The company’s assets shall not be distributed to shareholders unless and until the aforesaid liabilities have been settled.

Upon the thorough liquidation of the company’s assets and preparation of the balance sheet and list of property, if the liquidation committee discovers that the company’s assets are insufficient to repay its debts, it shall apply to the people’s court for bankruptcy liquidation. After the people’s court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator appointed by the people’s court.

Upon the completion of the liquidation, the liquidation committee shall prepare a liquidation report, and submit it to the general meeting or the people’s court for ratification, and submit it to the company registration authority for de-registration.

The liquidation committee members shall perform their duties faithfully and diligently. Where a member of the liquidation committee neglects to perform the liquidation duties and causes losses to the company, he/she shall be liable for compensation. Where losses are caused to creditors due to intentional acts or gross negligence, he/she shall be liable for compensation.

Where a company has had its business license revoked, has been ordered to close, or has been canceled, and has failed to apply to the company registration authority for de-registration within three years, the company registration authority may publish an announcement through the National Enterprise Credit Information Publicity System. The announcement period shall be no less than sixty days. If there is no objection upon the expiration of the announcement period, the company registration authority may cancel the registration of the company.

Overseas Listing

Pursuant to the Trial Measures, issuers conducting an initial public offering or listing overseas shall file with the CSRC within 3 working days after submitting the application documents for the overseas issuance or listing. Where the issuer issues securities in the same

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overseas market following the overseas issuance and listing, it shall file with the CSRC within 3 working days upon the completion of the issuance. Where the issuer issues securities in other overseas markets following the overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this Article. If the filing materials are complete and compliant, the CSRC shall, within 20 working days upon receipt of the materials, complete the filing process and publicize the filing information on its website. If the filing materials are incomplete or non-compliant, the CSRC shall, within 5 working days upon receipt of the materials, notify the issuer of the supplementary materials to be submitted. The issuer shall, within 30 working days, submit the supplementary materials.

Loss of Share Certificates

If the registered share certificate is stolen, lost or destroyed, the shareholder may request the people’s court to declare the share certificate invalid in accordance with the public notice procedure as stipulated in the Civil Procedure Law of the People’s Republic of China. After the people’s court has declared the share certificate invalid, the shareholder may apply to the company for a replacement of the share certificate.

Suspension and Termination of Listing

The Company Law has had the provisions regarding suspension and termination of listing removed. The Securities Law of the People’s Republic of China amended on December 28, 2019 and coming into force on March 1, 2020 has had the provisions regarding suspension of listing removed. If the listed securities are subject to the delisting circumstance as stipulated by the stock exchange, the stock exchange shall terminate the listing and trading of such securities in accordance with its listing rules.

Pursuant to the Trial Measures, where an issuer voluntarily terminates its listing or is subject to mandatory delisting, it shall report the details to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Securities Laws and Regulations

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was 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 was the regulatory arm of the Securities Committee, responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers 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. On March 29, 1998, the State Council merged the two organizations and reformed the CSRC.

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The Provisional Regulations on the Administration of Stock Issuance and Trading, promulgated by the State Council and put into effect on April 22, 1993, provide for the application and approval procedures for the public issuance of shares, the trading of shares, the acquisition of listed companies, the safekeeping of listed shares, the liquidation and transfer of shares, the disclosure of information by listed companies, investigations and penalties, as well as the arbitration of disputes.

The Regulations of the State Council on Domestically Listed Foreign Shares of Joint Stock Limited Companies promulgated by the State Council and put into effect on December 25, 1995, mainly provide for the issuance, subscription, purchase and sale of domestically listed foreign shares, payment of dividends, as well as the disclosure of information by joint stock companies that own domestically listed foreign shares.

The Securities Law of the People’s Republic of China revised by the Standing Committee of the National People’s Congress on December 28, 2019 and coming into effect on March 1, 2020 (the “PRC Securities Law”) includes a series of regulations concerning (among others) the issuance and trading of securities in China, the acquisition of listed companies, stock exchanges, securities companies, and the duties and responsibilities of the State Council’s securities regulatory authority, and comprehensively regulates the activities of the Chinese securities market. The PRC Securities Law provides that domestic enterprises that directly or indirectly issue securities overseas or list and trade their securities overseas shall comply with the relevant regulations of the State Council. At present, the issuance and trading of overseas issued securities are mainly regulated by rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitration Awards

According to the Arbitration Law of the People’s Republic of China amended by the Standing Committee of the National People’s Congress on September 1, 2017 and effective as of January 1, 2018 (the “Arbitration Law”), the Arbitration Law applies to foreign economic disputes where the parties have entered into a written agreement to submit the matter to arbitration before an arbitration commission constituted in accordance with the Arbitration Law. Before the China Arbitration Association formulates its arbitration rules, the Arbitration Commission may formulate provisional rules for arbitration in accordance with the relevant provisions of the Arbitration Law and the Civil Procedure Law of the People’s Republic of China. If the parties choose to resolve disputes through arbitration, and one party files a lawsuit with the court, the court will not accept it.

According to the Arbitration Law, the arbitration award shall be final and conclusive, and binding on all parties involved in the arbitration. If one of the parties fails to comply with the award, the other party to the award may apply to the people’s court to enforce the arbitral award in accordance with the Civil Procedure Law of the People’s Republic of China. If the arbitration procedure is illegal (including but not limited to violations of statutory procedures in the composition of the arbitral tribunal, the matters adjudicated falling outside the scope of

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the arbitration agreement, or the lack of jurisdiction by the arbitration commission), the people’s court may rule that the arbitration award rendered by the arbitration commission shall not be enforced. Where one party seeks to enforce an arbitral award of a foreign-related arbitration commission against the other party, and the person against whom the award is to be enforced or whose property is not located in the territory of the People’s Republic of China, the party shall apply directly to a court of competent jurisdiction for recognition and enforcement. Similarly, arbitral awards made by foreign arbitral institutions may also be recognized and enforced by Chinese courts in accordance with the principle of reciprocity or any international treaty signed or acceded to by China.

Pursuant to the Arrangement of the Supreme People’s Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People’s Court on January 24, 2000 and coming into effect on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region promulgated by the Supreme People’s Court on November 26, 2020 and coming into force on November 27, 2020, awards made by arbitral institutions in Chinese Mainland are enforceable in Hong Kong and Hong Kong arbitral awards are enforceable in Chinese Mainland.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

This Appendix contains a summary of the principal provisions of the Company’s Articles of Association, effective since the [REDACTED] of the H shares on the [REDACTED]. The major objective of this Appendix is to provide potential [REDACTED] with an overview of the Company’s Articles of Association, and therefore it may not contain all the information that may be important to potential [REDACTED].

ISSUANCE OF SHARES

The Shares of the Company shall be issued in accordance with the principles of openness, fairness and justice. Each Share of the same class shall carry the same rights. Shares of the same class and the same issuance shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the Shares it/he/she subscribes for.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Based on its operation and development needs, in accordance with the relevant laws and regulations, and subject to the respective resolutions of the Shareholders’ meeting, the Company may increase its capital by any of the following ways:

- (I) issuing shares to the public;
- (II) issuing shares to specific parties;
- (III) distribution of bonus Shares to existing Shareholders;
- (IV) conversion of capital reserve into share capital;
- (V) other means permitted by laws and administrative regulations as well as approved by the CSRC and the securities regulatory authorities of the place where the Company’s Shares are listed.

The Company may reduce its registered capital. The reduction of registered capital shall comply with the Company Law and other relevant regulations as well as the procedures stipulated in the Articles of Association.

The Company shall not buy back its Shares, except in one of the following circumstances:

- (I) reduction of the Company’s registered capital;
- (II) mergers with another company holding Shares of the Company;
- (III) use of Shares for employee shareholding scheme or equity incentives;
- (IV) Shareholders who object to resolutions of the Shareholders’ meeting on merger or division of the Company requesting the Company to purchase their shares;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (V) use of Shares for conversion of corporate bonds issued by the Company which are convertible into Shares;
- (VI) where it is necessary for the Company to preserve its value and Shareholders' interest;
- (VII) other circumstances stipulated by the securities regulatory rules of the place where the Company's Shares are listed.

The Company may purchase its own Shares by centralized bidding on the stock exchanges, tender offer as well as other means recognized by the securities regulatory authority under the State Council and the securities regulatory rules of the place where the Company's shares are listed, and shall comply with the applicable laws, regulations and the securities regulatory rules of the place where the Company's Shares are listed. Where the Company purchases its Shares under the circumstances set forth in items (III), (V) and (VI) above, it shall purchase by the publicly centralized trading, pursuant to the securities regulatory rules of the place where the Company's Shares are listed.

Where the Company purchases its Shares under the circumstances set forth in items (I) and (II) above, it shall be resolved at a Shareholders' meeting. Where the Company purchases its shares under the circumstances set forth in items (III), (V) and (VI) above, a resolution thereon may be resolved at a Board meeting that is attended by more than two-thirds of the Directors.

Upon the purchase of its Shares by the Company pursuant to the above provisions, under the circumstance set forth in item (I), such Shares shall be cancelled within 10 days from the day of purchase; under the circumstances set forth in items (II) and (IV), such Shares shall be transferred or cancelled within six months.

Upon the purchase of its Shares by the Company under the circumstances set forth in items (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 three years.

Transfer of Shares

Shares issued prior to the public offering of A shares of the Company shall not be transferred within 12 months from the date on which the A shares of the Company are listed and traded on the Shenzhen stock exchange.

Directors and members of senior management of the Company shall report to the Company their holdings of Shares of the Company and the changes thereof. During their terms of office determined upon taking office, the Shares transferred by them each year shall not exceed 25% of the total Shares of the same class of the Company held by them. The Shares of the Company held by the aforesaid personnel shall not be transferred within one year from the

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

date on which the Company’s Shares are listed and traded. The above personnel shall not transfer the Shares of the Company held by them within 6 months after the expiry of their terms of office or other circumstances that they shall not transfer the Shares of the Company held by them as stipulated by the laws, regulations, the CSRC and the securities regulatory authorities of the place where the Shares are listed.

If Directors, members of senior management and Shareholders holding 5% or more of the Company’s Shares sell its Shares or other securities of an equity nature within 6 months after buying the same or buy shares or securities within 6 months after selling the same, the earnings thereof shall belong to the Company, except for sale of shares by a securities company holding 5% or more of the Company’s Shares as a result of its purchase and underwriting of the untaken shares after offering and other circumstances stipulated by the securities regulatory authorities of the place where the Company’s Shares are listed.

The shares or other securities of an equity nature held by the aforesaid Directors, members of senior management or natural person Shareholders in the preceding paragraph shall include shares or other securities of an equity nature held by their spouses, parents or children and those held by using others’ accounts.

If the Board of the Company does not act in accordance with the above provisions, Shareholders shall have the right to request the Board to implement within 30 days. If the Board of the Company fails to act within the above-mentioned period, the Shareholders shall have the right to bring a lawsuit directly to a people’s court in their own name in the interest of the Company. If the Board of the Company does not act in accordance with the above provisions, the responsible Directors shall be jointly and severally liable in accordance with the law.

FINANCIAL ASSISTANCE FOR THE PURPOSE OF SHARE ACQUISITION OF THE COMPANY

The Company or its subsidiaries (including its affiliated enterprises) shall not provide grants, advances, guarantees, loans, or other forms of financial assistance to others for the purpose of share acquisition of the Company or its parent company, except where a company implements an employee shareholding scheme.

SHAREHOLDERS AND SHAREHOLDERS’ MEETING

Shareholders

The Company shall establish a register of members with the evidence provided by the securities registration authority. The register of members shall be sufficient evidence of the holding of the Shares of the Company by the Shareholders. The original copy of the register of members of H shares [REDACTED] in Hong Kong shall be kept in Hong Kong for Shareholders’ inspection. However, the Company may suspend the registration of Shareholders in accordance with the provisions of the applicable laws and regulations and the securities

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

regulatory rules of the place where the Company are listed. Shareholders shall enjoy the rights and assume the obligations according to the class and share of the Shares they hold. Shareholders holding the same class of Shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

- (I) to receive dividends and other distributions in proportion to the Shares they hold;
- (II) to request, convene, hold, attend or appoint a proxy to attend Shareholders' meetings and exercise the corresponding voting rights in accordance with laws;
- (III) to supervise, present suggestions on or make enquiries about the operations of the Company;
- (IV) to transfer, gift or pledge the Shares it holds in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;
- (V) to inspect or copy the Articles of Association, the register of Shareholders, minutes of Shareholders' meetings, resolutions of Board meetings, and financial accounting reports. Shareholders who meet the requirements may inspect the Company's accounting books or accounting vouchers;
- (VI) to participate in the distribution of the remaining properties of the Company in the event of its termination or liquidation in accordance with the proportion of the Shares they hold;
- (VII) to require the Company to acquire their Shares in the event of their disagreement to resolutions of the Shareholders' meetings concerning merger or division of the Company;
- (VIII) other rights stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Shareholders requesting inspection or copy of relevant information shall comply with the provisions of the Company Law, the Securities Law and other laws and administrative regulations.

If any resolution of a Shareholders' meeting or the Board is in violation of the laws or administrative regulations, Shareholders shall have the right to request the people's court to invalidate the said resolution. If the convening procedures or voting methods of the Shareholders' meetings or Board meetings are in violation of the laws, administrative regulations or the Articles of Association or if the contents of a resolution are in breach of the

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Articles of Association, Shareholders shall have the right to request the people's court to revoke such resolution within 60 days from the date on which the resolution is approved. Except the convening procedures or voting methods of the Shareholders' meetings or Board meetings are only minor defects and have no substantial impact on the resolution.

If any Director or members of senior management who are not members of the audit committee violates the laws, administrative regulations or provisions of the Articles of Association in performing his/her duties in the Company, causing any loss to the Company, the Shareholder(s) individually or collectively holding 1% or more of the Company's Shares for more than 180 consecutive days shall have the right to request in writing the Audit Committee to bring an action in the people's court. If the members of the Audit Committee violate the laws, administrative regulations or provisions of the Articles of Association in performing its duties in the Company, causing any loss to the Company, the aforesaid Shareholders may request in writing the Board to bring an action in the people's court.

If the Audit Committee or the Board refuses to bring an action after receiving a written request from the Shareholder(s) as prescribed in the preceding paragraph, or fails to bring such action within 30 days upon receipt of such written request, or if the matter is of great urgency and the failure to bring such action immediately will cause irreparable damages to the Company, the Shareholder(s) as prescribed in the preceding paragraph shall have the right to directly bring an action in the people's court in their own name for the benefit of the Company.

Where any other person infringes on the legitimate rights and interests of the Company, causing any loss to the Company, the aforesaid Shareholders may bring an action in the people's court pursuant to the provisions of the first two paragraphs of this article.

Where the Directors or members of senior management of a wholly-owned subsidiary of the Company, in performing their duties, violate the laws, administrative regulations or provisions of the Articles of Association and cause losses to the Company, or where any other person infringes on the legitimate rights and interests of a wholly-owned subsidiary and causes losses, Shareholders who individually or collectively hold 1% or more of the Company's Shares for a continuous period of more than 180 consecutive days may, in accordance with the first three paragraphs of Article 189 of the Company Law, make a written request to the board of supervisors or the board of the wholly-owned subsidiary to file a lawsuit with the people's court, or may directly file a lawsuit with the people's court in their own name.

Shareholders of the Company shall assume the following obligations:

- (i) to comply with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association;
- (ii) to pay capital contribution as per the Shares subscribed for and the method of subscription;
- (iii) not to return Shares except under circumstances prescribed by laws, regulations and the securities regulatory rules of the place where the Company's Shares are listed;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (iv) not to abuse the rights of Shareholders to the detriment of the Company or other Shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of Shareholders to the detriment of the Company's creditors;

Shareholders of the Company who abuse their Shareholders' rights and thereby cause damage to the Company or other Shareholders shall be liable for compensation in accordance with the laws.

Where Shareholders of the Company abuse the Company's independent status as a legal person and the limited liabilities of Shareholders for the purposes of evading repayment of debts, thereby seriously damaging the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company.

The circumstance that more than 5% of the Shares of the Company held or controlled by the relevant Shareholders are pledged, frozen, judicially auctioned, entrusted or trust set up or restricted from voting according to laws shall immediately notify the Company and cooperate to perform information disclosure obligations.

Where the Company's controlling Shareholder or actual controller does not serve as a Director of the Company but actually executes the Company's affairs, they shall apply the duties of loyalty and diligence. They shall not to harm the legitimate rights and interests of the Company and other Shareholders through any means such as unfair related transactions, profit distribution, asset restructuring, or external investments, and not to abuse their controlling position or use related-party relationships to harm the legitimate rights and interests of the Company or other Shareholders. Where the Company's controlling Shareholder or actual controller instructs a director or members of senior management to engage in acts that harm the interests of the Company or its Shareholders, they shall bear joint and several liability with such director or members of senior management.

General Provisions for the Shareholders' Meetings

The Shareholders' meeting is the authority of power of the Company and shall exercise the following duties and powers in accordance with the law:

- (I) to elect and replace Directors and to decide on matters relating to the remuneration of Directors;
- (II) to consider and approve the work report of the Board;
- (III) to consider and approve the Company's profit distribution plan and loss recovery plan;
- (IV) to resolve on the increase or reduction of the registered capital of the Company;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (V) to resolve on the issuance of corporate bonds or other securities and the Company’s listing;
- (VI) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;
- (VII) to amend the Articles of Association;
- (VIII) to resolve on the repurchase the Company’s Shares under the circumstances stipulated in the Articles of Association;
- (IX) to resolve on the engagement, removal and remuneration of the accounting firm;
- (X) to consider and approve the external guarantee matters as provided under the Articles of Association;
- (XI) to consider matters concerning the purchase or sale of major assets by the Company within one year that exceed 30% of the Company’s latest audited total assets;
- (XII) to consider and approve transaction matters as stipulated in the Articles of Association such as major external investments and major asset disposal;
- (XIII) to consider and approve matters such as major related party transactions (except for the provision of guarantees) between the Company and a related party with an amount exceeding RMB30 million and the absolute value of which exceeds 5% of the Company’s latest audited net assets;
- (XIV) to consider and approve the change of use of proceeds;
- (XV) to consider and approve the share incentive scheme and employee Shareholding scheme;
- (XVI) to review other matters that should be decided by the Shareholders’ meeting as required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

The aforesaid powers of the Shareholders’ meeting shall be considered and resolved by the Shareholders’ meeting and shall not be exercised by the Board or other institutions or individuals on its behalf upon authorization.

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The following provision of external guarantees by the Company is subject to the consideration and approval of the Shareholders’ meeting upon the consideration and approval of the Board:

- (I) the total amount of the external guarantees provided by the Company and its holding subsidiaries exceeding 50% of the latest audited net assets;
- (II) the total amount of the external guarantees provided by the Company exceeding 30% of the latest audited total assets;
- (III) the amount of the guarantees provided by the Company within one year exceeding 30% of the latest audited total assets;
- (IV) any guarantee to be provided to a recipient of such security whose asset to liability ratio is over 70%;
- (V) any single guarantee with an amount exceeding 10% of the latest audited net assets;
- (VI) guarantees provided to Shareholders, actual controllers, and their related parties;
- (VII) the amount of guarantees provided within the consecutive 12 months exceeding 30% of the Company’s latest audited total assets;
- (VIII) the amount of guarantees provided within the consecutive 12 months exceeding 50% of the company’s latest audited net assets and the absolute amount exceeding RMB50 million.

The Shareholders’ meetings are classified into annual Shareholders’ meetings and extraordinary Shareholders’ meetings. The annual Shareholders’ meetings shall be convened once a year within 6 months from the end of the previous fiscal year.

The Company shall convene an extraordinary Shareholders’ meeting within 2 months from the date of the occurrence of any of the following circumstances:

- (I) when the number of Directors is less than two-thirds of the number specified in the Articles of Association or the number provided for in the Company Law;
- (II) when the losses of the Company that have not been made up have reached one-third of its total paid-in share capital;
- (III) when written requests by Shareholders who individually or collectively hold more than 10% of the Company’s Shares;
- (IV) when deemed necessary by the Board;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

(V) when proposed by the Audit Committee;

(VI) other circumstances as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed or provisions of the Articles of Association.

Summoning of the Shareholders' Meeting

With the consent of more than half of all independent Directors, independent Directors shall have the right to propose to the Board the convening of an extraordinary Shareholders' meeting. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of an extraordinary Shareholders' meeting within 10 days after receiving the proposal. If the Board agrees to convene an extraordinary Shareholders' meeting, it will issue a notice to convene the meeting within 5 days after a resolution of the Board is made; if the Board does not agree to convene an extraordinary Shareholders' meeting, it will state the reasons and announce such reasons.

The Audit Committee shall have the right to propose to the Board the convening of an extraordinary Shareholders' meeting and shall submit the proposal in writing to the Board. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary Shareholders' meeting within 10 days after receiving the proposal.

Shareholders who individually or collectively hold more than 10% of the Company's Shares shall have the right to request the Board to convene an extraordinary Shareholders' meeting and shall submit the request in writing to the board. The Board shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and provisions of the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary Shareholders' meeting within 10 days after receiving the request. If the Board agrees to convene an extraordinary Shareholders' meeting, it shall issue a notice to convene the meeting within 5 days after a resolution of the Board is made, and any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Board does not agree to convene an extraordinary Shareholders' meeting or fails to provide feedback within 10 days after receiving the request, Shareholders who individually or collectively hold more than 10% of the Company's Shares shall have the right to propose to the Audit Committee that an extraordinary Shareholders' meeting be convened and shall submit their request in writing to the Audit Committee.

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If the Audit Committee agrees to convene an extraordinary Shareholders’ meeting, it shall issue a notice to convene the meeting within 5 days of receipt of the request, and any changes to the original proposal in the notice shall be subject to the consent of the relevant Shareholders.

If the Audit Committee fails to issue the notice of Shareholders’ meeting within the prescribed period, it shall be deemed that the Audit Committee would not summon and preside over the Shareholders’ meeting, and Shareholders (hereinafter referred to as the “summoning Shareholders”) who individually or collectively hold more than 10% of the Company’s Shares for more than 90 consecutive days may summon and preside over the meeting on their own initiative.

Proposals and Notices for the Shareholders’ Meeting

The content of proposals shall fall within the scope of the Shareholders’ meeting’s authority, have a clear agenda and specific matters for resolution, and comply with the relevant provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association.

The Board, the Audit Committee and Shareholders who individually or collectively hold more than 1% of the Company’s Shares shall be entitled to submit proposals to the Company.

Shareholders who individually or collectively hold more than 1% of the Company’s Shares may make a provisional proposal and submit it in writing to the convener 10 days before the date of the Shareholders’ meeting. The convener shall issue a supplementary notice of the Shareholders’ meeting within 2 days of receipt of the proposal, announcing the content of the provisional proposal, and submit such provisional proposal to the Shareholders’ meeting for consideration. This shall not apply where the provisional proposal contravenes laws, administrative regulations, the securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association, or where it falls outside the scope of the powers and authorities of the Shareholders’ meeting.

Except as provided for in the preceding paragraph, the convener shall not amend the proposals already specified in the notice of the Shareholders’ meeting or add new proposals after the notice of the Shareholders’ meeting has been issued.

Proposals not specified in the notice of Shareholders’ meeting or not in compliance with the provisions of the Articles of Association shall not be voted on and resolved by the Shareholders’ meeting.

The convener shall notify Shareholders by announcement and/or other written means at least 21 days before the annual Shareholders’ meeting and the extraordinary Shareholders’ meeting shall be notified by announcement and/or other written means at least 15 days before the meeting.

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The notice of Shareholders' meeting shall include the following particulars:

- (I) the time, venue and duration of the meeting;
- (II) matters and proposals submitted for consideration at the meeting;
- (III) a clear statement that: all Shareholders are entitled to attend the Shareholders' meeting and may appoint a proxy in writing to attend and vote at the meeting, and that such proxy need not be a Shareholder of the Company;
- (IV) the shareholding registration date of Shareholders entitled to attend the Shareholders' meeting (the interval between the shareholding registration date and the meeting date shall not exceed 7 working days. Once confirmed, the shareholding registration date shall not be changed);
- (V) the name and telephone number of standing contact person for meeting affairs;
- (VI) time and procedure for voting by online or other means;
- (VII) other contents required by the securities regulatory rules of the place where the shares are listed.

Notices shall adequately and completely disclose the specific contents of all proposals and disclose other information necessary for Shareholders to make a reasonable judgment on the matters to be discussed in the appropriate media.

After the notice of the Shareholders' meeting is issued, the Shareholders' meeting shall not be adjourned or cancelled without justifiable reasons, and the proposals specified in the notice of the Shareholders' meeting shall not be cancelled. In the event of an adjournment or cancellation, the convener shall make a notice 2 working days prior to the original date of the meeting and explain the specific reasons of the adjournment or cancellation. If the Shareholders' meeting is adjourned, the notice shall announce the convening date after the adjournment.

Convening of the Shareholders' Meeting

A Shareholder may attend a Shareholders' meeting in person or appoint a proxy to attend the Shareholders' meeting on his/her behalf who shall submit the power of attorney to the Company and exercise the voting rights within the scope of authorization. If a Shareholder appoints more than two proxies on his/her behalf to attend the Shareholders' meeting, a proxy shall be designated to exercise the voting rights.

If the Shareholders' meeting requires Directors or members of senior management to attend the meeting, such Directors or members of senior management shall attend and be available to answer shareholders' enquiries.

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A Shareholders' meeting shall be presided over by the chairperson. Where the chairperson is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A Shareholders' meeting convened by the Audit Committee shall be presided over by the convener of the Audit Committee. Where the convener of the Audit Committee is unable or fails to perform his/her duties, the meeting shall be presided over by an Audit Committee member jointly elected by more than half of the Audit Committee members. A Shareholders' meeting convened by Shareholders shall be presided over by a summoning Shareholder or a representative elected by them. When convening the Shareholders' meeting, where the host of the meeting violates the Articles of Association or rules of procedure for the Shareholders' meeting and makes it impossible to continue the meeting, with the consent of more than half of the Shareholders present at the Shareholders' meeting with voting rights, the Shareholders' meeting may elect a person to serve as the host of the meeting and continue the meeting.

The Company shall establish rules of procedure for the Shareholders' meeting, specifying the procedures for convening, holding and voting at the Shareholders' meeting, including, among others, notice, registration, consideration of proposals, casting of votes, counting of votes, declaration of voting results, adoption of resolutions, meeting minutes and execution thereof, and principle of authorization to the Board by the Shareholders' meeting, of which contents of authorization shall be clear and specific. The rules of procedure for the Shareholders' meeting shall be prepared by the Board and approved by the Shareholders' meeting, and constitute an exhibit to these Articles of Association.

Voting and Resolutions at a Shareholders' Meeting

Resolutions at the shareholders' meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution at a Shareholders' meeting shall be passed by more than half of the voting rights held by the Shareholders present at the Shareholders' meeting (including proxies). A special resolution at a Shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the Shareholders present at the Shareholders' meeting (including proxies).

Other matters shall be approved by an ordinary resolution of the Shareholders' meeting, except for matters other than those prescribed by laws, regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association that shall be approved by a special resolution.

The following matters shall be approved by a special resolution at the Shareholders' meeting:

- (I) the amendment of the Articles of Association and its exhibits (including rules of procedure for the Shareholders' meeting and rules of procedure for the Board's meeting);
- (II) increase or reduction of the registered capital of the Company;

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- (III) the division, merger, dissolution, liquidation or change of corporate form of the Company;
- (IV) spin-off of the subsidiary for listing;
- (V) issuance and listing of corporate bonds or other securities;
- (VI) the purchase or sale of major assets consecutively within one year or the amount of guarantees exceeds 30% of the Company's latest audited total assets;
- (VII) repurchase of the Company's Shares for the purpose of reduction of registered capital;
- (VIII) the share incentive scheme;
- (IX) the reconstruction of major assets;
- (X) a resolution of the Shareholders' meeting of the Company to voluntarily withdraw the listing of its Shares from trading on the stock exchange(s) where the Shares are listed, and to decide not to trade on the stock exchange(s) where the Shares are listed or to apply for trading or transfer of its Shares to other trading venues;
- (XI) other matters prescribed by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and those matters determined by a Shareholders' meeting via ordinary resolution as having a material impact on the Company and are required to be approved by a special resolution.

The aforesaid proposals of items (IV) and (X) in the preceding paragraph shall, in addition to being approved by more than two-thirds of the voting rights held by the Shareholders attending the Shareholders' meeting, be approved by more than two-thirds of the voting rights held by other Shareholders present at the meeting other than the Company's Directors, members of senior management and Shareholders who individually or collectively hold more than 5% of the shares of the listed company.

Shareholders (including Shareholders' proxies) shall exercise their voting rights based on the number of voting shares held. Each Share shall have one vote.

When the Shareholders' meeting considers major matters affecting the interests of small and medium-sized investors, votes for small and medium-sized investors shall be counted separately. The results of the separate vote count shall be disclosed publicly in a timely manner.

The Company's own Shares held by the Company do not carry voting rights and such Shares shall not count towards the total number of Shares with voting rights at Shareholders' meetings. Where a Shareholder purchases Shares with voting rights of the Company in

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violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such Shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of Shares with voting rights present at the Shareholders' meeting for thirty-six months after the purchase.

The Board, independent Directors, Shareholders holding more than 1% of the Shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the CSRC may publicly solicit Shareholders' voting rights. The solicitation of Shareholders' voting rights shall provide full disclosure of information such as specific voting intentions to the solicited person. The solicitation of shareholders' voting rights by way of remuneration or disguised remuneration is prohibited. Except for statutory conditions, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights.

When a related transaction is considered at a Shareholders' meeting, the related Shareholders shall refrain from voting and the number of voting Shares that they represent shall not be counted towards the total number of valid voting Shares. Announcement of resolutions of the Shareholders' meeting shall fully disclose the voting of non-related Shareholders.

BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. A person may not serve as a Director of the Company in case of any of the following circumstances:

- (I) the person is without civil conduct capacity or with limited civil conduct capacity;
- (II) the person who has committed an offence of corruption, bribery, embezzlement of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights for committing a crime, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation or if a suspended sentence is pronounced, where less than two years have elapsed since the date of expiration of the probation period;
- (III) the person who is a former director, factory director or general manager of a company or an enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;

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- (IV) the person who is a former legal representative of a company or an enterprise which had its business license revoked and was ordered to shut down due to a violation of laws and who incurred personal liability, where less than three years have elapsed since the date of such revocation of the business license;
- (V) the person is listed as a judgement defaulter by the people's court because of the failure to repay a relatively large amount of due debts;
- (VI) the person has been banned by the CSRC from access to the securities market, and the term of prohibition has not expired;
- (VII) the person is publicly deemed by a stock exchange as unsuitable to serve as a director and senior management member of a listed company;
- (VIII) other contents stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed or departmental rules.

Any election or appointment of Directors in violation of the provisions of this Article shall be null and void. The Company shall dismiss a Director from office if the circumstances under this Article arise during his/her term of office.

Directors shall be elected or replaced by the Shareholders' meeting with a term of three years and may be removed from office through an ordinary resolution by the Shareholders' meeting prior to the expiry of their terms of office, but without prejudice to such Director's right to claim damages under any contract. A Director may be re-elected upon expiry of his/her term of office.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association until the newly elected Director assumes the office. Any person appointed by the Board to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual Shareholders' meeting of the Company after his/her appointment, and shall then be eligible for re-election.

The general manager or senior management members may serve concurrently as a Director, provided that the total number of such Directors who concurrently serve as the general manager or senior management members and the Directors who are the employee representatives shall not exceed a half of the total number of Directors.

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Directors owe fiduciary duties to the Company in compliance with laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association. They shall take actions to avoid conflicts between their own interests and those of the Company and shall not seek any improper interests by taking advantage of their authority.

Directors owe the following fiduciary duties to the Company:

- (I) not to embezzle the Company's property or misappropriate funds of the Company;
- (II) not to open accounts in which the funds of the Company are deposited in their personal names or in the names of other individuals;
- (III) not to use their authority to engage in bribery or accept other illegal incomes;
- (IV) not to directly or indirectly enter into contracts or conduct transactions with the Company without reporting to the Board of Directors or the Shareholders' meeting and obtaining approval by the resolutions of the Board of Directors or the Shareholders' meeting in accordance with the Articles of Association;
- (V) not to use their authority to seek business opportunities belonging to the Company for themselves or for others, except reported to the Board of Directors or the Shareholders' meeting and approved by the resolutions of the Shareholders' meeting, or where the Company cannot utilise such business opportunities as stipulated by laws, administrative regulations or the Articles of Association;
- (VI) not to carry on a business of the same kind as that of the Company for themselves or for others, without report to the Board of Directors or the Shareholders' meeting and obtain the approval by the resolutions of the Shareholders' meeting;
- (VII) not to accept commissions for their own benefits in respect of transactions between others and the Company;
- (VIII) not to disclose the Company's secrets without authorization;
- (IX) not to use their related relationship to the detriment of interests of the Company;
- (X) other fiduciary duties as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Directors may resign prior to the expiration of their terms of office. The Director who resigns shall submit to the Board a written report in relation to his/her resignation, which shall take effect upon the delivery of the report to the Board, except for the following circumstances. Relevant information shall be disclosed by the Board within two days. In the event that the

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resignation of Directors results in the number of members of the Board falling below the statutory minimum requirement, or resignation of independent Directors causes the number of independent Directors falls below one-third of the number of members of the Board or the absence of accounting professionals among independent Directors, the resignation report of such Director shall not take effect until the successor fills the vacancy arising from his/her resignation. Before the resignation report takes effect, the Director intending to resign shall continue to perform his/her duties in accordance with laws, regulations, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Unless otherwise specified in the Articles of Association or legally authorized by the Board, no Director may act on behalf of the Company or the Board in his/her own name. When a Director acts in his/her own name, if a third party would reasonably believe that the Director acts on behalf of the Company or the Board, such Director shall declare in advance his/her position and capacity.

The Company shall appoint at least three independent Directors and at least one of them is an accounting professional. Independent Directors shall perform their duties honestly and safeguard the Company's interests. Independent Directors owe fiduciary and due diligence duties to the Company and all Shareholders. They shall conscientiously perform their responsibilities, uphold the overall interests of the Company and, in particular, prevent the infringement of legitimate rights and interests of minority Shareholders in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed, the Articles of Association, the Rules for Independent Directors and other requirements.

Board of Directors

The Company shall have a Board of Directors, which shall be accountable to the Shareholders' meeting.

The Board of Directors shall consist of 9 to 13 Directors. The Board of Directors shall have one chairperson and one employee representative.

The Board shall exercise the following duties and powers:

- (I) to convene the Shareholders' meetings and report its work to the Shareholders' meetings;
- (II) to implement the resolutions of the Shareholders' meetings;
- (III) to formulate business operation plans and investment plans of the Company;
- (IV) to formulate the profit distribution plans and plans for recovery of losses of the Company;

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- (V) to formulate plans of the Company regarding the increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (VI) to draft plans for major acquisitions of the Company, the purchase of Shares of the Company, or the merger, division or dissolution of or change in the corporate form of the Company;
- (VII) to determine, to the extent authorized by the Shareholders’ meeting, on such matters as external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, related transactions and external donations of the Company;
- (VIII) to determine the internal management organization of the Company;
- (IX) to appoint or dismiss the general manager, secretary of the Board and other senior management members of the Company and decide on their remuneration, rewards and penalties; and based on the nomination of the general manager, to determine the appointment or dismissal of other senior management members including deputy general managers and chief financial officer of the Company and determine their remuneration, rewards and penalties;
- (X) to formulate the basic management system of the Company;
- (XI) to formulate proposals for any amendment of the Articles of Association;
- (XII) to manage the information disclosure of the Company;
- (XIII) to formulate the proposal to repurchase the Company’s Shares;
- (XIV) to propose to the Shareholders’ meeting for the appointment or replacement of the accounting firms which provide audit services to the Company;
- (XV) to listen to work reports of the general manager of the Company and review his/her work;
- (XVI) other duties and powers as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s Shares are listed, the Articles of Association or the resolutions of the Shareholders’ meeting.

Matters beyond the scope of authority delegated by the Shareholders’ meeting shall be submitted to the Shareholders’ meeting for consideration.

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The Board of Directors shall establish an audit committee and may establish other special committees for corporate strategy, nomination, and remuneration and evaluation if necessary. The special committees are accountable to the Board and perform their duties in accordance with the Articles of Association and the authorization of the Board. The proposals of the special committees shall be submitted to the Board for consideration and decision. The composition of the special committees of the Board shall comply with the relevant requirements stipulated by listing rules of the stock exchange where the Company's Shares are listed. Special committees are composed solely of Directors. Independent Directors should make up the majority of the Audit Committee, the Nomination committee and the Remuneration and Evaluation committee, and serve as the conveners. The convener of the audit committee must be an accounting professional.

The chairperson of the Board shall be elected by the Board with more than half of all Directors.

Where the chairperson of the Board is unable to or fails to perform his/her duties, a Director shall be jointly designated by more than half of the Directors to perform the duties.

The Board of Directors shall be convened by the chairperson at least four meetings each year. An extraordinary meeting of the Board may be proposed to convene by Shareholders representing 10% or more of the voting rights or one-third or more of the Directors or the Audit Committee. The chairperson of the Board shall convene and preside over the meeting of the Board within 10 days of receipt of the proposal. A written notice shall be given to all Directors 14 days prior to a regular meeting of the Board, and 3 days prior to an extraordinary meeting of the Board of Directors.

Meetings of the Board may be held only when attended by more than half of the Directors. Resolutions of the Board shall be adopted by more than half of all Directors. When voting on a resolution of the Board, each member shall have one vote.

If any Director has connection with the enterprise involved in the resolution made at a meeting of the Board, such Director shall submit a written report to the Board in a timely manner. The Director who has a related relationship shall not vote on such resolution for himself/herself or on behalf of other Directors. The meeting of the Board may be held when more than half of the non-related Directors attend the meeting. The resolution made at the meeting of the Board shall be passed by more than half of the non-related Directors. If the number of non-related Directors attending the meeting of the Board is less than three, the matter shall be submitted to the Shareholders' meeting for consideration.

Directors shall attend meetings of the Board in person. If a Director cannot attend the meeting due to certain reasons, he/she may appoint another Director in writing to attend on behalf. The power of attorney shall state the name of the proxy, matters of the proxy, the scope of authorization and the validity period, and shall be signed by the appointer or a chop shall be affixed. A Director attending a meeting on another Director's behalf shall exercise the Director's rights within the scope of authorization. If any voting matter is involved, the

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appointer shall clearly express his/her consent, objection or abstention on each matter in the power of attorney. Directors shall not make or accept an appointment of proxy without voting intention, an appointment with full discretion or an appointment with unclear scope of authorization. If a Director fails to attend a meeting of the Board and does not appoint a proxy to act on his/her behalf, such Director shall be deemed as having waived his/her right to vote at the meeting.

General Manager and Other Senior Management Members

The Company has one general manager who is appointed or dismissed by the Board of Directors. The Company has several deputy general managers who are appointed or dismissed by the Board of Directors.

General manager, deputy general managers, chief financial officer and the secretary of the Board of the Company are senior management members.

The circumstances under which a person may not serve as a Director as stipulated by the Articles of Association also applies to a senior management member.

Each term of the general manager is three years and may be extended by reappointment.

The general manager is accountable to the Board and exercises the following duties and powers:

- (I) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board, and to report his/her works to the Board;
- (II) to organize the implementation of the Company's annual business operation plans and investment plans;
- (III) to draft plans for the establishment of the Company's internal management organization;
- (IV) to draft the Company's basic management system;
- (V) to formulate the specific rules of the Company;
- (VI) to propose to the Board the appointment or dismissal of deputy general manager(s) and chief financial officer;
- (VII) to decide the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board;

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(VIII) related party transactions between the Company and related natural persons with the single transaction amount is less than RMB300,000, related party transactions between the Company and related legal persons with the single transaction amount is less than RMB3 million, or related party transactions matters with the single transaction amount accounting for the Company’s latest audited net asset value is less than 0.5%;

(IX) other duties and powers conferred by the Articles of Association or the Board of Directors.

The Company has a secretary of the Board who is responsible for the arrangement of Shareholders’ meetings and meetings of the Board, the custody of documents and the management of Shareholders’ information, as well as handling information disclosure matters.

A senior management member is liable to compensate the Company for any loss caused to the Company as a result of his/her violation of laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

Audit Committee

The Audit Committee shall be responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating the internal and external auditing work and internal control. The following matters shall be submitted to the Board for consideration after being agreed by more than half of all members of the Audit Committee:

- (I) to disclose financial information and internal control evaluation report in the financial accounting report and the regular report;
- (II) to appoint or dismiss the accounting firm undertaking the Company’s auditing business;
- (III) to appoint or dismiss the chief financial officer of the Company;
- (IV) to make changes in accounting policies and estimates or to correct significant accounting errors for reasons other than changes in accounting standards;
- (V) other matters as stipulated by laws, administrative regulations, requirements of the CSRC, securities regulatory rules of the place where the Company’s Shares are listed and the Articles of Association.

The Audit Committee shall exercise the duties and powers of the board of supervisors as stipulated by the Company law.

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The Audit Committee shall hold at least one meeting per quarter, and may convene an ad hoc meeting when proposed by two or more members, or when the convener deems it necessary. Meetings of the Audit Committee may be held only when attended by more than two-thirds of the members.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed and the requirements of relevant PRC departments.

The Company shall report and announce its annual reports within four months from the ending date of each fiscal year, and report and announce its interim report within two months from the end of the first half of each fiscal year.

Profit Distribution

When distributing after-tax profits of the year, the Company shall set aside 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding years, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding paragraph.

Subject to a resolution passed at a Shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside after-tax profits for the discretionary reserve fund. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profits, after the Company makes up the losses and appropriates statutory reserve funds, shall be distributed to Shareholders in proportion to the Shares held by them. If the Shareholders' meeting distributes profits to Shareholders in violation of the preceding paragraph before the Company makes up the losses and appropriates statutory reserve funds, the Shareholders must refund to the Company the profits distributed in violation of the provision. If losses are caused to the company, the Shareholders and the responsible Directors or senior management members shall bear liability for compensation. No profit shall be distributed in respect of the Shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the losses, expansion of the operation or increase of capital of the Company. When using the reserve fund to make up for the losses, the discretionary reserve fund and statutory reserve fund should be used first;

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if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company implements an active profit distribution policy, attaches importance to reasonable investment returns for investors, and maintains sustainability and stability. The Company may distribute profits in the form of cash or Shares, and the distribution of profits shall not exceed the cumulative distributable profits and shall not impair the Company’s ability to operate as a going concern. The Company prioritizes the use of cash dividends for profit distribution. In the event that the Company has cash for dividend distribution, the Company shall use cash dividends for profit distribution. The Board and Shareholders of the Company shall fully consider the opinions of independent Directors and public investors in the decision-making and demonstration process of its profit distribution policies.

Internal Audit

The Company implements an internal audit system, clearly defining the leadership structure, responsibilities and authority, staffing, funding guarantees, utilisation of audit findings, and accountability for internal audit work. The Company’s internal audit organization shall conduct supervision and inspection of the Company’s business activities, risk management, internal controls, and financial information.

The internal audit system of the Company shall be implemented and disclosed to the public upon the approval of the Board. The internal audit organization shall be accountable to the Board.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has registered with the security regulatory authorities and relevant competent authorities of the State Council for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be one year and can be re-appointed.

The appointment of an accounting firm by the Company shall be subject to the approval of Shareholders’ meetings. The Board shall not appoint an accounting firm before the approval of the Shareholders’ meeting.

The Company guarantees that it provides true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information to the appointed accounting firm, without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm shall be determined by the Shareholders’ meeting.

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In the event of the termination of the appointment or non-renewal of the appointment of an accounting firm, the Company shall notify the accounting firm seven days in advance; when the Shareholders' meeting votes on the termination of the appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state at a Shareholders' meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company. In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days since the date of the resolution for the merger and shall publish an announcement on a newspaper within 30 days. A creditor may, within 30 days since the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, demand the Company to repay its debts or provide guarantees for such debts.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly. Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days since the date of the resolution for the division and shall publish an announcement on the newspaper that recognized by the CSRC within 30 days since the date of such resolution. Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving company after the division.

Where the Company reduces its registered capital, it shall prepare a balance sheet and property list. The Company shall notify its creditors within 10 days since the date of the resolution of the reduction of its registered capital and shall publish an announcement on the newspaper that recognized by the CSRC within 30 days since the date of such resolution. A creditor is entitled, within 30 days since the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company

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to repay its debts or provide guarantees for such debts. When the Company reduces its registered capital, it shall reduce the amount of its contributions or shares in proportion to the Shares held by Shareholders, except otherwise provided by laws or the Articles of Association.

Where there is a merger or division of the Company, the Company shall, in accordance with laws, apply for change in its registration with the company registration authority for any changes of its registered information caused thereby; where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with laws; where a new company is established, the Company shall apply for registration of incorporation in accordance with laws. Where there is an increase or reduction in the registered capital, the Company shall, in accordance with the laws, apply for change in registration with the company registration authority.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

- (I) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;
- (II) a resolution on dissolution is passed by a Shareholders' meeting;
- (III) dissolution is required due to the merger or division of the Company;
- (IV) the business license of the Company is revoked or the Company is ordered to shut down or dissolved in accordance with the laws;
- (V) the Company suffers significant hardships in operation and management that cannot be resolved through other means, and its continuation may cause substantial loss in Shareholders' interests, Shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.

If event (I) and (II) of the preceding paragraphs occur and the property has not yet been distributed to Shareholders, the Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of the Shareholders representing two-thirds or above of the voting rights present at the Shareholders' meeting.

Where the Company is dissolved pursuant to (I), (II), (IV) or (V) of the preceding paragraphs, a liquidation committee shall be established within 15 days since the dissolution circumstance arises, and the liquidation shall be started. The liquidation committee shall consist of Director or personal determined by the Shareholders' meeting. Where a member of

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

the liquidation committee fails to perform his/her liquidation duties diligently, thereby causing losses to the Company, he/she shall be liable for compensation; where he/she causes losses to the Company or creditors arising from his/her willful or gross negligence, he/she shall be liable for compensation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement on the newspaper recognized by the CSRC within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days since the date of receipt of the notice or, in the case where they have not received the notice, within 45 days since the date of the announcement.

Creditors filing claims should state the relevant matters of the claim and provide supporting materials. The liquidation committee shall register creditor's claims.

The liquidation committee shall not pay off any debts to any creditors during period of credit declaration.

After checking the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation by Shareholders' meetings or the people's court. The remaining properties of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs, taxes and debts of the Company, shall be distributed to the Shareholders in proportion to the Shares held by them. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The assets of the Company shall not be distributed to the Shareholders until the settlement of debts in accordance with the preceding paragraphs.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the people's court for bankruptcy. After the people's court accepts the bankruptcy application of the Company, the liquidation committee shall hand over the liquidation matters to the bankruptcy manager designated by the people's court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the Shareholders' meeting or the people's court for confirmation, submit the report to the company registration authority to apply for cancellation of the registration of the Company and announce the termination of the Company.

Where the Company is declared bankruptcy in accordance with the laws, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association upon the occurrence of any of the following circumstances:

- (I) after amendments are made to the Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the Company’s Shares are listed, any term contained in the Articles of Association become inconsistent with amended laws, administrative regulations and securities regulatory rules of the place where the Company’s Shares are listed;
- (II) there have been certain changes of the Company which is inconsistent with certain terms specified in the Articles of Association;
- (III) a Shareholders’ meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by the resolutions of Shareholders’ meetings require the approval of competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved change shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of Shareholders’ meetings on the amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established as a limited liability company in the PRC on April 5, 2006, and was converted to a joint stock limited liability company on March 31, 2008. Our Company completed the listing of our A Shares on the SZSE ChiNext Market (stock code: 300765) on March 22, 2019. For further details on our incorporation and our listing of A Shares, see “History and Corporate Structure—Major Shareholding Changes of Our Company” in this document.

Our registered office is located at No. 62 Zhangju Road, Luancheng District, Shijiazhuang, Hebei Province, PRC. We have established a place of business in Hong Kong at Suite 3206, 32/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, and were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 10, 2025 under the same address.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V to this document, respectively.

2. Changes in our share capital

The following sets out the changes in our Company’s share capital within the two years immediately preceding the issue of this document:

- As approved by the 2023 annual general meeting of the Shareholders on April 9, 2024, our Company issued 2 new A Shares for every 10 existing A Shares to Shareholders by way of capital reserve capitalization on April 25, 2024, representing a total increase of 233,850,790 A Shares. The total share capital of our Company was then increased from 1,170,742,154 to 1,404,592,944 A Shares.
- A repurchase mandate for the repurchase of A Shares for the purpose of future implementation of an employee stock ownership plan or share incentive plan was approved by the fifth meeting of the six session of the Board on September 20, 2023. The repurchase mandate was valid for 12 months from the date of approval. As of September 19, 2024, the repurchase of A Shares was completed under the repurchase mandate, with a total of 12,000,225 A Shares repurchased pursuant to transactions conducted between September 20, 2023 and September 19, 2024, at an average price of RMB26.75 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders’ rights, including but not limited to voting rights at the Shareholders’ meetings and dividend rights. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be cancelled.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Save as disclosed above and as mentioned in the sub-section headed “4. Resolutions of our Shareholders” below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

Details of our subsidiaries are set out in “History and Corporate Structure—Our Major Subsidiaries” and Note 52 to the Accountants’ Report as set out in Appendix I to this document.

The following subsidiary has been established within the two years immediately preceding the date of this document:

Name of subsidiary	Place of establishment	Date of establishment
Megalith Shanghai	PRC	October 10, 2024

There has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

Pursuant to the shareholders’ meeting held on October 16, 2025, the following resolutions, among other things, were duly passed:

- (a) the [REDACTED] by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED];
- (b) the number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED] (before the exercise of the [REDACTED]), and the grant of the [REDACTED] of not more than [REDACTED]% of the total number of H Shares to be [REDACTED] initially under 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
- (d) authorization of the Board and its authorized persons to handle relevant matters relating to, among other things, the [REDACTED], and [REDACTED] of the H Shares.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

- (a) a share transfer agreement dated September 30, 2025 entered into between our Company and NBP Pharmaceutical
- (b) [REDACTED].

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, the following intellectual property rights were, in the opinion of our Directors, material to our Group’s business.

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Registered Owner	Place of Registration
1. . .	恩舒幸	Megalith Biopharmaceutical	Chinese Mainland
2. . .	恩益坦	Megalith Biopharmaceutical	Chinese Mainland
3. . .	 石药创新 CSPC CSPC INNOVATION.	Company	Hong Kong
4. . .		Hebei GWK	Chinese Mainland

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(b) *Patents*

As of the Latest Practicable Date, our Group had registered the following patents which are material to our business:

No.	Patent	Patent Owner	Type of Patent	Place of registration
1. . . .	Antibody-Drug Conjugate and Use Thereof	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, Macau, Australia, Canada, Europe, Japan, Korea, United States
2. . . .	Pharmaceutical Composition Comprising Antibody-Drug Conjugate	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, Australia, Brazil, Canada, Europe, Indonesia, India, Japan, Malaysia, New Zealand, Singapore, Thailand, United States, Korea
3. . . .	Use of Antibody Drug Conjugate	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, Australia, United States, Canada, Europe, Japan, Korea
4. . . .	Anti-Nectin-4 Antibody, Drug Conjugate, and Preparation Method Therefor And Use Thereof	Megalith Biopharmaceutical	Invention	Chinese Mainland, United States, Australia, Canada, Europe, Hong Kong, Japan, Korea
5. . . .	Pharmaceutical Composition of Recombinant Humanized Anti-Nectin-4 Monoclonal Antibody-MMAE Conjugate Drug	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, Korea, Australia, Canada, Europe, Japan, United States

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner	Type of Patent	Place of registration
6. . . .	Use of Antibody-Drug Conjugate Targeting Nectin-4	Megalith Biopharmaceutical	Invention	PCT
7. . . .	Use of Antibody Drug Conjugates Targeting Nectin-4	Megalith Biopharmaceutical	Invention	Chinese Mainland, PCT, Hong Kong
8. . . .	Human programmed cell death 1 receptor antibody, method of preparing same, and use thereof	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, Macau
9. . . .	Antibody-drug conjugate and use thereof	Megalith Biopharmaceutical	Invention	Chinese Mainland, Hong Kong, United States, Europe, Japan, Korea, Canada, Australia, Singapore, Thailand, Malaysia, India, Indonesia, Brazil, New Zealand

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to us and the Stock Exchange, in each case once the H Shares are [REDACTED].

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STATUTORY AND GENERAL INFORMATION

(b) *Interests and short positions of the substantial shareholders in the Shares and underlying Shares of our Company*

Save as disclosed in the section headed “Substantial Shareholders” in this document, as of the Latest Practicable Date, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the H Shares are [REDACTED] (assuming no changes to our issued share capital between the Latest Practicable Date and the [REDACTED]), would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) *Interests of the substantial shareholders in any member of our Group (other than our Company)*

Member of our Group	Name of substantial shareholder	Approximate percentage of shareholding interest held by the substantial shareholder
Megalith Biopharmaceutical	NBP Pharmaceutical	20%
Megalith Shanghai	NBP Pharmaceutical	20%

Save as disclosed above, immediately following the completion of the [REDACTED] (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 an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company).

2. Particulars of Service Contracts and Appointment Letters

We [have entered] into a service contract or appointment letter with each of our Directors. The principal particulars of these service contracts and appointment letters are: (a) each of the contracts is for a term of three years following his/her respective effective date of his/her appointment; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors 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).

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

3. Directors’ Remuneration

The aggregate amount of remuneration (including salaries, wages and other benefits, performance related bonuses and contribution to retirement benefits schemes) and benefits in kind we paid or payable to our Directors in respect of the financial years ended December 31, 2023, 2024 and 2025 were approximately RMB1.01 million, RMB1.46 million and RMB6.24 million, respectively.

Details of our Directors’ remuneration are also set out in note 14 of the Accountants’ Report set out in Appendix I to this document. Save as disclosed in the Accountants’ Report, no other emoluments have been paid or are payable by our Company or any of our subsidiaries to our Directors during the Track Record Period.

One, two and one of the five highest paid individuals were Directors or supervisors respectively, for the years ended December 31, 2023, 2024 and 2025. During the Track Record Period, the total emoluments paid or payable to the remaining four, three and four highest paid individuals by us amounted to RMB2.92 million, RMB1.80 million and RMB4.09 million for the years ended December 31, 2023, 2024 and 2025, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration and benefits in kind payable by our Company to our Directors for the financial year ending December 31, 2026 is estimated to be approximately RMB7.70 million.

None of the Directors (or former Directors) or the five highest paid individuals has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us; or (ii) as compensation for loss of office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

4. Fees or commissions received

Save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

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STATUTORY AND GENERAL INFORMATION

5. Disclaimers

- (a) None of our Directors or chief executives has any interests and short positions 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 have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our H Shares are [REDACTED].
- (b) None of our Directors or any of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.
- (c) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.
- (d) Save in connection with the [REDACTED], none of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” below: (i) is interested, legally or beneficially, in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that currently no material liability for estate duty under PRC law is likely to fall upon our Company or any of our subsidiaries under the laws of Hong Kong and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

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3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable to the Sole Sponsor in respect of its services as a sponsor for the [REDACTED] is US\$500,000 and payable by us.

4. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoters

The promoters of our Company comprised CSPC Holdings Company Limited (石藥控股集團有限公司) and Shijiazhuang Pharmaceutical Group Import & Export Trading Co., Ltd. (石家莊製藥集團進出口貿易有限公司), the 2 then Shareholders of our Company as at March 31, 2008 before our conversion into a joint stock limited liability company.

Within the two years immediately preceding the date of this document, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
CITIC Securities (Hong Kong) Limited . .	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Hai Run Law Firm	Legal adviser to our Company as to PRC laws

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
KPMG Advisory (China) Limited Beijing Branch	Transfer pricing consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of Experts

[Each of the persons named in “—6. Qualification of Experts” has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion (as the case may be) and/or the references to its name included in this document in the form and context in which it is respectively included.]

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the [REDACTED] of members of our Company, including in circumstances where such transactions are effected on the [REDACTED]. The rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this document.

9. Binding Effect

This document shall have the effect, if an [REDACTED] is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

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STATUTORY AND GENERAL INFORMATION

10. Restrictions on Share Repurchases

For details, see the sections headed “Summary of Principal Legal and Regulatory Provisions” in Appendix V and “Summary of the Articles of Association” in Appendix V to this document.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this document:
 - (i) save as disclosed in the sections headed “Share Capital” and “[REDACTED]” in this document and in this Appendix VI, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) save in connection with the [REDACTED], no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) there are no bank overdrafts or other similar indebtedness by our Company or other similar indebtedness by our Company or any member of our Group;
 - (iv) save in connection with the [REDACTED], no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share or debenture in our Company.
- (b) Our Group has not issued any debentures nor does it have any outstanding debentures or any convertible debt securities.
- (c) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (d) No founder or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.
- (e) Our Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.
- (f) There are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group.
- (g) Save for the A Shares of our Company that are listed on the SZSE ChiNext Market as set out in the sections headed “History and Corporate Structure” and “Share Capital” in this document, no company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this document; and
- (b) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.xnwpharma.net up to and including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2023, 2024 and 2025;
- (d) the report on the [REDACTED] received from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (e) the PRC legal opinions issued by Hai Run Law Firm, our PRC legal adviser, in respect of, among other things, certain general corporate matters of our Group under the PRC law;
- (f) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this document;
- (g) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this document;
- (h) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix VI to this document;
- (i) the transfer pricing report issued by KPMG Advisory (China) Limited Beijing Branch in respect of the transfer pricing arrangement of our Group;
- (j) the service contracts and appointment letters referred to in the section headed “Statutory and General Information—C. Further Information About Our Directors and Substantial Shareholders—2. Particulars of Service Contracts and Appointment Letters” in Appendix VI to this document; and
- (k) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association of Listed Companies issued by the CSRC together with unofficial English translations thereof.