# Immunotech Biopharm Ltd
# 永泰生物製藥有限公司

*(incorporated in the Cayman Islands with limited liability)*

Stock Code: 6978

# GLOBAL OFFERING

Joint Sponsors

建银国际 CCB International

國信證券(香港) GUOSEN SECURITIES (HK)

# IMPORTANT

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

# Immunotech Biopharm Ltd
# 永泰生物製藥有限公司

*(incorporated in the Cayman Islands with limited liability)*

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | : | **100,000,000 Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | : | **10,000,000 Shares (subject to reallocation)** |
| **Number of International Offer Shares** | : | **90,000,000 Shares (subject to reallocation and the Over-allotment Option)** |
| **Offer Price (subject to a Downward Offer Price Adjustment)** | : | **HK$10.50 to HK$11.00 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full at the maximum Offer Price on application, subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$9.45 per Share)** |
| **Nominal value** | : | **US$0.001 per Share** |
| **Stock code** | : | **6978** |

***Joint Sponsors***

建银国际 CCB International

國信證券(香港) GUOSEN SECURITIES (HK)

***Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

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國泰君安國際 GUOTAI JUNAN INTERNATIONAL

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申萬宏源香港 SHENWAN HONGYUAN

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中泰國際

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

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

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 3 July 2020 and, in any event, not later than Saturday, 4 July 2020. The Offer Price will not be more than HK$11.00 and is currently expected to be not less than HK$10.50. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$11.00 for each Share together with a brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$11.00 per Offer Share. If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$9.45 per Share.

The Joint Representatives (for themselves and on behalf of the Underwriters) with our consent, may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus (which is HK$10.50 to HK$11.00 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.eaal.net**. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". If, for any reason, the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Saturday, 4 July 2020, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 am on Friday, 10 July 2020. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the US Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

29 June 2020

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.eaal.net**.*

| | |
|---|---|
| Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from | 9:00 a.m. on Monday, 29 June 2020 |
| Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**(2) | 11:30 am on Friday, 3 July 2020 |
| Application lists open(3) | 11:45 am on Friday, 3 July 2020 |
| Latest time to (a) lodge **WHITE** and **YELLOW** Application Forms, (b) complete payment for **White Form eIPO** applications by effecting internet banking transfers or PPS payment transfers and (c) give **electronic application instructions** to HKSCC(4) | 12:00 noon on Friday, 3 July 2020 |
| Application lists close | 12:00 noon on Friday, 3 July 2020 |
| Expected Price Determination Date(5) | Friday, 3 July 2020 |
| Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see paragraph headed "Structure of the Global Offering — Pricing and Allocation") on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.eaal.net** on or before | Friday, 3 July 2020 |

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering
- the level of applications in the Hong Kong Public Offering
- the basis of allocation under the Hong Kong Public Offering

to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.eaal.net** on or before ..... Thursday, 9 July 2020

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Hong Kong Offer Shares — Publication of Results") from ..... Thursday, 9 July 2020

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from ..... Thursday, 9 July 2020

Despatch of share certificates, refund cheques/White Form e-Refund payment instructions (if applicable) on or before[(6)(7)] ..... Thursday, 9 July 2020

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on ..... Friday, 10 July 2020

*Notes:*

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 am on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 am, you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 am and 12:00 noon on Friday, 3 July 2020, the application lists will not open and close on that day. Please refer to "How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" for further details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS".

(5) The Price Determination Date is expected to be on or about Friday, 3 July 2020, and in any event, not later than Saturday, 4 July 2020. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or before Saturday, 4 July 2020, the Global Offering will not proceed and will lapse.

(6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 am on Friday, 10 July 2020 provided that (a) the Global Offering has become unconditional in all respects; and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

# CONTENTS

**IMPORTANT NOTICE TO INVESTORS**

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by us or any of the Relevant Persons.*


*Page*

**Expected Timetable** . . . . . i

**Contents** . . . . . iv

**Summary** . . . . . 1

**Definitions** . . . . . 21

**Glossary of Technical Terms** . . . . . 35

**Risk Factors** . . . . . 40

**Forward-looking Statements** . . . . . 87

**Waivers from Strict Compliance with the Listing Rules and Exemptions From Compliance With The Companies (Winding Up And Miscellaneous Provisions) Ordinance** . . . . . 89

**Information about this Prospectus and the Global Offering** . . . . . 97

**Directors and Parties Involved in the Global Offering** . . . . . 101

**Corporate Information** . . . . . 108

**Industry Overview** . . . . . 110

**Regulatory Overview** . . . . . 135

# CONTENTS


*Page*

**History, Reorganisation and Corporate Structure** . . . . . 163

**Business** . . . . . 190

**Financial Information** . . . . . 271

**Relationship with Controlling Shareholders** . . . . . 312

**Continuing Connected Transactions** . . . . . 316

**Contractual Arrangements** . . . . . 321

**Share Capital** . . . . . 336

**Interests Discloseable under the SFO and Substantial Shareholders** . . . . . 340

**Directors and Senior Management** . . . . . 343

**Future Plans and Use of Proceeds** . . . . . 369

**Cornerstone Investors** . . . . . 373

**Underwriting** . . . . . 380

**Structure of the Global Offering** . . . . . 393

**How to Apply for Hong Kong Offer Shares** . . . . . 405

**Appendix I — Accountants' Report** . . . . . I-1

**Appendix II — Unaudited Pro Forma Financial Information** . . . . . II-1

**Appendix III — Summary of the Constitution of our Company and Cayman Companies Law** . . . . . III-1

**Appendix IV — Statutory and General Information** . . . . . IV-1

**Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection** . . . . . V-1

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.* ***In particular, we are a biotechnology company seeking to list on the Main Board of the Hong Kong Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2), or (3) of the Listing Rules.*** *There are unique challenges, risks, and uncertainties associated with investing in companies such as ours. Your investment decision should be made in light of these considerations.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.*

## 1. OVERVIEW

We are a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 13 years. According to the Frost & Sullivan Report, EAL® — our Core Product Candidate — is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only that had been approved for application in a Phase II clinical trial for solid tumour treatment.

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application, and has shown efficacy in the treatment of various types of cancer. Our EAL®-related research began in 2006, and we have improved upon our cell culture system and methods, and developed our proprietary, patented technology platform for the production of EAL® cells. In its history of clinical application, EAL® has shown efficacy in preventing tumour recurrence and maintaining long-term survival of patients, and when used in combination with chemotherapy, has shown better therapeutic efficacy than chemotherapy alone.

We have selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial of EAL®. In China, the number of patients newly diagnosed with liver cancer exceeded 400,000 in 2018, accounting for 44.9% of the global liver cancer incidence. In addition, the five-year survival rate for liver cancer in China is as low as 12.1%, far lower than the overall five-year survival rate of 40.5% for cancer on average. According to the Frost & Sullivan Report, other than surgery and interventional therapy, no medication or other methods are available in China to prevent the recurrence of early-stage liver cancer and prolong the recurrence-free survival and overall survival of early-stage liver cancer patients.

We plan to submit the application for the commercialisation of EAL® in the PRC market after achieving statistically significant result for its clinical trials. According to the Frost & Sullivan Report, the size of China's cellular immunotherapy market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%, and is forecasted to reach RMB58.4 billion in 2030 with a CAGR of 28.3% from 2023 to 2030. In China, the cellular immunotherapy industry saw a major

shift in regulatory environment in 2016, when new rules were promulgated requiring all cellular immunotherapy products to go through the NMPA authorisation process just like other pharmaceutical products. We submitted the IND application for EAL® in 2015 ahead of our competitors, and the IND application was accepted by the CDE for processing. We obtained the IND approval document in October 2017, and enrolled the first patient for the Phase II clinical trial for EAL® in September 2018. As at the Latest Practicable Date, 164 patients had been enrolled in the Phase II clinical trial for EAL®.

Our product pipeline features major classes of cellular immunotherapy products, including both non-genetically-modified and genetically-modified products, as well as both multi-target and single-target products. Other than EAL®, our main product candidates include the CAR-T cell series and the TCR-T cell series.

Our CAR-T-19 injection product candidate was the subject of a researcher-initiated clinical study in which 63 patients were treated, and the complete response rate was over 90%. Our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We have initiated supplemental pre-clinical studies based on feedback from the CDE in November 2019, and expect to submit supplemental materials by July 2020. Subject to the CDE's consent, we expect to begin the clinical trial of the product candidate by the end of 2020.

Based on the model of our CAR-T-19 injection product candidate used for the treatment of hematologic cancer, we are conducting research into novel T cell products that aim to overcome the immunosuppressive mechanisms in the tumour microenvironment (eg CAR-T-19-DNR) and products that aim to overcome the high recurrence rate of CAR-T cell therapy (eg aT19). As for our TCR-T cell product pipeline, we have a number of candidates under pre-clinical studies. We have completed the pharmacodynamic studies for our NY-ESO-1 TCR-T cell product candidate. We plan to submit the IND applications for our CAR-T-19-DNR, aT19, and NY-ESO-1 TCR-T product candidates by mid 2021.

From December 2006 to May 2016, we carried out the EAL® clinical applications and pre-clinical efficacy studies on EAL® under the Dual Track System, under which cellular immunotherapy was able to be marketed commercially as a medical technology regulated by the Ministry of Health, and at the same time, it remained within the CFDA drugs regulation regime.

Composed of experienced cancer immunologists, our core technology team is equipped with industry foresight and sensitivity. Under their leadership, we became the first company to complete the pre-clinical studies and submitted the IND application for EAL® in 2015 while other market players only carried out the clinical application of their cellular immunotherapy. From May 2016, following the Wei Zexi incident, the relevant government authorities ceased all commercial clinical application of cellular immunotherapy including EAL®. Subsequently, EAL® was the only cellular immunotherapy product in China approved for application in Phase II clinical trial for solid tumour treatment as at the Latest Practicable Date, which well positions us to achieve the commercialisation of EAL®. Our R&D organisational structure encompasses early research, pre-clinical studies, clinical studies, and commercialised production and management, allowing for rapid implementation of our product R&D efforts.

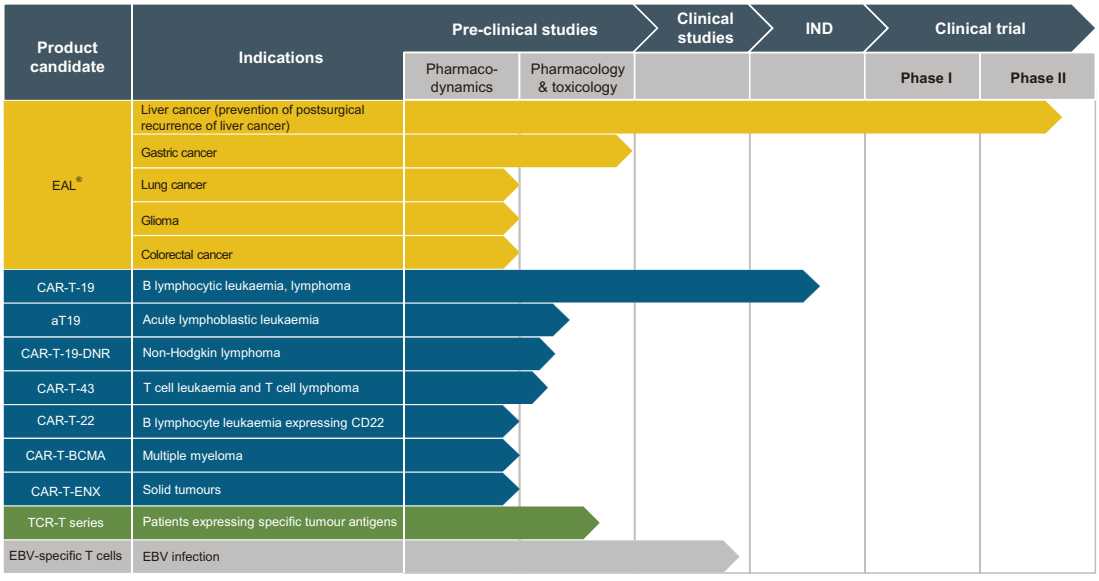
We have established technology platforms necessary for the R&D of cellular immunotherapy products, including a serum-free cell culture and expansion technology platform, a gene modification and transduction technology platform, a technology platform for in vitro expansion of antigen-specific T cells, and a production and purification technology platform for plasmids and viral vectors. In addition, we have in place an organisational and management platform for clinical trials, a cell transportation and logistics platform, and a GMP-compliant production quality management platform appropriate for cellular immunotherapy products.

We have a total area of more than 7,500 square metres for R&D and manufacturing in Beijing. Such facilities are capable of supporting our pre-clinical and clinical R&D of cellular immunotherapy product candidates, as well as the early production needs upon marketing approval for our product candidates. All these facilities have been issued clean facility (area) inspection reports by the Beijing Institute for Drug Control. Our Guosheng Laboratory in Beijing has the capacity to handle approximately 40,000 samples per year, and can satisfy the needs from the clinical trials for our product pipeline for two to three years, as well as the early production needs from the commercialisation of EAL®. In addition, we have established a research centre in the Republic of Korea primarily focusing on the development of new technologies relevant to our business.

In order to expedite our clinical trials and to prepare for future commercialisation roadmap, we are planning to establish R&D and production centres in cities such as Beijing, Shanghai and Guangzhou, covering densely-populated areas in China in view of the six-hour transportation radius for EAL®. We expect to complete relevant construction work by the end of 2021.

## 2. PRODUCT PIPELINE

The following table sets forth a summary of the products under development as at the Latest Practicable Date:



## EAL®

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application in the treatment of cancer. It is a preparation of activated and expanded T cells originally taken from a patient's autologous peripheral blood and cultured using our patented methods. The main active component of the product is $CD8^+$ cytotoxic T cells, whose surface marker is the CD3 molecule.

EAL® aims to overcome the immunosuppressive mechanisms in the tumour microenvironment through activating and expanding a patient's $CD8^+$ cytotoxic T cells in vitro. T cells from the patient's peripheral blood are activated using anti-CD3 antibodies which can mimic antigens and activate T cells with tumour-killing effect. Such activated T cells are then expanded about 1,000-fold before infusing into the patient's body, thereby significantly increasing the number of effector T cells. The cell culture methods for EAL® may also achieve selective expansion of tumour antigen-specific T cells, resulting in a higher proportion of activated antitumour T cells among all T cells in the patient's body.

The activated and expanded T cells, including effector T cells targeting different tumour antigens, form a multi-target activated T cells population which can directly kill tumour cells by releasing perforin and granzyme, or induce the apoptosis of tumour cells via the apoptosis signal transduction pathway Fas–FasL. In addition, the T cells can also have tumour killing effects by secreting cytokines such as IFN-$\gamma$ and TNF-$\alpha$.

The efficacy of activated autologous lymphocytes (AAL) therapy (of which EAL® is an example) in the prevention of postsurgical recurrence of liver cancer has been seen in overseas clinical trials. Separately, the safety and efficacy of EAL® produced using our patented methods in the treatment of tumours have been reported in three SCI academic journal articles.

EAL® is undergoing Phase II clinical trial with the postsurgical recurrence of liver cancer selected as the clinical indication. Based on our communications with the CDE, we may apply for marketing approval for EAL® indicated for the prevention of postsurgical recurrence of liver cancer using the interim results of the ongoing clinical trial or the final results at the end of the clinical trial if such results are statistically significant. We may further communicate with the CDE to facilitate the assessment after obtaining clinical trial results that support the efficacy of EAL®.

We selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial for EAL® because (1) liver cancer has a high incidence rate in China; (2) randomised controlled clinical trials have shown the efficacy of other AAL products in the prevention of postsurgical recurrence of liver cancer; (3) the high recurrence rate of liver cancer after radical surgery enables us to obtain statistically significant clinical trial results in a relatively short period of time; and (4) the market demand is considerable given the limited therapeutic options for liver cancer.

Separate IND application filings and clinical trials by phases are required if in the future we seek to obtain approval for marketing EAL® indicated for diseases other than liver cancer. To the best knowledge of our Directors, the only competitive

marketed AAL product in the prevention of postsurgical recurrence of liver cancer is Immuncell-LC™, which has not been marketed in China.

We have submitted the 12-month summary report in September 2019 in respect of the clinical trial to the CDE in accordance with the relevant requirements, setting out a summary of the updated safety information about EAL®. We reported, among other things, that based on the data from the administration of a total of 102 batches of EAL® for 17 patients in the clinical trial, there were no serious adverse effects. We concluded that there have been no changes to our assessment of the efficacy and safety of EAL® and no new risks have been discovered based on the available data.

Our pre-clinical studies and clinical trials plan to expand the indications of EAL® to include lung cancer, gastric cancer and colorectal cancer. We are currently conducting a pre-clinical study of EAL® for gastric cancer. After completing this study, we will submit our application to the CDE to expand the study of indications for EAL®. See "Future Plans and Use of Proceeds".

The technology for obtaining antitumour lymphocytes is critical to the development of EAL®. We are able to use a small amount of peripheral blood lymphocytes as the starting material to obtain antitumour lymphocytes with the target number, activity, and functionality through in vitro culture. During our R&D process, we tried many different combinations of cell culture media, cytokine concentrations, and antibody concentrations, and finally developed a proprietary method used to produce EAL®. The optimisation of cell culture media, cytokine concentrations, and antibody concentrations constitutes the only material advancements and developments resulting to a cell culture system for in vitro expansion of activated lymphocytes that commenced in 2005. Such optimisation processes had been carried out during the period from 2013 to 2015. Before the optimisation processes, we had during the period from December 2006 to May 2011 established cell culture method for EAL® and carried out clinical application according to the Management Measures for Clinical Application of Medical Technology (醫療技術臨床應用管理辦法). Please see "Business — 4. Product Pipeline — EAL® — Comparison Between EAL® and Other AAL Products" for details.

The advantages of EAL® include:

- Therapeutic efficacy as a result of high activity and quantity of T cells, multi-target killing of tumour cells, wide range of effects, and the potential ability to restore of normal immune functions.

- When cellular immunotherapy products were treated as a Class III medical technology, EAL® was clinically applied for nearly ten years in China, having been used for the treatment of 4,000 patients with a total of more than 20,000 infusions.

- Our standardised production process makes large-scale production of EAL® possible.

- The side effects of EAL® are mainly flu-like self-limiting symptoms of grade II or below.

- Preparation of the product only requires a small amount of peripheral blood.
- EAL® has a relatively long preservation life allowing for long-range transportation.
- EAL® has the potential to be used in combination with other cancer therapies to achieve synergy effect.

**CAR-T cell product pipeline**

According to the Frost & Sullivan Report, the pain points of CAR-T cell therapy include (1) CAR failure; (2) CAR-T cell-related toxicity; (3) disease relapses; and (4) limited indications, especially for solid tumours.

The CAR-T-19 series forms the core of our CAR-T cell product pipeline. Our CAR-T-19 injection product candidate has shown efficacy in a clinical study, and our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We received feedback from the CDE in November 2019, which suggested us to supplement some materials relating to pre-clinical studies. We have initiated supplemental research based on the CDE's feedback. We expect to submit supplemental research materials by July 2020 to complete the IND application. If the CDE consents to our submission to be made, we expect to begin the clinical trial of CAR-T-19 product candidate by the end of 2020. Based on the technology of the CAR-T-19 injection, our CAR-T-19-DNR injection and aT19 injection product candidates have the ultimate goal of overcoming CAR-T cells' pain points in terms of the lack of persistence, the lack of efficacy in the treatment of solid tumours, and in the prevention of tumour recurrence. If verified, the technology underlying these two product candidates may be used in the genetic modification of other CAR-T and TCR-T cell products targeting solid tumours.

The functional components of our CAR-T-19-DNR injection product candidate are T cells that are genetically modified to express an anti-CD19 chimeric antigen receptor and a dominant-negative mutant type II TGF-β receptor. The synchronisation of transcription and translation of DNRII receptors expressed on the surface of CAR-T-19-DNR cells has the potential to inhibit the immunosuppressive effect caused by the existence of TGF-β in the tumour microenvironment and prevent the weakening and depletion of CAR-T-19-DNR cells' immune killing ability.

The active component of our aT19 injection product candidate is autologous T cells genetically modified to express CD19. The reinfusion of the aT19 injection after the administration of CAR-T-19 has the potential to reactivate CAR-T cells, restart the proliferation of CAR-T cells, and induce more immune memory cells, thereby increasing the chance of killing trace amounts of residual CD19-positive tumour cells and of preventing recurrence.

**TCR-T cell product pipeline**

TCR-T cell therapy is an immunotherapy based on the reinfusion of tumour antigen-specific T cells. We use our established single-cell sequencing-based technology platform to obtain different HLA-restricted T cell receptor (TCR) coding sequences for specific antigens. Subsequently, the TCR genes are inserted into our self-constructed lentiviral vector for transduction into T cells, and then the killing effect on tumour cells is confirmed by an in vitro and in vivo model. In this way, we hope to finally prepare a gene database for TCRs where different antigenic specificities presented by common HLA can be recognised.

With a view to overcoming the immunosuppressive mechanisms of tumours, we have constructed expression vectors that co-express TCR and CXCR3, IL-12, or TGF-β DNR, and we plan to use transplanted tumour models to investigate their effects on the therapeutic effect of TCR-T cells, thereby laying the foundation for the development of the next generation of TCR-T cell products for the treatment of solid tumours.

We have a number of TCR-T cell product candidates under pre-clinical studies, with the relevant target antigens including the cancer-testis antigen or cancer-placental antigen such as NY-ESO-1, and antigens derived from viruses such as EBV and HPV.

## 3. COMPETITIVE STRENGTHS

We believe the following strengths have differentiated us from our competitors:

- EAL®'s foreseeable clinical efficacy and commercialisation in the relatively near term
- Early-mover advantage in the market for cellular immunotherapy used for the treatment of liver cancer
- Highly-integrated T cell immunotherapy drugs R&D platform
- T cell product pipeline featuring a number of cellular immunotherapy technologies
- Experienced and visionary R&D and management team
- T cell immunotherapy drugs R&D enterprise with over 13 years of experience

## 4. BUSINESS STRATEGIES

We plan to pursue the following business strategies:

- Expedite the clinical trial and prepare for commercialisation of EAL®
- Expedite the research into the expansion of indications for EAL®
- Advance the pre-clinical studies for pipeline products, and accelerate their entry into clinical trials

- Enhance our technology platform and strengthen our product pipeline
- Develop viral vector production and early-stage R&D services business
- Expand strategic collaboration and explore acquisition opportunities on the basis of organic growth

## 5. RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in "Risk Factors" in this prospectus. Some of the major risks we face include:

- We may not be able to identify, discover, or in-license new product candidates, and investors may lose all of their investment in us as a result.
- We may not achieve successful and timely development and regulatory approval of our product candidates, all of which are in pre-clinical or clinical development.
- We incurred net losses and did not generate any revenue from the sale of our product candidates during the Track Record Period, and there is no assurance that we will become and remain profitable in the future.
- Even if approved, our product candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success.
- We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalise on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.
- We may face potential claims of infringement on the patents of third parties. For example, our peers may assert that we are using the same or similar potential compositional and methodology patents and geographical rights granted to their CAR-T and TCR-T products.

## 6. RESEARCH AND DEVELOPMENT

Within our R&D function, different tasks are performed by teams with specialised expertise. We have a product technology R&D team and a product clinical trial research team.

The product technology R&D team is led by Dr Wang and the key members are Dr Zhang, Dr Kim, Ms Zhang Lingmin and Mr Sun Lei. The product technology R&D team includes three divisions, namely early product R&D, pre-clinical studies, and quality management. Our pre-clinical studies division has researchers dedicated to process development, quality research, pharmacodynamics, and pharmacological toxicology research respectively. This division of labour allows for modular operations of our

R&D activities. With such team structure we aim to shorten our product development cycle and expedite our product candidates' entry into clinical trial.

The product clinical trial research team is mainly responsible for the clinical trial design, organisation and implementation of clinical trials of relevant products developed, clinical trial review, clinical studies-related data management and statistical analysis, clinical studies medical supervision, and integrating services provided by external suppliers including CROs, SMOs, clinical image evaluation, clinical trial data inspection and quality assurance and hospitals, so as to ensure the completion of clinical trials in a timely and compliant manner. The product clinical trial research team includes two divisions, namely clinical studies and clinical medicine. Our clinical studies division is led by Mr Shi Pengyu and our clinical medicine division is led by Mr Li Yingchun. For more details of the R&D and management team, please see "Business — 2. Competitive Strengths — Experienced and visionary R&D and management team".

Our R&D efforts are supported by a number of production process platforms we developed over the years, including the following:

- Serum-free cell culture and expansion technology platform
- Gene modification and transduction technology platform
- Technology platform for in vitro expansion of antigen-specific T cells
- Production and purification technology platform for plasmids and viral vectors

We have also established an R&D management platform to achieve systematic management of our R&D process and to ensure compliance with GMP and other applicable laws and regulations; and an R&D services platform responsible for support functions including the collection of blood sample for clinical trials, work relating to the reinfusion of our product candidates, and providing logistic support.

We have established a R&D services platform with a dedicated team to support our clinical trials.

Our R&D team consisted of 155 staff members as at 31 December 2019.

## 7. THE CELLULAR IMMUNOTHERAPY MARKET IN CHINA

In China, as of April 2020, there were 15 cellular immunotherapy products under clinical trials. Among them, only two products were studied for the treatment of solid tumour and the other nine products were studied for the treatment of hematologic cancer. There were currently no marketed or NDA submitted cellular immunotherapy products in China.

According to the Frost & Sullivan Report, the size of China's cellular immunotherapy market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%. With more cellular immunotherapy products

being approved, the market is forecasted to reach RMB58.4 billion in 2030, with a CAGR of 28.3% from 2023 to 2030.

## 8. SUPPLIERS

During the Track Record Period, our suppliers primarily included (1) suppliers of our equipment and raw materials; and (2) CROs, SMOs, and other R&D and quality evaluation services providers which we engaged to conduct clinical and pre-clinical studies on our product candidates. We have procured certain R&D and quality evaluation services from reputable institutions such as the National Institutes for Food and Drug Control under the NMPA and the Institute of Process Engineering, Chinese Academy of Sciences. We engage reputable CROs and SMOs to manage and support our clinical trials and pre-clinical studies. CROs and SMOs provide us with an array of products and services necessary for complex clinical trials. We select CROs and SMOs by reviewing various factors, including their professional qualifications, research experience, and industry reputation.

## 9. SHAREHOLDERS INFORMATION

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes): (a) Tan Zheng Ltd and Mr Tan will be interested in approximately 36.10% of the issued share capital of the Company and will be regarded as our Controlling Shareholders; and (b) Mr Jung and Evodevo will be interested in approximately 26.99% of the issued share capital of the Company and will cease to be our controlling shareholders. Please see "Relationship with Controlling Shareholders — 1. Our Controlling Shareholders" for details.

We underwent two rounds of Pre-IPO Investments.

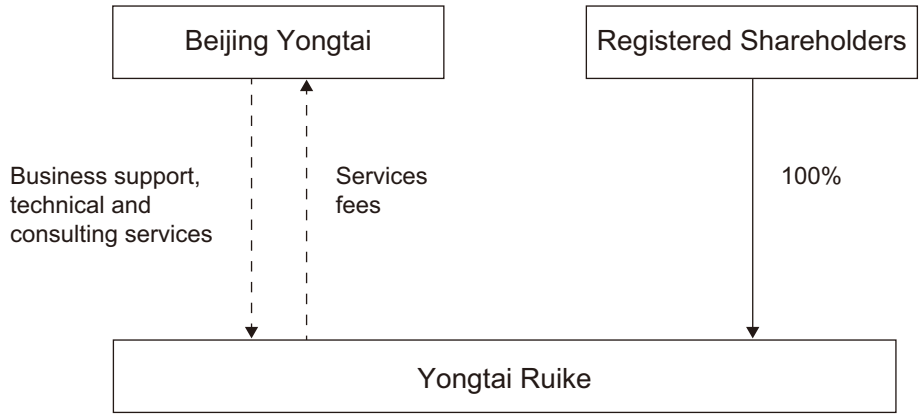
Our Pre-IPO Investors consist of private companies and an affiliate of a sophisticated investor, some of which with a specific focus on the pharmaceutical industry. Please see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments — Information on the Pre-IPO Investors" for details.

## 10. CONTRACTUAL ARRANGEMENTS

We are engaged in the business of development and application of immunotherapy, including the business of development and application of CAR-T and TCR-T cell therapies in the PRC, which is considered to fall in the prohibited foreign-invested industries both in the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂)) and the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)), and this type of foreign investment is subject to restrictions under the PRC laws and regulations. In order to comply with the PRC laws and regulations and maintain effective control over our research in the R&D and application field, our Group entered into the Contractual Arrangements with Yongtai Ruike and the Registered Shareholders and the research and development of all of our products as of the Latest Practicable Date, except EAL®,

has been conducted through Yongtai Ruike based on the Contractual Arrangements. Under the Contractual Arrangements, Beijing Yongtai has acquired effective control over the financial and operational management and results of Yongtai Ruike and is entitled to all the economic benefits derived from the operations of Yongtai Ruike. See the section headed "Contractual Arrangements" for further details.

The following simplified diagram illustrates the flow of economic benefits from Yongtai Ruike to Beijing Yongtai stipulated under the Contractual Arrangements:




*Notes:*

"——" denotes direct legal and beneficial ownership in the equity interest and "– – –" denotes contractual relationship.

The PRC government announced in 2020 that the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)) may be amended. In such connection, the Contractual Arrangements provided that Beijing Yongtai and Yongtai Ruike shall terminate the Contractual Arrangements once Beijing Yongtai is allowed to hold equity interests in Yongtai Ruike and operate the relevant business under the then PRC laws.

## 11. SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of financial information set out below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set out in the Accountants' Report included in Appendix I to this prospectus, as well as the information set out in "Financial Information". Our financial information was prepared in accordance with IFRS.

**Summary data from consolidated statements of profit or loss and other comprehensive income**

During the Track Record Period, we did not generate any revenue, and our losses were primarily attributable to our research and development and administrative expenses.

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Other income*(Note)* | 5,218 | 2,888 |
| Other gains and losses, net | 8,076 | 6,316 |
| Fair value gain of convertible redeemable preference shares | – | 3,825 |
| Business development expenses | (1,119) | (569) |
| Administrative expenses | (11,666) | (27,760) |
| Research and development expenses | (31,172) | (61,975) |
| Finance costs | (1,135) | (2,070) |
| Listing expenses | (2,746) | (22,283) |
| Other expenses | (344) | (7,426) |
| Income tax expense | – | – |
| Loss and total comprehensive expenses for the year | (34,888) | (109,054) |

*Note:* Our other income primarily represented (1) income received from provision of cell cryopreservation services; (2) interest income on bank deposits; (3) interest income from lease deposits; (4) interest income from a company related to a non-controlling shareholder of the Company; (5) interest income from loans to third parties; and (6) government grants.

**Summary data from consolidated statements of financial position**

The following table sets out a summary of our consolidated statements of financial position as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Total non-current assets | 93,452 | 108,821 |
| Total current assets | 185,761 | 308,150 |
| Total assets | 279,213 | 416,971 |
| Total non-current liabilities | 43,892 | 40,466 |
| Total current liabilities | 19,024 | 206,170 |
| Total liabilities | 62,916 | 246,636 |
| Net current assets | 166,737 | 101,980 |
| Paid-in capital/share capital | 69 | 677 |
| Reserves | 214,582 | 168,265 |
| Equity attributable to owners of our Company | 214,651 | 168,942 |
| Non-controlling interests | 1,646 | 1,393 |
| Total equity | 216,297 | 170,335 |

We had net assets of RMB216.3 million and RMB170.3 million as at 31 December 2018 and 2019 respectively. The decrease in our net assets was primarily attributable to loss and total comprehensive expenses of RMB109.1 million incurred for 2019 in our business operation which was partially offset by the cash consideration received in 2019 for issue of ordinary shares.

**Summary data from consolidated statements of cash flow**

The following table is a condensed summary of our consolidated statements of cash flows and analysis of balances of cash and cash equivalents for the years indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Operating cash flows before movements in working capital | (35,126) | (98,774) |
| Movements in working capital: | | |
| Increase in prepayments and other receivables | (13,046) | (9,411) |
| Increase in inventories | (1,665) | (2,519) |
| Decrease in contract costs | 256 | 256 |
| Decrease in contract liabilities | (710) | (710) |
| Increase in trade and other payables | 974 | 14,257 |
| Increase in deferred government grants | 5,238 | 1,432 |
| Net cash used in operating activities | (44,079) | (95,469) |
| Net cash (used in)/from investing activities | (50,400) | 25,741 |
| Net cash from financing activities | 214,447 | 217,209 |
| Net increase in cash and cash equivalents | 119,968 | 147,481 |
| Cash and cash equivalents at the beginning of the year | 3,390 | 128,332 |
| Effect of foreign exchange rate changes | 4,974 | 6,434 |
| Cash and cash equivalents at the end of the year | 128,332 | 282,247 |

As a clinical-stage biopharmaceutical company, we did not generate any revenue and incurred operating losses during the Track Record Period. As a result, we had net cash outflows from operating activities. While we expect to continue to experience net cash outflows from operating activities in the foreseeable future as we continue to spend on our research and development programmes, we expect that our cash flows can be improved by the future sales of EAL® if we obtain marketing approval for the product candidate. In addition, we expect to generate cash inflows from financing activities including the net proceeds from the Global Offering.

Our cash burn rate (i.e., the average monthly amount of (1) net cash used in operating activities, including mainly general administrative and operating expenses as well as research and development expenses; (2) repayment of lease liabilities; (3) interest paid; and (4) capital expenditure) was RMB6.9 million and RMB10.1 million for the years ended 31 December 2018 and 2019, respectively. Taking into account our past and prospective cash burn rate including but not limited to future research and development expenses and capital expenditure and current financial position, our Directors believe that we can remain financially viable for approximately 12 months, assuming our cash burn rate going forward will be approximately two times the cash burn rate in 2019 regardless of the availability of the net proceeds from the Global Offering, and we can still remain financially viable for at least 51 months with the net

proceeds from the Global Offering and 14 months even under the scenario that only 5% of the net proceeds is to be used to replenish working capital based on the most conservative assumption.

Taking into account the net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), the financial resources available to our Group, the expected R&D timetable of EAL®, CAR-T-19 and other pipeline products, and our cash burn rate, our Directors are of the opinion that we will have sufficient funds to cover at least 125% of our Group's cost, including mainly general administrative and operating expenses, as well as research and development expenses for at least 12 months from the date of this prospectus.

**Selected financial ratios**

The following table sets out certain selected financial ratios as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| Current ratio[(1)(3)] | 9.76 | 1.49 |
| Quick ratio[(2)(3)] | 9.64 | 1.47 |

*Notes:*

(1) Current ratio equals current assets divided by current liabilities as at the end of the period.

(2) Quick ratio equals (a) current assets less inventories divided by (b) current liabilities as at the end of the period.

(3) Our current and quick ratios decreased from 31 December 2018 to 31 December 2019 primarily because we recognised the Convertible Preference Shares as current liabilities.

## 12. GLOBAL OFFER STATISTICS

All statistics in the following table are based on the assumptions that (1) the Global Offering has been completed and 100,000,000 new Shares are issued pursuant to the Global Offering; (2) 295,000,000 new Shares are issued pursuant to the Capitalisation Issue; (3) 500,000,000 Shares are issued and outstanding following the completion of the Global Offering; and (4) no Shares are issued pursuant to the Over-allotment Option and no additional Shares are issued pursuant to the Share Option Schemes.

| | Based on an Offer Price of HK$9.45 per Share, after making a Downward Offer Price Adjustment of 10% | Based on an Offer Price of HK$10.5 | Based on an Offer Price of HK$11.0 |
|---|---|---|---|
| Market capitalisation of our Shares[1] | HK$4,725.0 million | HK$5,250.0 million | HK$5,500.0 million |
| Unaudited pro forma adjusted net tangible asset value per Share[2] | HK$2.49 | HK$2.69 | HK$2.78 |

*Notes:*

(1) The calculation of the market capitalisation is based on the assumption that 500,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue, assuming no additional Shares are issued pursuant to the Share Option Schemes.

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information".

## 13. DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, we did not declare or pay any dividends on our ordinary shares or any other securities. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Investors should not purchase our Shares with the expectation of receiving cash dividends.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that our Directors may deem relevant.

## 14. LEGAL COMPLIANCE

EAL® was clinically applied from 2006 to 2016 when cellular immunotherapy was regulated as a Class III medical technology. There were clinical applications of EAL® involving more than 4,000 patients with a total of more than 20,000 infusions. None of the 4,000 patients with over 20,000 infusions has any debilitation or organ injury as a result of the cellular injections of EAL®. Our ever commercialised EAL® products and cell cryopreservation services are in compliance with the relevant laws and regulations during the material period and other than that, no other products or services ever commercialised.

As at the Latest Practicable Date, we had not been subject to any product liability claims in relation to the application of EAL® since our establishment.

As of the Latest Practicable Date, the Directors confirmed that there was no incident of infringement of other third parties' patents or intellectual property rights by the Group.

During the Track Record Period and as at the Latest Practicable Date, due to unfamiliarity with the relevant regulatory requirements, we had certain non-compliance incidents relating to the contributions to the social insurance and housing provident fund for our employees in the PRC. As advised by our PRC Legal Advisers, other than as set forth above, during the Track Record Period and as at the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

## 15. FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,000.2 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK$10.75 per Share, being the mid-point of the indicative offer price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

- We intend to use approximately 34.2% of the net proceeds or HK$341.9 million to invest in the ongoing clinical trial and commercialisation of EAL®.

- We intend to use approximately 18.9% of the net proceeds or HK$188.8 million to expand the clinical indications (excluding liver cancer) for EAL®, including R&D expenditure and the construction costs of new R&D centres for continuing technological innovation in respect of EAL®.

- We intend to use approximately 33.2% of the net proceeds or HK$332.1 million to invest in the clinical trial for our CAR-T-19 and TCR-T series product candidates, including primarily R&D expenditure.

- We intend to use approximately 8.7% of the net proceeds or HK$87.4 million to invest in the development of other product candidates in our product pipeline including R&D expenditure and the construction costs of new R&D and production centres.

- We intend to use approximately 5.0% of the net proceeds or HK$50.0 million for working capital and other general corporate purposes.

## 16. LISTING EXPENSES

Assuming an Offer Price of HK$10.75 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to approximately RMB90.4 million. For the years ended 31 December 2018 and 2019, listing expenses charged to profit or loss were RMB2.7 million and RMB22.3 million and capitalised to deferred listing expenses were RMB0.8 million and RMB6.6 million respectively. We expect to charge the estimated remaining listing expenses of RMB12.7 million to profit or loss during the year ending 31 December 2020 and to capitalise approximately RMB45.3 million following the Listing.

## 17. RECENT DEVELOPMENTS

Our IND application for the CAR-T-19 injection product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We received feedback from the CDE in November 2019, which suggested us to supplement some materials relating to pre-clinical studies. We have initiated supplemental research based on the CDE's feedback. We expect to submit supplemental research materials by July 2020 to complete the IND application. If the CDE consents to our submission to be made, we expect to begin the clinical trial of the product candidate by the end of 2020.

The outbreak of COVID-19 resulted in a suspension of the enrolment of subjects and the administration of EAL® for enrolled subjects for the Phase II clinical trial for EAL® since late January 2020 although our follow-up with subjects via phone calls have not been affected. Since March 2020, we had started to resume the enrolment of subjects and the administration of EAL® for enrolled subjects for Phase II clinical trial for EAL®. According to the clinical trial protocol, the maximum duration between two infusions of EAL® administered to subjects is eight weeks. As a result, due to the suspension of the clinical trial, data from no more than 35 subjects may be excluded, the calculation of which is based on the minimum duration of suspension of eight weeks and lower than 12 times of infusions. The 35 subjects will remain under our observation during the clinical trial for at least 12 months from March 2020 before we can ascertain whether the suspension has resulted in any statistically significant impact on their clinical trials. We do not expect the maximum number of 35 subjects to further increase because the other subjects we have do not experience any suspension for more than eight weeks or they have already at least 12 times of infusions, and therefore, comply with the clinical trial protocol. In the second half of 2019, approximately 20 to 30 subjects per month were enrolled in the Phase II clinical trial for EAL®. As at the Latest Practicable Date, we had obtained ethical committee's approval from 14 medical institutions for the clinical trial for EAL®,as compared to 11 medical institutions as of 31 August 2019. Based on the overall capacity of the 14 medical institutions that can facilitate the clinical trial of EAL®, it is estimated that more than 30 subjects per month will be enrolled in the Phase II clinical trial for EAL® in the second half of 2020. In addition, as at the Latest Practicable Date, 164 patients had been enrolled in the Phase II clinical trial for EAL®, which did not take into account

any impact from the maximum number of 35 subjects whose data may be excluded due to the suspension of the clinical trial. It is expected that the remaining 108 patients will be enrolled in the Phase II clinical trial for EAL® by the end of 2020. We believe we will identify and complete the targeted patient enrollment of 272 postsurgical liver cancer patients in the PRC in accordance with our clinical trial protocol. Thus, the potential exclusion of no more than 35 subjects and the outbreak of COVID-19 will not delay our plan of completing the recruitment of 272 patients for the Phase II clinical trial for EAL® in the second half of 2020, the interim data analysis by the first half of 2021, and the submission to the NMPA for marketing approval. Save as disclosed herein, we do not expect the outbreak of COVID-19 to have other material impact on the clinical trial for EAL®.

The outbreak of COVID-19 has not resulted in any material adverse effect on our financial condition and results of operation primarily because we have not generated revenue at this stage and we have sufficient working capital to support our business operations. Our Directors believe that we can remain financially viable at least for the period throughout 30 June 2021, with net proceeds from the Global Offering, in case our operation continues to be affected or disrupted by the outbreak of COVID-19 under the worst case scenario, being (i) the enrolment of subjects to be resumed from the end of May 2020; (ii) no more than 35 subjects of patients re-enrolled, thereby increasing expenses of clinical trials; and (iii) delays in the clinical trial process and the incurrence of clinical trial expenses, primarily because (i) we will not rely on cash inflow from revenue like all pre-revenue companies, (ii) our cash outflow will not vary significantly due to the delay of the enrolment of subjects and (iii) we will have sufficient working capital to support our business operation. More importantly, we have started to resume the enrolment of subjects since March 2020.

We have purchased imported reagents and raw materials for EAL® and other cellular immunotherapy pipeline products in advance. We expect that the inventory will remain through the end of 2020, and therefore we do not expect any material impact on our business operations as a result of any potential delays in equipment and raw materials.

As we further our research and development programmes for our product pipeline in 2020, we expect to incur increasing research and development expenses, which may impact our results of operations for the year ending 31 December 2020. We expect to continue to incur significant expenses and operating losses in the future as we further the clinical trials and/or pre-clinical studies of our product pipeline, expand our team, and grow our business. We expect that our financial performance will fluctuate from period to period due to the status of the development of our product candidates, the regulatory approval process, and commercialisation of our product candidates.

We recognised fair value gain of convertible redeemable preference shares of RMB3.8 million for the year ended 31 December 2019. The decreases/increases in the fair value of our Convertible Preference Shares are recognised as a fair value gain/loss, which is a non-cash item that will not recur in financial years after the Listing. In the event that the fair value of our Convertible Preference Shares increases in the year 2020 prior to the conversion, the fair value loss of convertible redeemable preference shares will adversely affect our financial results for the financial year

ending 31 December 2020. Please see "Risk Factors — 3. Risks Relating to Our Operations — Our financial results for the year ending 31 December 2020 may be affected by fair value changes in the convertible redeemable preference shares we issued" for details.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, save as disclosed in this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since 31 December 2019 which would materially affect the information shown in the Accountants' Report included in Appendix I to this prospectus.

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

| | |
|---|---|
| "AK Ruihe" | Ankang Ruihe Biomedical Technology (Beijing) Co Ltd (安康瑞和生物醫藥技術(北京)有限公司), a limited liability company established in the PRC on 3 July 2018 and an indirect wholly-owned subsidiary of our Company |
| "Application Form(s)" | **WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering |
| "Articles" or "Articles of Association" | the articles of association conditionally adopted by our Company on 6 June 2020 which shall become effective upon the Listing |
| "Beijing Sainuotai" | Beijing Sainuotai Biotechnology Co Ltd (北京賽諾泰生物科技有限公司), a limited liability company established in the PRC on 20 September 2005 and wholly owned by Jung Hyun Chul (an executive Director, chief strategy officer of our Group and a substantial shareholder of our Company) |
| "Beijing Weixiao" | Beijing Weixiao Biotechnology Development Limited (北京緯曉生物技術開發有限責任公司), a limited liability company established in the PRC on 15 July 2016 and owned as to 70.0% by our subsidiary Beijing Yongtai, 29.0% by Wu Shuangchen and 1% by Liao Qian, both would have been Independent Third Parties but for their interest in Beijing Weixiao |
| "Beijing Yongtai" | Immunotech Applied Science Limited (北京永泰生物製品有限公司), a limited liability company established in the PRC on 20 November 2006 and an indirect wholly-owned subsidiary of our Company |
| "Board" | the board of Directors of our Company |
| "Brim Elite" | Brim Elite Limited, a business company incorporated in the BVI on 20 September 2018 and directly wholly-owned by Wu Ju, an Independent Third Party. Brim Elite is a Shareholder |
| "Business Day" | a day (other than a Saturday or a Sunday or a public holiday) on which banks in Hong Kong are open for normal banking business |

| | |
|---|---|
| "BVI" | the British Virgin Islands |
| "Capitalisation Issue" | the issue of Shares on the Listing Date by way of the capitalisation of certain sums standing to the credit of the share premium account of our Company to the holders of the Shares whose names appear on the register of members of our Company at the close of business on the business day preceding the Listing Date in proportion to their then existing respective shareholdings |
| "Cayman Companies Law" or "Companies Law" | the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "CCASS Clearing Participant" | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| "CCASS Custodian Participant" | a person admitted to participate in CCASS as a custodian participant |
| "CCASS Investor Participant" | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| "CCASS Participant" | a CCASS Clearing Participant, a CCASS Custodian Participant, or a CCASS Investor Participant |
| "CDE" | The Centre for Drug Evaluation of the NMPA |
| "CEO" | chief executive officer |
| "CFDA" | China Food and Drug Administration, the predecessor agency of the NMPA |
| "CFDI" | The Centre for Food and Drug Inspection of the NMPA |
| "Chairman" | chairman of the Board |
| "Co-lead Manager" | the Co-lead manager as named in the section headed "Directors and Parties Involved in the Global Offering" in this prospectus |
| "Companies Ordinance" | Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time |

| | |
|---|---|
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time |
| "Company" or "our Company" | Immunotech Biopharm Ltd (永泰生物製藥有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 April 2018 |
| "Consolidated Affiliated Entity" | the entity we control through the Contractual Arrangements, being Yongtai Ruike |
| "Contractual Arrangements" | a series of contractual agreements entered into by, Beijing Yongtai, Yongtai Ruike, and the Registered Shareholders, details of which are described in "Contractual Arrangements" |
| "Controlling Shareholders" | has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, being Mr Tan and Tan Zheng Ltd |
| "Convertible Bond Subscription Agreement" | the convertible bond subscription agreement dated 29 March 2019 entered into between, among other parties, Poly Platinum and our Company, pursuant to which, Poly Platinum subscribed for a convertible bond in our Company in the principal amount of HK$100.0 million |
| "Convertible Preference Shares" | the convertible preference shares with an aggregate par value of US$5,000.0 issued pursuant to the Preference Share Subscription Agreement by our Company to Poly Platinum |
| "Core Product Candidate" | our "core product" as defined under Chapter 18A of the Listing Rules, namely EAL® |
| "CTO" | chief technology officer |
| "Designee" | a third party designated by Beijing Yongtai |
| "Director" | a director of our Company |
| "Downward Offer Price Adjustment" | an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range |
| "Dr Kim" | Dr Kim Ho-un (金浩彥), a co-CTO of our Company |

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| "Dr Wang" | Dr Wang Yu (王敭), an executive Director, the CEO, and co-CTO of our Company |
| "Dr Zhang" | Dr Zhang Yu (張毓), a chief scientist and consultant of our Company |
| "EAL®" | our Core Product Candidate, short for "expanded activated lymphocytes", the details of which are set out in "Business — Product Pipeline — EAL®" |
| "EIT Law" | Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) passed by the National People's Congress of the PRC on 16 March 2007 (and amended on 24 February 2017 and 29 December 2018), together with the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) enacted by the State Council on 6 December 2007, as amended, supplemented, or otherwise modified from time to time |
| "Equity Financing" | the Pre-IPO Investment under the Equity Financing Subscription Agreement |
| "Equity Financing Subscription Agreement" | the share subscription agreement dated 11 December 2018 entered into by the Company, the then Shareholders of the Company (including their investment holding companies, as set out in "History, Reorganisation and Corporate Structure"), NKY HK, Brim Elite and Bei Ni Ltd and the share subscription letter dated 11 December 2018 entered into by the Company, NKY HK and Great Edge in relation to their subscription of an aggregate of 10,000 shares in our Company for HK$200.0 million |
| "Evodevo" | Evodevo Ltd, a business company incorporated in the BVI with limited liability on 28 March 2018 and following the completion of the Global Offering will be a substantial shareholder of our Company |
| "Exclusive Business Cooperation Agreement" | an exclusive business cooperation agreement dated 10 September 2018 entered into among Yongtai Ruike, the Registered Shareholders, and Beijing Yongtai |
| "Exclusive Option and Equity Entrustment Agreement" | an exclusive option and equity entrustment agreement dated 10 September 2018 entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders |
| "Exercise Price" | RMB1.00 or the lowest price allowed by the PRC laws at the time of purchase |

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| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the Government of Hong Kong |
| "FDA" | the US Food and Drug Administration |
| "First Irrevocable Trust Agreement" | the shareholder agreement dated 30 June 2016 entered into among Beijing Sainuotai, Mr Tan, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Ke Shaobin, Song Aiping, and Li Lei, whereby Mr Tan has been irrevocably entrusted with the other shareholders' voting rights at any general meeting of Beijing Yongtai such that Mr Tan may exercise such voting rights with absolute discretion |
| "Frost & Sullivan" or "Industry Consultant" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant |
| "FVTPL" | fair value through profit or loss |
| "Global Offering" | the Hong Kong Public Offering and the International Offering |
| "Great Edge" | Great Edge Investments Limited, a business company incorporated in the BVI on 28 November 2018 and wholly owned by Michael Zhou, an Independent Third Party. Great Edge is a Shareholder |
| "**GREEN** application form(s)" | the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited |
| "Group" | our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| "Guangzhou Yongrui" | Guangzhou Yongrui Immunobiological Technology Co Ltd (廣州永瑞免疫生物製品科技有限公司), a limited liability company established in the PRC on 27 February 2019 and an indirect wholly-owned subsidiary of our Company |
| "Guosheng Laboratory" | a R&D facility located at Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-technological Development Area, Beijing, China leased by our Group |
| "Hamiyang" | Hamiyang Ltd, a business company incorporated in the BVI on 19 April 2018, and a direct wholly-owned subsidiary of our Company |

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| "HK$" or "Hong Kong dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Offer Shares" | the 10,000,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering") |
| "Hong Kong Public Offering" | the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to re-allocation as described in "Structure of the Global Offering") for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on the terms and subject to conditions set out in this prospectus and the Application Forms |
| "Hong Kong Share Registrar" | Computershare Hong Kong Investor Services Limited |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Hong Kong Underwriters" | underwriters of the Hong Kong Public Offering whose names are set out in "Underwriting — Underwriters — Hong Kong Underwriters" |
| "Hong Kong Underwriting Agreement" | the underwriting agreement dated 26 June 2020, relating to the Hong Kong Public Offering, entered into by our Company, Mr Tan, Tan Zheng Ltd, Dr Wang, Mr Jung, Evodevo, CCB International Capital Limited, Guosen Securities (HK) Capital Company Limited and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements — Hong Kong Underwriting Agreement" |
| "IFRS" | International Financial Reporting Standards issued by the International Accounting Standards Board |
| "Immunotech" | our Group |

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| "Independent Third Party" | a party which is not connected (as defined in the Listing Rules) to our Company, so far as our Directors are aware after having made reasonable enquiries |
| "INED" | independent non-executive Director |
| "International Offer Shares" | the 90,000,000 Shares being initially offered for subscription under the International Offering subject to the Over-allotment Option and reallocation as described in "Structure of the Global Offering" |
| "International Offering" | the conditional offering of the International Offer Shares to professional, institution, corporate and/or other investors at the Offer Price outside the United States in reliance on Regulation S, as described in "Structure of the Global Offering" |
| "International Underwriters" | the underwriters of the International Offering |
| "International Underwriting Agreement" | the international underwriting agreement relating to the International Offering and expected to be entered into on or about the Price Determination Date by, our Company, Mr Tan, Tan Zheng Ltd, Dr Wang, Mr Jung, Evodevo, CCB International Capital Limited, Guosen Securities (HK) Capital Company Limited and the International Underwriters |
| "Irrevocable Trust Arrangements" | the arrangements under the First Irrevocable Trust Agreement, the Second Irrevocable Trust Agreement, and the Proxy Agreement, collectively |
| "Joint Bookrunners" | the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering" in this prospectus |
| "Joint Global Coordinators" | CCB International Capital Limited, Guosen Securities (HK) Capital Company Limited and Haitong International Securities Company Limited |
| "Joint Lead Managers" | the joint lead managers as named in the section headed "Directors and Parties Involved in the Global Offering" in this prospectus |
| "Joint Representatives" or "Joint Sponsors" | CCB International Capital Limited and Guosen Securities (HK) Capital Company Limited |

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| "JY Research" | JY Research Holdings Limited, a company incorporated in Hong Kong with limited liability on 3 May 2018 and an indirect wholly-owned subsidiary of our Company |
| "Latest Practicable Date" | 19 June 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication |
| "Listing" | the listing of the Shares on the Main Board of the Hong Kong Stock Exchange |
| "Listing Committee" | the listing committee of the Hong Kong Stock Exchange |
| "Listing Date" | the date, expected to be on or around Friday, 10 July 2020, from which the Shares are listed and dealings therein are first permitted to take place on the Main Board of the Hong Kong Stock Exchange |
| "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 |
| "Lymphotec" | Lymphotec Inc., an Independent Third Party, which was a former supplier of its cell preparation kit to Beijing Sainuotai from 2005 to 2008; see "Directors and Senior Management — Delineation of business between our Group and the affiliated companies of Mr Jung — Beijing Sainuotai" for information on relationship between Lymphotec and Beijing Sainuotai |
| "Memorandum" or "Memorandum of Association" | the memorandum of association of our Company |
| "MOFCOM" | the Ministry of Commerce of the PRC |
| "Mr Jung" | Mr Jung Hyun Chul (鄭鉉哲), an executive Director and the chief strategy officer of our Group |
| "Mr Tan" | Mr Tan Zheng (譚錚), Chairman, an executive Director and a Controlling Shareholder of our Company |
| "NKY HK" | NKY Medical Hongkong Limited, a limited liability company established in Hong Kong on 23 July 2018 and a direct wholly-owned subsidiary of NKY Medical. NKY HK is a Shareholder |

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| "NKY Medical" | Boai NKY Medical Holdings Ltd, formerly known as Boai NKY Pharmaceuticals Ltd (博愛新開源醫療科技集團股份有限公司), a public company established in the PRC on 13 March 2003 and listed on the Shenzhen Stock Exchange (stock code: 300109) |
| "NMPA" | the National Medical Products Administration of China |
| "Nosong Life Science" | Nosong Life Science Inc (주식회사 노송생명과학), formerly known as 주식회사 파로스생명과학 (Pharos Life Science Inc), a company incorporated in the Republic of Korea |
| "Offer Price" | the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed for under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in "Structure of the Global Offering — Pricing and Allocation", subject to any Downward Offer Price Adjustment |
| "Offer Shares" | the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option |
| "Over-allotment Option" | the option expected to be granted by our Company to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 15,000,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering to cover over-allocations in the International Offering |
| "Passive Minority Shareholders" | in respect of the First Irrevocable Trust Agreement, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Ke Shaobin, Song Aiping, and Li Lei; in respect of the Second Irrevocable Trust Agreement, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Song Aiping, Li Lei, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue, and Wang Yuning; and in respect of the Proxy Agreement, Tan Xiaoyang, Zhang Junzheng, Song Aiping, Ke Shaobin, Ma Xiaoou, Wang Yuning, Wang Shuhui, Li Yunhui, Tan Yueyue, and their respective investment holding companies, which are corporate Shareholders (as the case may be) |

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| "Pharos Vaccine" | Pharos Vaccine Inc. (주식회사 파로스백신), a company incorporated in the Republic of Korea |
| "Poly Platinum" | Poly Platinum Enterprises Limited, a business company incorporated in the BVI on 9 November 2018 and a direct wholly-owned subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥), an Independent Third Party |
| "Post-IPO Share Option Scheme" | the share option scheme conditionally adopted by us on 6 June 2020 for the benefit of our employees (including our Directors and senior management personnel), the principal terms of which are summarised in "D. Share Option Schemes — 2. Post-IPO Share Option Scheme" in Appendix IV |
| "Powers of Attorney" | an irrevocable power of attorney dated 10 September 2018 between each of the Registered Shareholders and Beijing Yongtai |
| "PRC" or "China" | the People's Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to the PRC or China exclude Hong Kong, Macau, and Taiwan; and "Chinese" shall be construed accordingly |
| "PRC Legal Advisers" | Commerce & Finance Law Offices |
| "Pre-IPO Investments" | collectively, the investments in the Company by Bei Ni Ltd, Great Edge, Brim Elite, NKY HK and Poly Platinum, respectively pursuant to the Pre-IPO Investment Agreements. For further details, see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments" in this prospectus |
| "Pre-IPO Investment Agreements" | collectively, the Equity Financing Subscription Agreement, the Convertible Bond Subscription Agreement and the Preference Shares Subscription Agreement |
| "Pre-IPO Investors" | collectively, Bei Ni Ltd, Great Edge, Brim Elite, NKY HK and Poly Platinum |

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| "Pre-IPO Share Option Scheme" | the share option scheme conditionally adopted by the Board on 31 December 2019 and approved by the Shareholders on 6 June 2020 for the benefit of our employees (including our Directors and senior management personnel), the principal terms of which are summarised in "D. Share Option Schemes — 1. Pre-IPO Share Option Scheme" in Appendix IV |
| "Preference Shares Financing" | the Pre-IPO Investment under the Preference Shares Subscription Agreement |
| "Preference Shares Subscription Agreement" | the subscription agreement dated 3 June 2019, as amended and supplemented by the first supplemental subscription agreement dated 12 June 2019 entered into, among other parties, between Poly Platinum and our Company in relation to the subscription of 5,000 Convertible Preference Shares for HK$200 million |
| "Price Determination Agreement" | the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price |
| "Price Determination Date" | the date, expected to be Friday, 3 July 2020, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Saturday, 4 July 2020 |
| "Proxy Agreement" | the proxy agreement dated 29 August 2019 entered into among Mr Tan, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Song Aiping, Li Lei, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue, Wang Yuning and their respective investment holding companies, whereby Tan Zheng Ltd was irrevocably entrusted with the other shareholders' (and their respective investment holding companies') voting rights at any general meeting of our Company since its incorporation such that Tan Zheng Ltd may exercise such voting rights with absolute discretion |
| "Registered Shareholders" | the registered shareholders of Yongtai Ruike, being Mr Tan and Dr Wang |
| "Regulation S" | Regulation S under the US Securities Act |

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| "Relevant Persons" | the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators; the Joint Bookrunners; the Underwriters; the Controlling Shareholders; any of their or our Company's respective directors, officers, or representatives; or any other person involved in the Global Offering |
| "Reorganisation" | the corporate reorganisation of our Group in preparation for the Listing, the particulars of which are set out in "History, Reorganisation and Corporate Structure — 3. The Reorganisation" |
| "Repurchase Mandate" | the general unconditional mandate to repurchase Shares given to the Board by our Shareholders, particulars of which are set out in "Appendix IV — Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 4. Resolutions in writing of all our Shareholders passed on 6 June 2020" |
| "RMB" or "Renminbi" | Renminbi yuan, the lawful currency of the PRC |
| "R&D" | research and development |
| "SAFE" | the State Administration of Foreign Exchange of the PRC |
| "SAIC" | the State Administration of Industry and Commerce of the PRC |
| "SAT" | the State Administration of Taxation of the PRC |
| "Second Irrevocable Trust Agreement" | the shareholder agreement dated 1 March 2018 entered into among Mr Tan, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Song Aiping, Li Lei, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue, and Wang Yuning, whereby Mr Tan has been irrevocably entrusted with the other shareholders' voting rights at any general meeting of Beijing Yongtai such that Mr Tan may exercise such voting rights with absolute discretion |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented, or otherwise modified from time to time |
| "Shanghai Yongtai" | Shanghai Yongtai Immunobiological Products Co Ltd (上海永泰免疫生物製品有限公司), a company established in the PRC with limited liability on 2 July 2018 and an indirect wholly-owned subsidiary of our Company |

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| "Share Option Schemes" | the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme |
| "Share Pledge Agreement" | a share pledge agreement dated 10 September 2018 entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders |
| "Shares" | ordinary shares with a nominal value of US$0.001 each in the capital of our Company |
| "Shareholder(s)" | holder(s) of Shares |
| "Korea" | the Republic of Korea |
| "Takeovers Code" | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Stabilising Manager" | CCB International Capital Limited |
| "Stock Borrowing Agreement" | the stock borrowing agreement expected to be entered into between the Stabilising Manager and Tan Zheng Ltd pursuant to which Tan Zheng Ltd will agree to lend up to 15,000,000 Shares to the Stabilising Manager on the terms set out therein |
| "Tasly" | Tasly (Hong Kong) Pharmaceutical Investment Limited, one of our cornerstone investors as set out in "Cornerstone Investors" |
| "Track Record Period" | the two years ended 31 December 2018 and 2019 |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| "US", "USA", or "United States" | the United States of America |
| "US Securities Act" | the United States Securities Act of 1933, as amended, supplemented, or otherwise modified from time to time |
| "US$" or "US dollars" | United States dollars, the lawful currency of the United States |
| "we," "us", or "our" | our Company and, unless the context requires otherwise, its subsidiaries |

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| "Wei Zexi incident" | an incident leading up to the regulatory changes in China's cellular immunotherapy industry in 2016 involving the death of a late-stage synovial sarcoma patient who received treatment using certain cellular immunotherapy products unrelated to our Group. See "Industry Overview — 2. Overview of Cellular Immunotherapy — Evolution in regulations of cellular immunotherapy in China" for details |
| "**WHITE** Application Form(s)" | the form of application for the Hong Kong Offer Shares for use by public applicants who require such Hong Kong Offer Shares to be issued in their own name |
| "**White Form eIPO**" | the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk** |
| "**White Form eIPO** Service Provider" | Computershare Hong Kong Investor Services Limited |
| "Withdrawal Mechanism" | a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the Offer Price) in this prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for Shares despite the change |
| "**YELLOW** Application Form(s)" | the form of application for the Hong Kong Offer Shares for use by public applicants who require such Hong Kong Offer Shares to be deposited directly into CCASS |
| "Yongtai Ruike" | Beijing Yongtai Ruike Biotechnology Company Ltd (北京永泰瑞科生物科技有限公司), a company established in the PRC with limited liability on 8 June 2018 and owned as to 60.00% and 40.00% by Mr Tan and Dr Wang, respectively, being the Registered Shareholders. Pursuant to the Contractual Arrangements, it is considered as a wholly-owned subsidiary of our Company. Please see "Contractual Arrangements" for further details |
| "%" | per cent |

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

*This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.*

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| "AAL" | activated autologous lymphocytes, a type of cellular immunotherapy involving the infusion of T cells originally taken from a patient's autologous peripheral blood and activated and expanded in vitro |
| "acute lymphoblastic leukaemia" or "ALL" | a type of leukaemia characterised by a rapid increase in the number of immature blood cells, in which the DNA of the blood cells is damaged, and never grows up to function as normal cells |
| "apoptosis" | the death of cells that occurs as a normal and controlled part of an organism's growth or development |
| "B cells" | a type of lymphocytes |
| "cancer-specific survival" | in a clinical trial, means the measure of time after randomisation to the date of death from the disease. Patients who die from causes unrelated to the disease are not counted in this measurement |
| "CAR-T cells" | chimeric antigen receptor T cells, are T cells that have been genetically engineered to produce an artificial T-cell receptor and chimeric antigen receptors that have been engineered to give T cells the new ability to target a specific protein on the surfaces of cells |
| "CAR-T cell therapy" | chimeric antigen receptor T cell therapy, a type of cellular immunotherapy that genetically modifies natural T cells to treat cancers |
| "cellular immunotherapy" | a type of immunotherapy in which cells are given to a patient for the treatment of disease. The cells are usually taken from the patient's own blood or tumour tissues, grown in large numbers in the laboratory, and then infused to the patient to help the immune system kill tumour cells |
| "cGMP" | current good manufacturing practice |
| "chemotherapy" | a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents |
| "chimeric antigen receptor" or "CAR" | a special receptor created in the laboratory that is designed to bind to certain proteins on cancer cells |

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| "cirrhosis" | a chronic disease of the liver marked by degeneration of cells, inflammation and fibrous thickening of tissue |
| "clinical study" | a type of research initiated by researchers (generally doctors) that uses human participants and is intended to add to medical knowledge, which will be approved by relevant ethics committees but is not required be approved by the NMPA, without a view to applying for drug marketing |
| "clinical trial" | a type of study in which participants receive specific interventions according to the NMPA approved clinical trial plan or protocol created by the investigators with a view to applying for drug marketing |
| "clinical trial protocol" | a document that describes how a clinical trial will be conducted and ensures the safety of the trial subjects and integrity of the data collected |
| "clinical trial plan" | a detailed plan to implement a given clinical trial protocol |
| "CRO" | contract research organisation, a company which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis |
| "cytokine" | a broad and loose category of small proteins that are important in cell signalling. Their release has an effect on the behaviour of cells around them |
| "cytokine-induced killer" or "CIK" | a heterogeneous population of effector $CD3^+CD56^+$ natural killer T cells, which can be easily expanded in vitro from peripheral blood mononuclear cells |
| "dual track system" | a system for regulation of cellular immunotherapy before May 2016 under which cellular immunotherapy was able to be marketed commercially as a medical technology regulated by the Ministry of Health, and at the same time it remained within the CFDA drugs regulation regime |
| "EBV" | Epstein-Barr virus, a member of the herpes virus family |

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| "GMP" | good manufacturing practice, and in the context of PRC laws and regulations, refers to guidelines and regulations from time to time issued pursuant to the PRC Drug Administration Law (中華人民共和國藥品管理法) as part of quality assurance which aims to minimise the risks of contamination, cross contamination, confusion, and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use |
| "granzyme" | serine proteases released by cytoplasmic granules within cytotoxic T cells and natural killer cells |
| "hematologic cancer" | cancer that begins in blood-forming tissue, such as the bone marrow, or in the cells of the immune system |
| "hepatocellular carcinoma" or "HCC" | a common type of primary liver cancer in adults, and is the most common cause of death in people with cirrhosis |
| "HLA" | human leukocyte antigen, a gene complex encoding the major MHC proteins |
| "IFN-γ" | type II interferon, which is a cytokine that is critical for innate and adaptive immunity against viral, some bacterial infections and protozoal infections (infections caused by parasites) |
| "IL-2" | interleukin-2, an interleukin, a type of cytokine in the immune system to provoke an immune response in the body of a human and other animal (i.e., the ability to induce humoral and/or cell-mediated immune responses) |
| "immunotherapy" | use of the immune system to treat disease |
| "IND" | investigative new drug |
| "LAK" | lymphokine-activated killer |
| "leukaemia" | a group of blood cancers that usually begin in the bone marrow and result in high numbers of abnormal blood cells |
| "lymphocytes" | a sub-type of white blood cells, such as T cells, B cells and NK cells |

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| "MHC" | major histocompatibility complex, proteins found on the surfaces of cells specialised for displaying short peptide fragments on the surface of cells |
| "NDA" | new drug application |
| "NK cells" | natural killer cells, a type of lymphocyte and a component of innate immune system |
| "NRDL" | National Reimbursement Drug List managed by the Ministry of Human Resources and Social Security of the PRC |
| "overall survival" | in a clinical trial, means the measure of time after randomisation during which patients are still alive |
| "PBMC" | peripheral blood mononuclear cell |
| "PD-1" | programmed cell death protein 1 or programmed death receptor 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell |
| "perforin" | a pore forming cytolytic protein found in the granules of cytotoxic T lymphocytes and natural killer cells |
| "peripheral blood" | the flowing, circulating blood of the body |
| "recurrence-free survival" | in a clinical trial, means the measure of time after randomisation during which no sign of cancer is found |
| "SMO" | site management organisation, a company that provides clinical trial related services |
| "T cells" or "T lymphocytes" | a type of lymphocytes produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface |
| "TACE" | transarterial chemoembolisation, an image-guided, non-surgical procedure that is used to treat malignant lesions in the liver |

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| "TCR" | T cell receptor, a molecule found on the surface of T cells responsible for recognising fragments of antigen |
| "TCR-T cell therapy" | T cell receptor-engineered T cell therapy, a type of cellular immunotherapy that genetically modifies natural T cells to treat cancers |
| "TGF-β" | transforming growth factor beta, a family of proteins involved in regulating and mediating processes at the cellular level |
| "TIL" | tumour-infiltrating lymphocyte |
| "TNF-α" | an inflammatory cytokine produced by macrophages/monocytes during acute inflammation and is responsible for a diverse range of signalling events within cells, leading to necrosis or apoptosis |

*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. You should pay particular attention to the fact that our business is, to a significant extent, located in the PRC, and we are governed by a legal and regulatory environment which in some respects differ from that which prevails in other countries. Our business, financial condition, or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. The trading prices of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

## 1. RISKS RELATING TO OUR BUSINESS AND INDUSTRY

### We may not be able to identify, discover, or in-license new product candidates, and investors may lose all of their investment in us as a result

We may fail to identify product candidates for clinical development for a number of reasons. For example, our research methodology may be unsuccessful in identifying potential product candidates or those we identify may be shown to have harmful side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approval.

R&D programmes to pursue the development of our product candidates for additional indications and to identify new product candidates and targets require substantial technical, financial, and human resources. Our R&D programmes may initially show promise in identifying potential indications or product candidates, yet fail to yield results for clinical development for a number of reasons, including:

- the research methodology used may not be successful in identifying potential indications or product candidates;

- potential product candidates may, after further study, be shown to have harmful adverse effects or other characteristics that indicate they are unlikely to be effective drugs; or

- it may take greater human and financial resources to identify additional therapeutic opportunities for our product candidates or to develop suitable potential product candidates through internal research programmes than we will possess, thereby limiting our ability to diversify and expand our product portfolio.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our product candidates or to develop suitable potential product candidates through internal research programmes, which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential product candidates or other potential programmes that ultimately prove to be unsuccessful. If any of the aforementioned circumstances happens, investors may lose all of their investments in us as a result.

**We may not achieve successful and timely development and regulatory approval of our product candidates, all of which are in pre-clinical or clinical development**

Our product candidates, including EAL®, our Core Product Candidate, may not be successfully developed and marketed.

We are not permitted to market any of our product candidates unless and until we receive regulatory approvals from the relevant authorities. Securing regulatory approvals requires the submission of extensive pre-clinical and clinical data and supporting information to the various regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. The regulatory approval processes are lengthy, time-consuming, and inherently unpredictable. To date, none of our product candidates has obtained marketing approval.

Before obtaining regulatory approval for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. The process of obtaining regulatory approvals is expensive and may take many years, particularly if additional clinical trials are required, and can vary substantially based on a variety of factors, including the type, complexity, and novelty of the product candidates involved. A number of factors, including changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted new drug application type, may cause delays in the approval or rejection of an application. Furthermore, the relevant authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional pre-clinical, clinical, or other studies.

Specifically, the reasons for which our product candidates could be delayed in receiving, or fail to receive, regulatory approval include the following:

- disagreement with the NMPA or comparable regulatory authorities regarding the number, design, size, conduct, or implementation of our clinical trials;
- our inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrolment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate;
- manufacturing issues, including problems with manufacturing, supply quality, compliance with GMP, or obtaining from third parties sufficient quantities of a product candidate for use in a clinical trial;
- clinical trials of our product candidates may produce negative or inconclusive results, including failure of clinical trial results to meet the level of statistical significance required for approval, data integrity issues related to our clinical trials, and disagreement with our interpretation of data from pre-clinical studies or clinical trials;

- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;

- we may decide or regulators may require us to conduct additional clinical trials or abandon product development programmes;

- our third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or a finding that participants are being exposed to unacceptable health risks;

- regulators or ethics committees may require that we or our investigators suspend or terminate clinical trials or not rely on the results of clinical trials for various reasons, including non-compliance with regulatory requirements; and

- the cost of clinical trials of our product candidates may be greater than we anticipate.

Furthermore, we or our collaborators may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enrol a sufficient number of eligible patients to participate in these trials. In addition, our clinical trials will likely compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enrol in our trials may instead opt to enrol in a trial being conducted by one of our competitors.

Patient enrolment is also affected by other factors including the eligibility criteria for the study in question, perceived risks and benefits of the product candidate under study, patient referral practices of physicians, the ability to monitor patients adequately during and after treatment; and proximity and availability of clinical trial sites for prospective patients. Our or our collaborators' inability to enrol a sufficient number of patients for our clinical trials would result in significant delays or may require us to delay or even abandon one or more clinical trials.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed, and our ability to generate product sales revenues from any of those product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and jeopardise our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition, and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

In the end, our product candidates may not be effective, may be only moderately effective, or may prove to have undesirable or unintended side effects, toxicities, or other characteristics that may preclude our obtaining regulatory approvals or prevent or limit commercial use. In addition to pre-clinical and clinical data, the NDA must include significant information regarding the chemistry, manufacturing, and controls for the product candidate.

We have not yet demonstrated the ability to receive regulatory approval for our product candidates. As a result, our ability to successfully submit any future NDA, and obtain regulatory approval for our product candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in obtaining regulatory approvals.

**We incurred net losses and did not generate any revenue from the sale of our product candidates during the Track Record Period, and there is no assurance that we will become and remain profitable in the future**

As at the Latest Practicable Date, none of our product candidates had obtained marketing approval. Investment in biologics product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. To date, we have financed our activities primarily through capital contribution from our shareholders. During the Track Record Period, we did not generate any revenue (although we generated income from providing cell cryopreservation services), and we incurred significant R&D expenses in relation to our clinical development and other ongoing operational expenses. As a result, for the years ended 31 December 2018 and 2019, we incurred a net loss of RMB34.9 million and RMB109.1 million respectively.

To become and remain profitable, we must develop and eventually commercialise product candidates with significant market potential. The success of the development and commercialisation of our product candidates will depend on a number of factors, including:

- successful identification of potential product candidates based on our research or business development methodology or search criteria and process;
- sufficient resources to acquire or discover additional product candidates;
- successful enrolment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;
- the performance by CROs or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining favourable safety and efficacy data from our clinical trials and other studies;

- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- obtaining and maintaining patent, trade secret, and other intellectual property protection and regulatory exclusivity for our product candidates;
- ensuring we do not infringe, misappropriate, or otherwise violate the patents, trade secrets, or other intellectual property rights of third parties;
- successfully launching commercial sales of our product candidates, if and when approved;
- obtaining and maintaining favourable reimbursement from third-party payors for our products, if and when approved;
- competition with other products; and
- continued acceptable safety profile of our product candidates following regulatory approval.

We may never succeed in any or all of the above and, even if we do, we may never generate revenues that are significant or large enough to achieve profitability. We may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors that may adversely affect our business. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business, or continue our operations.

**Even if approved, our product candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success**

Even if approved, our product candidates may fail to gain sufficient market acceptance by physicians, patients, third-party payors, and others in the medical community. For example, current cancer treatments like chemotherapy and radiotherapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of our product candidates. In addition, physicians, patients, and third-party payors may prefer other novel products to ours. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable.

The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, and patients considering our product candidates as a safe and effective treatment;

- the potential and perceived advantages of our product candidates over alternative treatments;
- the timing of market introduction of our product candidates as well as competitive products;
- the cost of treatment compared to alternative treatments;
- the availability of adequate coverage, reimbursement, and pricing by third-party payors and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any approved product candidates that we commercialise fail to achieve market acceptance among physicians, patients, hospitals, or others in the medical community, we will not be able to generate significant revenue. Even if our future approved product candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favourably received than our product candidates, are more cost-effective or render our product candidates obsolete.

**An outbreak of diseases or epidemic may cause material disruptions to our business operations**

The recent outbreak of COVID-19 had disrupted our business operations as the clinical trial for EAL®, our Core Product Candidate, had been suspended for two months until recently we started to resume the enrolment of subjects and the administration of EAL® for enrolled subjects for Phase II clinical trial for EAL®. For details, see "Summary — Recent Development".

Further, the outbreak of diseases or other epidemic, if prolonged and deteriorating may further disrupt the operations of our laboratories and our production facilities and the operations of our suppliers, including our R&D suppliers. For example, although our plan to establish the R&D and production centres in Beijing, Shanghai and Guangzhou, which remains under the preliminary preparation stage without conducting construction and design, has not been affected by the outbreak of COVID-19 in China, we cannot guarantee that such plan will not be materially and adversely affected if the outbreak of COVID-19 in China continues or deteriorates. In that case, our timetable for the R&D and production centres construction may be materially delayed, and in turn may significantly increase our budget. Our business prospect and financial condition may be adversely affected as a result. Furthermore, prolonged disruptions caused by such outbreak may delay the pre-clinical and clinical studies and commercialisation efforts in respect of our product candidates, as well as our product discovery process, and may ultimately result in a delay in our product launch. For example, we may not be able to recruit the entire 272 patients as agreed with the CDE as part of the clinical trial protocol. In addition, due to the suspension of the clinical trial during the outbreak of COVID-19, data from no more than 35 subjects may be excluded, resulting in re-conduct of clinical trial of the maximum number of 35 subjects. Either the failure in recruitment of the entire 272 patients or the exclusion of the maximum number of 35 subjects may delay the timetable for clinical trials and our

NDA submission, which may ultimately result in delay in commercialisation of EAL® and material disruptions to our business operations and prospect.

There is no assurance that there will be no recurrence of any outbreak of diseases such as COVID-19 or any other contagious disease or epidemic outbreaks in China, the Republic of Korea, or any other markets in which we do business.

**We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalise on product candidates or indications that may be more profitable or for which there is a greater likelihood of success**

Because we have limited financial and managerial resources, we focus on research programmes and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalise on viable product candidates or profitable market opportunities. For example, EAL® was historically clinically applied to treat various types of diseases including lung cancer, liver cancer, intestinal diseases, and gastric cancer. However, we only selected postsurgical recurrence of liver cancer as the clinical indication for EAL® in its Phase II clinical trial. Our spending on current and future R&D programmes and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing, or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialisation rights to such product candidate.

**If we are unable to establish sales and marketing capabilities, we may not be successful in commercialising our product candidates**

If we are unable to establish sales and marketing capabilities, we may not be successful in commercialising our product candidates. Factors that may inhibit our efforts to commercialise our product candidates on our own include:

- our inability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to apply any future products;
- the lack of complementary medicines to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organisation.

We do not have a sales or marketing infrastructure. To achieve commercial success for any approved product for which we retain sales and marketing responsibilities, we must either develop a sales and marketing organisation or outsource these functions to third parties.

There are risks involved with both establishing our own sales and marketing capabilities and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales workforce is expensive and time consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales workforce and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialisation expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

If we enter into arrangements with third parties to perform sales and marketing services, our product revenues or the profitability of these product revenues to us are likely to be lower than if we were to market and sell products that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to sell and market our products or may be unable to do so on terms that are favourable to us. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales and marketing capabilities successfully, we may not be successful in commercialising our product candidates.

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

We intend to manufacture approved product candidates as well. Our ability to build manufacturing facilities near population centres in China is critical for our expansion because the stability of our cellular immunotherapy products is limited to a number of hours, and our products are therefore subject to a limited transportation radius.

We currently have manufacturing facilities in Beijing and are planning to build additional manufacturing facilities including in Beijing, Shanghai, and Guangzhou to expand our manufacturing capacity. These facilities may encounter unanticipated delays and expenses due to a number of factors, including regulatory requirements.

If the construction, regulatory evaluation, or approval of our new facilities is delayed, we may not be able to manufacture sufficient quantities of our products for use in certain population centres in China, which would limit our development and commercialisation activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our facilities could require us to raise additional funds.

Our manufacturing facilities will be subject to ongoing, periodic inspection by the relevant regulatory authorities to ensure compliance with GMP regulations. Our failure to follow and document our adherence to such GMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our product candidates or the commercialisation of our products, if approved.

We may also encounter the following problems:

- failure to achieve adequate or clinical-grade materials that meet relevant regulatory standards or specifications with consistent and acceptable production yield and costs;

- shortages of qualified personnel, raw materials, or key contractors; and

- failure to ensure ongoing compliance with GMP regulations and other requirements of the relevant regulatory authorities.

Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, withholding of marketing approval for our product candidates, delays, suspension, or withdrawal of other approvals, supply disruptions, licence revocation, operating restrictions, and criminal prosecutions.

In order to fully utilise our facilities, we must develop advanced manufacturing techniques and process controls. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete.

To produce our product candidates in the quantities that we believe will be required to meet anticipated market demand of our product candidates if approved, we will need to scale up the production process. If we are unable to do so, or if the cost of scaling up is not economically feasible, we may not be able to produce our approved product candidates in a sufficient quantity to meet future demand.

If our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or at all. In the event of a temporary or protracted loss of the facilities or equipment, we may not be able to identify new manufacturing facilities for the manufacture of our product candidates. Even if we could do so, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any of our future approved product candidates manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales if and when we are able to successfully commercialise one or more of our product candidates.

Accordingly, any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialisation.

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

We are highly dependent on our experienced R&D and management team. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development, and commercialisation objectives.

To induce valuable employees to remain at our Company, we provide them with share-based compensation in addition to salary and cash incentives. The value to employees of these equity grants that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies.

Recruiting and retaining qualified scientific, clinical, manufacturing, and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialisation objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees, or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of, and commercialise products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire or retain these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Our consultants and advisers may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to commercialise our product candidates and to pursue our growth strategy will be limited.

**The prior clinical application of EAL® does not guarantee its success in obtaining regulatory approval or achieving market acceptance**

EAL® was clinically applied from 2006 to 2016 when cellular immunotherapy was regulated as a Class III medical technology. There were clinical applications of EAL® involving more than 4,000 patients with a total of more than 20,000 infusions. None of the 4,000 patients with over 20,000 infusions has any debilitation or organ injury as a result of the cellular injections of EAL®. After the Wei Zexi incident (in which none of our products was involved), the relevant regulatory authorities stopped all clinical application of cellular immunotherapy, and announced that cellular immunotherapy technology should be regulated under the scope of clinical research.

Under the new regulatory regime, EAL® is undergoing Phase II clinical trial. Its success in obtaining regulatory approval depends on a number of factors, including its ability to show statistically-significant efficacy in the clinical trial. The fact that it was clinically applied before 2016 does not guarantee the outcome of the clinical trial because such outcome does not depend on the data from the prior clinical application of EAL® from 2006 to 2016, nor does it guarantee the level of market acceptance for EAL® if marketing approval is ultimately obtained.

**We had net operating cash outflow during the Track Record Period and we expect to require additional financing to fund our operations, including our R&D and commercialisation efforts**

For the years ended 31 December 2018 and 2019, we had net cash used in operating activities of RMB44.1 million and RMB95.5 million respectively. We expect that we may experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our R&D and capital expenditure requirements. In addition, we will need to obtain additional financing to fund our operations, including for the development and commercialisation of our product candidates.

In particular, we expect to continue to spend substantial amounts on product discovery, advancing the clinical development of our product candidates, and launching and commercialising any approved product candidates for which we may receive regulatory approval. Accordingly, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements, or other sources.

Our future funding requirements will depend on many factors, including the progress and costs of our clinical trials, the outcome of regulatory approvals of our product candidates, the number and characteristics of product candidates that we may develop, the selling and marketing costs associated with any future product candidates that may be approved, the cost and timing of development and completion of commercial-scale manufacturing activities, and our headcount growth and associated costs.

Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce, or eliminate our R&D programmes or future commercialisation efforts. Our inability to obtain additional funding when we need it could seriously harm our business.

**Raising additional capital may cause dilution to our shareholders, restrict our operations, or require us to relinquish rights to our technologies or product candidates**

We may seek additional funding through a combination of equity offerings, debt financings, and collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, Shareholders' ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely

affect your rights as a holder of our Shares. 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 limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights, and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavourable terms, including relinquishing or licensing to a third party on unfavourable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialise ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favourable terms.

**Our product candidates may cause undesirable side effects**

Adverse events caused by our product candidates (including long-term health risks that have not been discovered today) could cause us or regulatory authorities to interrupt, delay, or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the relevant regulatory authorities, or could result in limitations or withdrawal following approvals. If results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials could be suspended or terminated and the relevant regulatory authorities could order us to cease further development of, or deny approval of, our product candidates.

Additionally, adverse events caused by our product candidates, or caused by our product candidates when used in combination with other pharmaceutical products or treatments, could potentially cause significant negative consequences, including:

- regulatory authorities could delay or halt pending clinical trials;
- we may suspend, delay, or alter development or marketing of the product candidate;
- regulatory authorities may withdraw approvals or revoke licences of an approved product candidate, or we may determine to do so even if not required;
- we may be required to develop a risk evaluation mitigation strategy for the product candidate, or, if one is already in place, to incorporate additional requirements under the risk evaluation mitigation strategy, or to develop a similar strategy as required by a comparable regulatory authority;
- we may be required to conduct post-market studies;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, and could significantly harm our business, results of operations, and prospects.

**The research, development, and commercialisation of pharmaceutical products are heavily regulated**

We conduct a substantial part of our operations in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing, and marketing of new pharmaceutical products. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialisation of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing pharmaceutical products in China.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, licence revocation, a clinical hold, total or partial suspension of production or distribution, injunctions, fines, or civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business.

**Any of our future approved product candidates will be subject to ongoing or additional regulatory obligations and continued regulatory review**

Any of our future approved product candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labelling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information.

Manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements ensuring that quality control and manufacturing procedures conform to GMP regulations. As such, we will be subject to continual review and inspections to assess compliance with GMP and adherence to commitments made in any NDA, other marketing application, and previous responses to any inspection observations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, and quality control.

Any approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, which could adversely affect the product's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product candidate. The relevant regulatory authorities may also require a risk evaluation mitigation strategy programme as a condition of approval of our product candidates or following approval. In addition, once approved, our product candidates will have to comply with requirements, including, for example, submissions of safety and other post-marketing

information and reports, registration, as well as continued compliance with cGMP and good clinical practice, or GCP, for any clinical trials that we conduct post-approval.

The NMPA and other regulatory authorities strictly regulate the marketing, labelling, advertising, and promotion of products that are placed on the market. Pharmaceutical products may be promoted only for their approved indications. The relevant regulatory authorities actively enforce the laws and regulations prohibiting the promotion of improper uses, and a company found to have improperly promoted uses may be subject to significant liability.

**We face substantial competition, which may result in others discovering, developing, or commercialising competing products before or more successfully than we do**

The development and commercialisation of new pharmaceutical products is highly competitive and subject to rapid and significant technological change. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies in China and elsewhere in the world. There are a number of large pharmaceutical and biotechnology companies that currently market and sell pharmaceutical products or are pursuing the development of pharmaceutical products for the treatment of cancer or other indications for which we are developing our product candidates. Potential competitors also include academic institutions, government agencies, and other public and private research organisations that conduct research, seek patent protection, and establish collaborative arrangements for research, development, manufacturing, and commercialisation. We anticipate that we will face intense and increasing competition as new products enter the market and advanced technologies become available.

In the area of cellular immunotherapy, the research and development in China and globally remain in its infancy. Some product candidates in our product pipeline may be used to treat the same diseases as our more mature product candidates such as EAL®, thus resulting in cannibalisation. In addition, the advances of other cellular immunotherapy technologies and product candidates that our competitors may develop may prove to be more effective in treating cancer than our product candidates. Accordingly, we cannot assure you that our product candidates will be able to effectively compete with other new forms of cancer treatment.

In particular, many of our competitors have significantly greater financial, technical, and human resources, and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals, and marketing approved pharmaceutical products than we do. Competition may increase further as a result of advances in the commercial applicability of new or disruptive technologies. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialise products that are safer, more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any products that we may develop or commercialise. Our competitors also may obtain approval from the relevant regulatory authorities for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, new technologies developed by our competitors may render our potential

product candidates uneconomical or obsolete before we can recover expenses of developing and commercialising any of our product candidates.

Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our product candidates.

**We rely on third parties to conduct our pre-clinical studies and clinical trials and we must work effectively with collaborators to develop our product candidates**

The clinical trials for our products are conducted by personnel external to our Group. In addition, we have relied upon and plan to continue to rely upon third-party CROs and other suppliers to monitor and manage data for our ongoing pre-clinical and clinical programmes, as well as provide other R&D services. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities.

Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements, and scientific standards. If we or any of our collaborators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the relevant authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our clinical trials must be conducted with products produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party collaborators terminate, we may not be able to enter into arrangements with alternative collaborators or to do so on commercially reasonable terms. In addition, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and non-clinical programmes. If our collaborators do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data is compromised due to failure to adhere to our clinical protocols, regulatory requirements, or for other reasons, our clinical trials may be extended, delayed, or terminated and we may not be able to obtain regulatory approval for or successfully commercialise our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

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

**We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realise the benefits of such alliances**

We may form or seek strategic alliances, create joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialisation efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders, or disrupt our management and business.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialisation of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. For any product candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotechnology companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Further, collaborations involving our product candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;

- collaborators may not pursue development and commercialisation of our product candidates or may elect not to continue or renew development or commercialisation programmes based on clinical trial results, changes in their strategic focus due to the acquisition of competitive pharmaceutical products, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new formulation of a product candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates;

- we may in the future grant marketing and distribution rights to our product candidates to third parties. Such third parties may not commit sufficient resources to marketing and distribution of our products;

- collaborators may not properly obtain, protect, maintain, defend, or enforce our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardise or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialisation of our product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialisation of the applicable product candidates;

- collaborators may own or co-own intellectual property covering our product candidates that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialise such intellectual property; and

- we co-own with others, and therefore do not have complete control over, some of our intellectual property and, in the normal course of business, we have licensed and may in the future license our rights under such co-owned intellectual property to third parties, which may lead to disputes with the relevant co-owner of such intellectual property.

As a result, we may not be able to realise the benefit of current or future collaborations or strategic partnerships if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or licence, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development programme or one or more of our other development programmes, delay its potential commercialisation or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialisation activities at our own expense. If we elect to fund and undertake development or commercialisation activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialisation activities, we may not be able to further develop our product candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition, and results of operations.

**There may be delays or interruptions in the provision of equipment supplies critical for our clinical trials**

Currently, the equipment and raw materials for our clinical trial and manufacturing activities are supplied by suppliers from multiple countries. There is a risk that, if supplies are interrupted, it would materially harm our business.

Manufacturers of drug and biological products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced regulations. Furthermore, if contaminants are discovered in our supply of our product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our product candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labour disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any future approved product candidates for commercial sale and our product candidates to patients in clinical trials would be jeopardised.

Any delay or interruption in the provision of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programmes and, depending upon the period of delay, require us to begin new clinical trials at additional expense, or terminate clinical trials completely.

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

We face an inherent risk of product liability as a result of the clinical testing and any future commercialisation of our product candidates. For example, we may be sued if our product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing, or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability, or a breach of warranties.

If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialisation of our product candidates. Even successful defence would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in decreased demand for our product candidates; injury to our reputation; withdrawal of clinical trial participants and inability to continue clinical trials; initiation of investigations by regulators; costs to defend the related litigation; a diversion of management's attention and our resources; substantial monetary awards to trial participants or patients; product recalls or withdrawals; labelling, marketing, or promotional restrictions; loss of

revenue; exhaustion of any available insurance and our capital resources; the inability to commercialise any approved product candidate. As at the Latest Practicable Date, we had not been subject to any product liability claims in relation to the application of EAL® since our establishment.

**We partially rely on government grants to finance our R&D activities, and may be liable to repay government grants if we terminate the R&D of a product candidate**

As at 31 December 2018 and 2019, we had deferred government grants of RMB8.1 million and RMB7.6 million respectively. For some government subsidies towards R&D projects, and plant and machinery, certain conditions have to be fulfilled until the subsidies can be regarded as fully granted. Before such conditions have been fulfilled, we recognise deferred government grants for the subsidies we have received.

As at 31 December 2019, we had government grants repayable amounting to RMB1.8 million. Our government grants repayable as at 31 December 2019 represented unused subsidies we received for the Phase I clinical trial on one of our product candidates. We have terminated the research and development of that product candidate.

If we terminate the development of any of our product candidates which have been awarded government grants, we may have to recognise further government grants repayable.

## 2. RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

**We may fail to obtain and maintain patent protection for our product candidates through intellectual property rights**

Our success depends in large part on our ability to protect our proprietary technology and product candidates from competition by obtaining, maintaining, defending, and enforcing our intellectual property rights, including patent rights. For further information on our patent portfolio, see "Business — Intellectual Property". For example, although we submitted our patent applications for CAR-T and TCR-T product candidates in April 2019, we cannot guarantee that our patent applications will be approved in time or at all. If we are unable to obtain or maintain patent protection with respect to our product candidates and technologies, our business, financial condition, results of operations, and prospects could be materially harmed.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other jurisdictions may diminish our ability to protect our inventions; obtain, maintain, defend, and enforce our intellectual property rights; and could more generally affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will be successful in any particular jurisdiction or whether any issued patents will provide sufficient protection from competitors. If the scope of such patents is not sufficiently broad, third parties could develop and commercialise products and

technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialise any product or technology may be adversely affected.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords are limited. The issued patents and pending patent applications, if issued, for our product candidates are expected to expire on various dates as described in "Business — Intellectual Property". Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing, and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialised. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercialising products using similar or identical technology to ours.

**Our patents could be found invalid or unenforceable if challenged in court**

The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our patent rights may be challenged in the courts or patent offices in China and other countries. An adverse determination in any such submission, proceeding, or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialise our technology or product candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialise product candidates without infringing, misappropriating, or otherwise violating third-party patent rights.

Despite measures we take to obtain patent and other intellectual property protection with respect to our product candidates, any of our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in China, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, creativity, or practicability. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the State Intellectual Property Office, or the applicable foreign counterpart, or made a misleading statement, during prosecution.

Such counterclaims against us could be costly to defend and could require us to pay substantial damages, cease the sale of certain products or enter into a licence agreement and pay royalties (which may not be possible on commercially reasonable terms or at all). Any efforts to enforce our intellectual property rights are also likely to be costly.

**We may not be able to enforce our intellectual property rights or prevent unfair competition by third parties**

Filing, prosecuting, maintaining, and defending patents on our product candidates could be expensive for us. Consequently, we may not be able to prevent third parties from practising our inventions, or from selling or importing pharmaceutical products made using our inventions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, which may compete with our product candidates.

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

We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licences to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we are forced to grant a licence to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

**We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming, and unsuccessful**

Competitors may infringe our patent rights or infringe, misappropriate, or otherwise violate our other intellectual property rights. To counter infringement, misappropriation, or any other unauthorised use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers and other violators could also provoke these parties to assert counterclaims against us alleging that we infringe, misappropriate, or otherwise violate their intellectual property rights.

Accordingly, we may not be able to prevent third parties from infringing upon, misappropriating, or otherwise violating our intellectual property rights. An adverse result in any litigation proceeding could put our patent, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable, or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

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

Our commercial success depends in part on the ability of us and our collaborators to avoid infringement, misappropriation, and other violations of the patents and other intellectual property rights of third parties.

There is a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others.

We may face potential claims of infringement on the patents of third parties. For example, our peers may assert that we are using the same or similar potential compositional and methodology patents and geographical rights granted to their CAR-T and TCR-T products. Third parties may assert that we are using technology in violation of their patent or other proprietary rights. We may also be subject to allegations by third parties of unfair competition, defamation, or violation of their other rights. Defence of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical or management personnel from their normal responsibilities. Even in the absence of litigation, we may seek to obtain licences from third parties to avoid the risks of litigation, and if a licence is available, it could impose costly royalty and other fees and expenses on us.

There is no assurance that a court would find in our favour on questions of infringement, validity, enforceability, or priority. A court of competent jurisdiction could hold that third party patents asserted against us are valid, enforceable, and infringed, which could materially and adversely affect our ability to develop and commercialise any of our product candidates and any other product candidates covered by the asserted third party patents.

If third parties bring successful claims against us for infringement, misappropriation, or other violations of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercialising one or more of our product candidates. We may also have to pay substantial damages, pay royalties, or redesign our product candidates, which may be impossible or require substantial time and cost.

In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licences from third parties to advance our research or allow commercialisation of our product candidates. Any such licence might not be available on reasonable terms or at all. Even if we were able to obtain a licence, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. In the event that we are unable to obtain such a licence, we would be unable to further develop and commercialise one or more of our product candidates, which could harm our business significantly. We may also elect to enter into licence agreements in order to settle patent and other intellectual property infringement claims or to resolve disputes prior to litigation, and any such licence agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favour, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our Shares. Such litigations or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent and other intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

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

Obtaining and maintaining our patent protection depend on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies. There are situations in which non-compliance with relevant rules can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalise and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

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

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. Others may be able to make products that are similar to our product candidates but that are not covered by the claims of the patents that we own or may in the future exclusively license.

In addition:

- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;

- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;

- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;

- it is possible that our pending patent applications will not lead to issued patents;

- issued patents that we own or may have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

- we may obtain patents for certain technology many years before we receive NDA approval for products utilising such technology, and because patents have a limited life, which may begin to run prior to the commercial sale of the related products, the commercial value of our patents may be limited;

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

- we may fail to develop additional proprietary technologies that are patentable;

- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and

- the patents of others may have an adverse effect on our business, for example by preventing us from commercialising one or more of our product candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

**If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed**

In addition to our issued patent and pending patent applications, we rely on trade secret and confidential information, including unpatented know-how, technology, and other proprietary information, to maintain our competitive position and to protect our product candidates. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisers, and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

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

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, and furthermore, the assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims,

litigation could result in substantial costs and be a distraction to our management and scientific personnel and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

**We may not be successful in obtaining necessary rights for our development pipeline through acquisitions and in-licences**

Because our programmes may involve additional product candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licences or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialisation capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant programme or product candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

## 3. RISKS RELATING TO OUR OPERATIONS

**We are subject to the risks of doing business globally**

We have recently expanded our operations into the Republic of Korea. In the future, we may further expand our operations into other countries. Accordingly, our business is subject to risks associated with doing business in different countries, including:

- changes in a specific country's or region's political and cultural climate or economic condition;

- unexpected changes in or failure to comply with laws and regulatory requirements in local jurisdictions; differences between national and local practice with respect to laws and regulatory requirements in a specific jurisdiction;

- difficulty of effective enforcement of contractual provisions in local jurisdictions; concerns of local governments and regulators on our research and trial sites and on the relevant management arrangements;

- inadequate intellectual property protection in certain countries;

- enforcement of anti-corruption and anti-bribery laws, such as the US Foreign Corrupt Practices Act of 1977; trade-protection measures; or import or export licensing requirements such as Export Administration Regulations promulgated by the United States Department of Commerce;

- penalties or suspension or revocation of export privileges;

- the effects of applicable local tax regimes, royalties and other payment obligations owed to local governments, and potentially adverse tax consequences; and

- significant adverse changes in local currency exchange rates.

**We may experience difficulties in managing our growth**

As at 31 December 2019, we had 185 employees. As our development and commercialisation plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, financial, and other personnel. Our future financial performance and our ability to commercialise our product candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth. Our management's attention may also be diverted away from day-to-day activities in order to devote a substantial amount of time to managing our growth.

For example, the added responsibilities for members of our management may include:

- recruiting, integrating, motivating, and retaining employees;

- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and

- improving our operational, financial, and management controls, reporting systems, and procedures.

If we are not able to effectively manage our growth and further expand our organisation by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialise our product candidates and, accordingly, may not achieve our research, development, and commercialisation goals.

**Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties**

We are required to make contributions to certain employee social welfare schemes, including social insurance and housing provident fund contributions in the PRC. During the Track Record Period, the salary bases on which our PRC subsidiaries made such contributions did not fully comply with the legal requirements. See "Business — Employees — Employee Social Welfare Schemes" for details.

The aggregate unpaid amounts by our Group to the social insurance authority as at 31 December 2018 and 2019 were approximately RMB0.9 million and RMB1.1 million respectively, and the aggregate unpaid amounts by our Group to the housing provident fund management centre as at 31 December 2018 and 2019 were approximately RMB0.4 million and RMB0.4 million respectively.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), employers who failed to contribute promptly social insurance contributions in full amount may be ordered by the social insurance contributions collection agency to make or supplement contributions within a stipulated period, and may be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities may impose a fine ranging from one to three times the amount in arrears.

According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Therefore, we may be subject to fines and compulsory enforcement in respect of the overdue contributions if we are charged by the relevant authorities.

**If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks**

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

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property, and products of an acquired company, including difficulties associated with integrating new personnel;

- the diversion of our management's attention from our existing product programmes and initiatives in pursuing such a strategic merger or acquisition;

- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;

- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing drugs or product candidates and regulatory approvals; and

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

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortisation expense.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (1) any important industry is concerned; (2) such transaction involves factors that have or may have impact on the national economic security, or (3) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand.

Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions, or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification.

In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors, or the Security Review Rules, issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise national defence and security concerns and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our

business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defence and security or national security concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinised or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

**If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses**

We are subject to the anti-bribery laws. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

**If we fail to comply with environmental, health, and safety laws and regulations, we could become subject to fines or penalties or incur substantial costs**

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

Although we maintain statutory employees' social insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health, and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

**Our computer systems may fail or suffer security breaches**

Information technology is an important part of our business operations and we increasingly rely on information technology systems to carry out our R&D projects and to manage business data. We also utilise information technology systems to process financial information for internal reporting purposes and to comply with regulatory, legal, and tax requirements. In addition, we depend on information technology for electronic communications.

Our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases, or components, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, unauthorised access attempts, and other security issues. The technology security initiatives we have implemented to address these concerns may not be adequate. Any significant failure of our systems could cause unauthorised disclosure of confidential information, loss of trade secrets, and disruption to our R&D projects, and may have negative consequences on our employees and our business partners and have a negative impact on our operations and reputation.

**We may not have adequate insurance coverage**

Currently, we maintain insurance coverage against claims arising from our clinical trials in amounts we believe are reasonable. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our product candidates and products if there were a catastrophic event or failure of our manufacturing facilities or processes.

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

For the years ended 31 December 2018 and 2019, we recorded a net foreign exchange gain of RMB7.7 million and RMB7.0 million respectively.

Substantially all of our costs are denominated in Renminbi and some of our financial assets are also denominated in Renminbi. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollars against the Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, an appreciation of the Renminbi against the Hong Kong dollars would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of the Renminbi against the Hong Kong dollars would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollars denominated financial assets into Renminbi. Conversely, if we decide to convert our Renminbi-denominated assets into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollars against the Renminbi would have a negative effect on the Hong Kong dollars amount available to us.

The change in the value of the Renminbi against the Hong Kong dollars and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. With the development of the foreign exchange market and progress towards interest rate liberalisation and the internationalisation of the Renminbi, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollars or the US dollars in the future.

**Our financial results for the year ending 31 December 2020 may be affected by fair value changes in the convertible redeemable preference shares we issued**

We recognised fair value gain of convertible redeemable preference shares of RMB3.8 million for the year ended 31 December 2019. The decreases/increases in the fair value of our Convertible Preference Shares are recognised as a fair value gain/loss, which is a non-cash item that will not recur in financial years after the Listing, as the Convertible Preference Shares issued by us will be converted into Ordinary Shares prior to the Listing. In the event that the fair value of our Convertible Preference Shares increases in the year 2020 prior to the conversion, the fair value loss of convertible redeemable preference shares will adversely affect our financial results for the financial year ending 31 December 2020. As at 31 December 2019, the carrying amount of our convertible redeemable preference shares, which were recognised as a liability in our consolidated statements of financial position, was RMB172.1 million. The fair value of these financial liabilities is established by using valuation techniques. Hence, the amount of fair value gain/loss we will recognise for the financial year ending 31 December 2020 is subject to uncertainties in accounting estimation as the valuation requires the use of unobservable inputs, such as equity volatility. See Notes 27 and 34 to the Accountants' Report included in Appendix I to this prospectus for details.

**We recognised gains from changes in fair value of financial assets at fair value through profit or loss which may not recur in the future**

For the years ended 31 December 2018 and 2019, we recognised fair value gains on financial assets at fair value through profit or loss amounting to RMB0.6 million and RMB1.1 million respectively.

Such financial assets represented financial products managed by banks in the PRC which can be redeemed at any time. There is no predetermined or guaranteed return for each product. As at 31 December 2019, we had nil financial assets at fair value through profit or loss.

Neither the expected return nor the principal amount in respect of such financial assets is guaranteed by financial institutions. Changes in fair value of financial assets at fair value through profit or loss depend on factors including market conditions which are beyond our control. We cannot assure you that gains from changes in fair value of financial assets at fair value through profit or loss will recur, or that we will not incur loss on the such financial assets in the future.

## 4. RISKS RELATING TO DOING BUSINESS IN CHINA

**The pharmaceutical industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialisation of our product candidates**

We conduct almost all of our operations in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing, and marketing of new pharmaceutical products. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialisation of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing products in China.

**Changes in PRC economic, political, and social conditions, as well as government policies may have an adverse effect on us**

We conduct almost all of our operations in the PRC. Accordingly, PRC economic, political, and social conditions, as well as government policies significantly affect our business, financial condition, results of operations, and prospects. The PRC economy differs from the economies of most developed countries in many respects, including the structure, degree of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. During the past decades, the PRC government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Going forward, the PRC government may deepen economic reform and may, from time to time, formulate and implement various reform policies and measures to regulate and control the economy. While some of these measures benefit the overall PRC economy, they may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government control over the pharmaceutical industry or changes in tax regulations applicable to us.

In addition, there are uncertainties as to whether the various reform measures taken by the PRC government can achieve the desired results. The PRC political and social conditions may also have an impact on the implementation of the country's economic reform. Any adverse change in the economic, political, and social conditions as well as government policies in the PRC laws, regulations, and policies could materially and adversely affect the PRC overall economic growth, and hence, a reduction in demand for our solutions. In addition, our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions.

**Government control of currency conversion may limit our ability to use capital effectively and could negatively affect our financial condition, operations, and our ability to pay dividends, increase competition from foreign competitors, and affect the value of our net assets, earnings, and dividends in foreign currency terms**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of money out of China. We expect our revenue upon commercialisation of our product candidates will be denominated in Renminbi. Under our current structure, we expect our Company's income will to a significant extent derive from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payment of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

**The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders**

Most of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of enhancing the protections afforded to corporate organisations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations, and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings, and the actual level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully

comply therewith, and may affect our ability to realise our rights under laws in connection with contract or tort. Further, we cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. We cannot therefore assure you that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

**It may be difficult to effect service of process or to enforce foreign judgments in the PRC as most of our assets are located in the PRC**

Most of our assets and subsidiaries are located in the PRC. A number of our Directors and senior management members reside in the PRC and their assets may also be substantially located in the PRC. Accordingly, it may not be possible for investors to effect service of process from outside the PRC upon us or these persons or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan, and many other developed countries. Therefore, the recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible.

**We may be deemed to be a PRC tax resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income**

We are a holding company incorporated in the Cayman Islands. However, under the EIT Law, which was amended on 24 February 2017 came into effect on the same date, enterprises organised under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform EIT Rate of 25% on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as body that has material and overall management, and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

The SAT issued the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得税管理辦法(試行)) in April 2009 and July 2011, respectively, which set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

As a result, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though a significant portion of our operational management is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the EIT Rate of 25% on our global income in the future. If we were treated as a "PRC tax resident enterprise", we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

**Gains on the sale of Shares and dividends on the Shares may be subject to PRC income taxes**

Under the EIT Law, PRC withholding tax at the rate of 10% is applicable to dividends payable by "PRC tax resident enterprises" to investors that are "non-PRC residents", that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to PRC income tax, usually at rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and a significant portion of our operations is in the PRC. There is uncertainty whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realised from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise", then any dividends paid to our Shareholders that are "non-PRC residents" and any gains realised by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to an EIT Rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual shareholder), unless otherwise reduced or exempted. If we are considered a "PRC tax resident enterprise", it is unclear whether our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are "non-PRC residents", or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

**The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments**

On 3 February 2015, the SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得税若干問題的公告) ("**Circular 7**"). On 17 October 2017, SAT issued the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (關於非居民企業所得税源泉扣繳有關問題的公告) ("**Circular 37**") which became effect on 1 December 2017, which provides that the income from property transfer means the consideration collected by the equity transferor from the transfer of equities, including all kinds of monetary and non-monetary income. Income from equity transfer shall include the income from the transfer of equities and equity investment assets (hereinafter referred to as "equities"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise an EIT Rate of 10%. Circular 7 exempts this tax, for example, (1) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market; and (2) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions may be adversely affected.

**We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilise such funds**

Our Company is a holding company incorporated in the Cayman Islands and a significant portion of our operations is conducted through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness outside China depends on dividends received from these subsidiaries. If our subsidiaries incur any debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC law also requires foreign invested enterprises, such as our subsidiaries in China, to set out aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent our Group from using the proceeds of fund raising exercise to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

Our Company is an offshore holding company conducting the operations in the PRC through our PRC subsidiaries. Our Group may make loans or additional capital contributions to our PRC subsidiaries or we may establish new PRC subsidiaries or acquire offshore entities with business operations in the PRC in an offshore transaction. However, loans by our Group to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our PRC subsidiaries by means of capital contributions, these capital contributions must be approved or filed by MOFCOM or its local counterpart, and registered with the local SAFE.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that our Group will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds that we raised outside the PRC and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

**Our business benefits from certain financial incentives and discretionary policies granted by local governments**

In the past, local governments in China granted certain financial incentives and research grants from time to time to our PRC subsidiaries as part of their efforts to encourage scientific research. The timing, amount, and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

## 5. RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our gene therapy business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interests in Yongtai Ruike**

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in gene therapy business (including CAR-T and TCR-T cell therapies). Gene therapy falls in the prohibited foreign-invested industries both in the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂) and the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)).

We are a company incorporated under the laws of the Cayman Islands. To comply with the PRC laws and regulations, we conduct our gene therapy business in China through Yongtai Ruike based on a series of Contractual Arrangements entered into among our Group, Yongtai Ruike, and the Registered Shareholders of Yongtai Ruike. As a result of these Contractual Arrangements, we assert management control over the operations of, and enjoy substantially all the economic benefits of Yongtai Ruike.

Our PRC Legal Advisers are of the view that the transfer of economic benefits from Yongtai Ruike to Beijing Yongtai, and the pledging of the entire equity interest in Yongtai Ruike to Beijing Yongtai under the Contractual Arrangements, would not be deemed a violation of the relevant PRC laws and regulations. See "Contractual Arrangements — 4. Legality of the Contractual Arrangements" for details.

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Advisers. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements are determined as illegal or invalid by any PRC court, arbitral tribunal, or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke relevant business and operating licences of our Group;
- require us to discontinue or restrict our operations;

- restrict our right to collect revenue from Yongtai Ruike;
- shut down a substantial part of our gene therapy business;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licences, or relocate our businesses, staff, and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in Yongtai Ruike, including such equity interest, may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. The PRC government announced in 2020 that the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)) may be amended. In such connection, the Contractual Arrangements provided that Beijing Yongtai and Yongtai Ruike shall terminate the Contractual Arrangements once Beijing Yongtai is allowed to hold equity interests in Yongtai Ruike and operate the relevant business under the then PRC laws. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of Yongtai Ruike or the right to receive its economic benefits, we would no longer be able to consolidate Yongtai Ruike, thus adversely affect our results of operation.

**There is substantial uncertainty with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations**

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) formally adopted by the second session of the thirteenth National People's Congress on 15 March 2019, which will come into effect on 1 January 2020, does not mention certain concepts, including "actual control" or "controlling PRC companies by contracts or trusts", nor does it specify regulation on controlling through contractual arrangements. Since the Foreign Investment Law is new, there are substantial uncertainties with respect to its implementation and interpretation and it is also possible that variable interest entities will be deemed as foreign-invested enterprises and be subject to restrictions or prohibitions in the future. Such restrictions or prohibitions may cause interruptions to our current corporate structure, corporate governance, and business operations, which may in turn materially, and adversely affect our business, financial condition, and results of operations.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity and the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements**

Since PRC laws limit foreign equity ownership in gene therapy business in China, we have no ownership interest in our gene therapy business and rely on a series of Contractual Arrangements with Yongtai Ruike and the Registered Shareholders to control and operate the relevant businesses. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over Yongtai Ruike. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of Yongtai Ruike, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if Yongtai Ruike or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if the Registered Shareholders were to refuse to transfer their equity interest in and/or assets of Yongtai Ruike to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Yongtai Ruike and may lose control over the assets owned by Yongtai Ruike. As a result, we may be unable to consolidate Yongtai Ruike in our consolidated financial statements, which could materially and adversely affect our results of operations and financial condition.

**We may lose the ability to use the permits, licences, and intellectual properties held by Yongtai Ruike that are important to the operation of our business if Yongtai Ruike declares bankruptcy or becomes subject to a dissolution or liquidation proceeding**

Yongtai Ruike may hold certain permits, licences, and intellectual property that are important to our business operations. The Contractual Arrangements with Yongtai Ruike and its Registered Shareholders contain terms that specifically obligate the Registered Shareholders to ensure the valid existence of Yongtai Ruike and that Yongtai Ruike may not be voluntarily liquidated. However, should the Registered Shareholders breach this obligation and voluntarily liquidate Yongtai Ruike, or should Yongtai Ruike declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and we may be unable to continue a substantial portion of our business operations, which could materially and adversely affect our business, financial condition, and results of operations.

**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment**

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements among our Group, Yongtai Ruike, and the Registered Shareholders were not conducted on an arm's-length basis as the PRC tax authorities have the authority to make special tax adjustments on the tax position of Yongtai Ruike. Such adjustments may adversely affect us by increasing the tax expenses of Yongtai Ruike, subjecting Yongtai Ruike to late payment fees and other penalties for under-payment of taxes. Our consolidated results of operations may be adversely affected if the tax liabilities of Yongtai Ruike increase or if it is subject to late payment fees or other penalties.

**The Registered Shareholders of Yongtai Ruike may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests**

Our gene therapy business is conducted through Yongtai Ruike. Our control over Yongtai Ruike is based upon the Contractual Arrangements with it and the Registered Shareholders that allow us to control Yongtai Ruike. The Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Yongtai Ruike, the Registered Shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favour.

In addition, the Registered Shareholders may breach or cause Yongtai Ruike to breach the Contractual Arrangements. If Yongtai Ruike or the Registered Shareholders breach their contracts with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Yongtai Ruike and otherwise result in negative publicity. There is also substantial uncertainty as to the outcome of any such legal proceedings.

**Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws**

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over Yongtai Ruike, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests in and/or assets of Yongtai Ruike, injunctive relief and/or winding up of Yongtai Ruike. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Yongtai Ruike in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Yongtai Ruike in favour of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by Yongtai Ruike and/or the Respective Shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over Yongtai Ruike, which could negatively affect our ability to conduct our business.

**If we exercise the option to acquire equity ownership of Yongtai Ruike, the ownership transfer may subject us to certain limitations and substantial costs**

Pursuant to the Contractual Arrangements, our Group has the exclusive right to purchase all or any part of the equity interests in and/or assets of Yongtai Ruike from the Registered Shareholders for a nominal price, unless the relevant government authorities or PRC laws request that another amount be used as the purchase price and in which case the purchase price shall be the lowest amount under such request. Subject to relevant laws and regulations, the Registered Shareholders shall return any amount of purchase price they have received to us. If such a transfer takes place, the competent tax authority may require us to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

## 6. RISKS RELATING TO THE GLOBAL OFFERING

**An active trading market in our Shares may not develop, which could have a material adverse effect on the Share price and your ability to sell your Shares**

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Representatives (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

**Possible setting of the Offer Price after making a Downward Offer Price Adjustment**

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$9.45 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$9.45, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$876.1 million and such reduced proceeds will be used as described in the "Future Plans and Use of Proceeds section — Use of Proceeds" section in this prospectus.

**The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors**

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In

addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting the pharmaceutical industry, healthcare, health insurance, and other related matters, fluctuations in our revenue, earnings, cash flows, investments, and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

Other factors that may affect the price and trading volume of our Shares include:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our customers;
- announcements of competitive developments, acquisitions, or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sale or perceived sale of additional Shares by us, the Controlling Shareholders, or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. Any such developments may result in large and sudden changes in the trading volume and price of our Shares. We cannot assure you that these developments will not occur in the future.

**Future issues, offers or sale of our Shares may adversely affect the prevailing market price of our Shares**

Future issues of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sale or perceived sale of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for a period of up

to 12 months after the Listing Date. Details of such lock-up undertakings are set out in "Underwriting — Underwriting Arrangements — Lock-up undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules". We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

**The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins**

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, and these laws relating to the protection of interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions**

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

**Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus**

There may be coverage in the media regarding the Global Offering and our operations. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contains, among other matters, certain financial information, projections, valuations, and other forward-looking information about us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and

make no representation as to the appropriateness, accuracy, completeness, or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

**We may be unable to declare dividends on our Shares in the future**

Our future declarations of dividends will be at the absolute discretion of our Directors. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements, and any other conditions that our Directors may deem relevant and in certain cases, will be subject to the approval of our Shareholders. For further details of our dividend policy, see "Financial Information — Dividend and Dividend Policy". Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

**Facts, forecasts, and statistics in this prospectus relating to the pharmaceutical industry may not be fully reliable**

Facts, forecasts, and statistics in this prospectus relating to the pharmaceutical industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. None of the Relevant Persons has independently verified the facts, forecasts, and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts, and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this prospectus relating to the pharmaceutical industry in and outside China may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts, and statistics obtained from various sources. Moreover, these facts, forecasts, and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends, and conditions in the cancer immunotherapy industry in China;
- our strategies, plans, objectives, and goals;
- the regulatory environment and industry outlook in general for the cancer immunotherapy and other industries discussed in this prospectus;
- general political and economic conditions in China;
- our product candidates under development or planning;
- our R&D plans;
- the amount and nature of, and potential for, future development of our business;
- capital markets developments;
- the competitive markets for our products and the actions and developments of our competitors;
- volumes, operations, margins, overall market trends, risk management, and exchange rates;
- our dividend policy;
- other statements in this prospectus that are not historical fact;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industry and markets in which we operate;
- financial condition and performance; and
- other factors beyond our control.

When used in this prospectus, the words "anticipate", believe", "estimate", "expect", "plan", "aim", "continue", "intend", "predict", "potential", "seek", "prospects", "going forward", and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and certificates of exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

## 1. WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means 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 satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of our Group are primarily based in the PRC. 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, our Group and therefore would not be in the best interests of our Company and the Shareholders as a whole.

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

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr Tan, our Chairman, an executive Director and one of the Controlling Shareholders, and Ms Leung Shui Bing ("**Ms Leung**"), joint company secretary, to be the principal communication channel at all times between the Hong Kong Stock Exchange and our Company. Each of our authorised representatives will be readily contactable by the Hong Kong Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Hong Kong Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Hong Kong Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers) to each of the authorised representatives, to their alternate representative and to the Hong Kong Stock Exchange. This will ensure that each of the authorised representatives and the Hong Kong Stock Exchange will have the means to contact all our Directors (including the INEDs) promptly as and when required, including means to communicate with our Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong possess or are able to apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of a compliance adviser, being Guosen Securities (HK) Capital Company Limited (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will serve as an additional channel of communication with the Hong Kong Stock Exchange in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our authorised representatives and Directors who will provide to the Compliance Adviser 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. The Compliance Adviser will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our authorised representatives or directly with our Directors within a reasonable time frame. Our Company will inform the Hong Kong Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

## 2. WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a Member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) 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 "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and roles he or she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Ms Leung of TMF Hong Kong Limited (a global corporate services provider) was appointed as a company secretary on 10 April 2019 and became a joint company secretary of our Company on 23 August 2019. Ms Leung is an associate member of the Hong Kong Institute of Chartered Secretaries 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. She is a manager of the listing services department of TMF Hong Kong Limited. She has over 15 years of experience in the company secretarial field. Ms Leung obtained a bachelor's degree in business and management studies from University of Bradford, the United Kingdom in July 2008 and a master's degree in corporation governance from the Open University of Hong Kong in August 2017. She has been an associate member of The Hong Kong Institute of Chartered Secretaries since December 2017.

Accordingly, while Ms Yin Mengyang ("**Ms Yin**"), another joint company secretary of our Company, does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms Yin may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Ms Leung, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms Yin in the discharge of her duties as a joint company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms Leung ceases to provide assistance to Ms Yin as the joint company secretary for the three-year period after Listing. In addition, Ms Yin 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 Listing Date. Our Company will further ensure that Ms Yin has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange.

Prior to the end of the three-year period, the qualifications and experience of Ms Yin and the need for on-going assistance of Ms Leung will be further evaluated by our Company. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms Yin, having benefited from the assistance of Ms Leung 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 Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

See "Directors and Senior Management" for further information regarding the qualifications of Ms Yin and Ms Leung.

## 3. EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to include in the prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to include in the prospectus a report prepared by our auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of the prospectus.

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

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in the prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

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

Accordingly, we applied to the SFC for, and the SFC has granted, a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following grounds:

(a) our Company is primarily engaged in the research and development, application and commercialisation of biotech products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. Our Company will fulfil the additional conditions for listing applicable to a Chapter 18A company;

(b) the Accountants' Report for the years ended 31 December 2018 and 2019 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) as at the Latest Practicable Date, we had not commercialised any products and therefore did not generate any revenue from product sales. The details of our major activities have been fully disclosed in "Business";

(d) notwithstanding that the financial results set out in this prospectus are only for the two years ended 31 December 2019 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements. Therefore, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome as this would require additional work to be performed by our Company and the Reporting Accountants; and

(e) the Accountants' Report covering the two financial years ended 31 December 2019, together with other disclosure in the Prospectus, has already provided the potential investors with adequate and reasonable up-to-date information in the circumstances to form a view on the track record of the Company; and that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in the Prospectus. Therefore, the exemption would not prejudice the interest of the investing public.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that particulars of the exemption are set out in this prospectus and that this prospectus will be issued on or before 29 June 2020.

## 4. CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver in relation to certain continuing connected transactions between us and our connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Continuing Connected Transactions".

## 5. WAIVER AND CONSENT IN RELATION TO CORNERSTONE INVESTMENT BY AN EXISTING SHAREHOLDER

Poly Platinum is an existing Shareholder and a Pre-IPO Investor of the Company, which will hold approximately 4.76% of the total issued share capital of the Company immediately before the Global Offering. Poly Platinum has entered into a cornerstone investment agreement, as amended by a supplemental agreement, with the Company, pursuant to which Poly Platinum has agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares in the Global Offering. Assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes, immediately following the Capitalisation Issue and the Global Offering (i) taking into account approximately 2.88% of Shares to be issued to Poly Platinum under the Cornerstone Placing based on the mid-point of HK$10.75 of the indicative Offer Price range, it will be interested in approximately 6.69% of our total issued share capital and (ii) in the event that the Offer Price is fixed at HK$9.45 per Offer Share upon the making of a full Downward Offer Price Adjustment, Poly Platinum will hold a maximum of approximately 7.09% in our total issued share capital.

Tasly is a close associate of Hui Shi Dan Kun Ltd, an existing Shareholder of the Company which will hold approximately 3.43% of the total issued share capital of the Company immediately before the Global Offering. Tasly has entered into a cornerstone investment agreement with the Company, pursuant to which Tasly has agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares in the Global Offering. Assuming the Over-allotment Option is not

exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes, immediately following the Capitalisation Issue and the Global Offering (i) in the event that the Offer Price is fixed at the mid-point of HK$10.75 of the indicative Offer Price range, Tasly will hold approximately 1.43% in our total issued share capital; and (ii) in the event that the Offer Price is fixed at HK$9.45 per Offer Share upon the making of a full Downward Offer Price Adjustment, Tasly will hold a maximum of approximately 1.62% in our total issued share capital.

**Waiver from strict compliance with 10.04 of the Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules**

Rule 10.04 of the Listing Rules provides that an existing shareholder of an issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or her own name or through nominees if the conditions in Rule 10.03(1) and (2) are satisfied. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among others, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless certain conditions are fulfilled.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with 10.04 of the Listing Rules and consents under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit Poly Platinum, an existing shareholder, and Tasly, a close associate of Hui Shi Dan Kun Ltd, an existing Shareholder, to participate as cornerstone investors in the Global Offering, subject to the following conditions:

(a) the Company will comply with the public float requirements of Rules 8.08(1) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to Poly Platinum and Tasly in the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month's lock up following the Listing);

(c) no preferential treatment has been, nor will be, given to Poly Platinum or Tasly by virtue of their respective relationships with the Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, that the cornerstone investment agreement, as amended by a supplemental agreement, of Poly Platinum and the cornerstone investment agreement of Tasly do not contain any material terms which are more favorable to each of them than those in other cornerstone investment agreements; and

(d) details of the cornerstone investments by Poly Platinum and Tasly and the respective allocations will be disclosed in the Prospectus and/or the allotment results announcement of the Company.

For further information, including the respective identities and backgrounds of Poly Platinum and Tasly and the terms of their respective cornerstone investments, please see "Cornerstone Investors".

## 1. DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

## 2. GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company or the Relevant Persons.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 3 July 2020 and, in any event, not later than Saturday, 4 July 2020 (unless otherwise determined between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before Saturday, 4 July 2020, the Global Offering will not become unconditional and will lapse immediately.

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

Please refer to "Underwriting" for further information about the Underwriters and the underwriting arrangements.

## 3. PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

## 4. STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

## 5. SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

## 6. APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-Allotment Option), and the Shares to be issued pursuant to the exercise of the options granted or which may be granted under the Share Option Schemes.

Save as disclosed in this prospectus, no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

## 7. OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-Allotment Option and Stabilisation are set out in "Structure of the Global Offering".

## 8. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Hong Kong Stock Exchange are expected to commence on Friday, 10 July 2020. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares will be 6978.

## 9. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## 10. SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

## 11. PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of the Relevant Persons accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding, or disposal of the Shares.

## 12. EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

RMB0.9150 to HK$1;

RMB7.0913 to US$1 ; and

HK$7.7504 to US$1.

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

## 13. TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

## 14. ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

*See "Directors and Senior Management" for further information on our Directors.*

## 1. DIRECTORS

| Name | Residential Address | Nationality |
|---|---|---|
| *Executive Directors* | | |
| Tan Zheng (譚錚) | Room 1801, Unit 2, Floor 18,<br>Building 6 District 3,<br>Wangjing East Park<br>Chaoyang District,<br>Beijing, China | Chinese |
| Wang Yu (王畲) | Room 8, Floor 11, Building 24<br>38 College Avenue<br>Haidian District<br>Beijing, China | Chinese |
| Jung Hyun Chul (鄭鉉哲) | 101-dong, 1211-ho, 106<br>Guuigangbyeon-ro, Gwangjin-gu<br>Seoul, Republic of Korea | Korean |
| *Non-executive Directors* | | |
| Si Xiaobing (司小兵) | No. 29, Youyi North Road,<br>Hexi District,<br>Tianjin, China | Chinese |
| Lu Yuan (陸遠) | Room 12, Floor 4, Unit 1,<br>39 Zhonghua South Road,<br>Tiedong District, Anshan,<br>Liaoning Province, China | Chinese |
| Li Yuezhong (李月中) | Room 1181, 11/F, Block 14<br>Hong Kong Parkview, 88 Tai Tam<br>Reservoir Road, Repulse Bay<br>Hong Kong | Chinese |
| *INEDs* | | |
| Wang Yingdian<br>(王英典) | Room 501, Unit 2, Block 10,<br>Lize 19 Xinjiekouwai Street<br>Haidian District,<br>Beijing, China | Chinese |

| Name | Residential Address | Nationality |
|---|---|---|
| Ng Chi Kit (吳智傑) | Flat A, 11/F, Block 9<br>Beverly Garden, Tseung Kwan O<br>New Territories, Hong Kong | Chinese |
| Peng Sujiu (彭素玖) | Room 501, No. 24, Lane 180<br>Jiuxin Road,<br>Songjiang District<br>Shanghai, China | Chinese |

## 2. PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| **Joint Sponsors** | **CCB International Capital Limited**<br>12/F, CCB Tower<br>3 Connaught Road Central<br>Central, Hong Kong<br><br>**Guosen Securities (HK) Capital Company Limited**<br>Suites 3207-3212, 32/F<br>One Pacific Place<br>88 Queensway, Hong Kong |
| **Joint Global Coordinators** | **CCB International Capital Limited**<br>12/F, CCB Tower<br>3 Connaught Road Central<br>Central, Hong Kong<br><br>**Guosen Securities (HK) Capital Company Limited**<br>Suites 3207-3212, 32/F<br>One Pacific Place<br>88 Queensway, Hong Kong<br><br>**Haitong International Securities Company Limited**<br>22/F, Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Hong Kong |

**Joint Bookrunners**

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

**Guosen Securities (HK) Capital Company Limited**
Suites 3207-3212, 32/F
One Pacific Place
88 Queensway, Hong Kong

**Haitong International Securities Company Limited**
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

*(in alphabetical order as follows)*

**ABCI Capital Limited**
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**BOCOM International Securities Limited**
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

**China Merchants Securities (HK) Co., Limited**
48/F, One Exchange Square
Central, Hong Kong

**CMBC Securities Company Limited**
45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

**Essence International Securities (Hong Kong) Limited**
39/F., One Exchange Square
Central, Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**ICBC International Capital Limited**
37/F, ICBC Tower
3 Garden Road
Hong Kong

**Shenwan Hongyuan Securities (H.K.) Limited**
Level 19
28 Hennessy Road
Hong Kong

**Zhongrong PT Securities Limited**
Room 201A, 2/F, China Building
29 Queen's Road Central
Central, Hong Kong

**Zhongtai International Securities Limited**
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**Joint Lead Managers**

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

**Guosen Securities (HK) Capital Company Limited**
Suites 3207-3212, 32/F
One Pacific Place
88 Queensway, Hong Kong

**Haitong International Securities Company Limited**
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

*(in alphabetical order as follows)*

**ABCI Securities Company Limited**
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**Alpha International Securities (HONG KONG) Limited**
Unit 2301, 23/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

**BOCOM International Securities Limited**
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

**China Merchants Securities (HK) Co., Limited**
48/F, One Exchange Square
Central, Hong Kong

**CMBC Securities Company Limited**
45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

**Essence International Securities (Hong Kong) Limited**
39/F., One Exchange Square
Central, Hong Kong

**Futu Securities International (Hong Kong) Limited**
Unit C1-2, 13/F, United Centre
No.95 Queensway
Hong Kong

**Guotai Junan Securities (Hong Kong) Limited**
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**Huabang Securities Limited**
Unit 3308, 33/F, Enterprise Square Three
39 Wang Chiu Road,
Kowloon Bay, Hong Kong

**ICBC International Securities Limited**
37/F, ICBC Tower
3 Garden Road
Hong Kong

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|---|---|
| | **Joy Rich Securities Investment Limited**<br>Unit 16, 22/F<br>Seapower Tower, Concordia Plaza<br>No.1 Science Museum Rd<br>Kowloon, Hong Kong |
| | **Shenwan Hongyuan Securities (H.K.) Limited**<br>Level 19<br>28 Hennessy Road<br>Hong Kong |
| | **Zhongrong PT Securities Limited**<br>Room 201A, 2/F, China Building<br>29 Queen's Road Central<br>Central, Hong Kong |
| | **Zhongtai International Securities Limited**<br>19/F, Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Hong Kong |
| **Co-lead Manager** | **I Win Securities Limited**<br>Room 1916, Hong Kong Plaza<br>188 Connaught Road West<br>Hong Kong |
| **Legal Advisers to the Company** | *as to Hong Kong law:*<br>**Eric Chow & Co. in Association with Commerce & Finance Law Offices**<br>29th Floor<br>238 Des Voeux Road Central<br>Hong Kong |
| | *as to PRC law:*<br>**Commerce & Finance Law Offices**<br>6/F, NCI Tower<br>A12 Jianguomenwai Avenue<br>Chaoyang District,<br>Beijing<br>China |
| | *as to Cayman Islands law:*<br>**Maples and Calder (Hong Kong) LLP**<br>26th Floor, Central Plaza<br>18 Harbour Road<br>Wanchai<br>Hong Kong |

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|---|---|
| **Legal Advisers to the Joint Sponsors and Underwriters** | *as to Hong Kong law:*<br>**Allen & Overy**<br>9th Floor, Three Exchange Square<br>Central<br>Hong Kong<br><br>*as to PRC law:*<br>**Jingtian & Gongcheng**<br>45th Floor, K. Wah Centre<br>1010 Huai Hai Road (M)<br>Xu Hui District,<br>Shanghai<br>China |
| **Auditors and Reporting Accountants** | **Deloitte Touche Tohmatsu**<br>*Certified Public Accountants*<br>35/F, One Pacific Place<br>88 Queensway<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>1014-1018, Greenland Center Tower B<br>500 Yunjin Road<br>Xuhui District,<br>Shanghai, China |
| **Receiving Banks** | **Bank of China (Hong Kong) Limited**<br>1 Garden Road<br>Hong Kong<br><br>**Industrial and Commercial Bank of China (Asia) Limited**<br>33/F ICBC Tower<br>3 Garden Road<br>Hong Kong |

| | |
|---|---|
| **Registered office** | PO Box 309<br>Ugland House<br>Grand Cayman KY1-1104<br>Cayman Islands |
| **Head office and principal place of business in the PRC** | 8/F, Block 1,<br>Guosheng Technology Park,<br>No.1 Kangding Street,<br>Beijing Economic-technological Development Area,<br>Beijing, the PRC |
| **Principal place of business in Hong Kong** | 31/F, Tower Two, Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Company's website address** | **www.eaal.net**<br>*(The information on the website does not form part of this prospectus)* |
| **Joint company secretaries** | Ms Yin Mengyang<br>8/F, Block 1,<br>Guosheng Technology Park,<br>No.1 Kangding Street,<br>Beijing Economic-technological Development Area,<br>Beijing, the PRC<br><br>Ms Leung Shui Bing *(ACIS; ACS)*<br>31/F, Tower Two, Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Authorised representatives** | Mr Tan Zheng<br>8/F, Block 1,<br>Guosheng Technology Park,<br>No.1 Kangding Street,<br>Beijing Economic-technological Development Area,<br>Beijing, the PRC<br><br>Ms Leung Shui Bing<br>31/F, Tower Two, Times Square<br>1 Matheson Street<br>Causeway Bay<br>Hong Kong |
| **Audit committee** | Mr Ng Chi Kit *(Chairman)*<br>Ms Peng Sujiu<br>Mr Wang Yingdian |

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|---|---|
| **Remuneration committee** | Mr Wang Yingdian *(Chairman)*<br>Ms Peng Sujiu<br>Mr Ng Chi Kit |
| **Nomination committee** | Mr Tan Zheng *(Chairman)*<br>Ms Peng Sujiu<br>Mr Wang Yingdian |
| **Compliance adviser** | Guosen Securities (HK) Capital Company Limited<br>Suites 3207-3212, 32/F<br>One Pacific Place<br>88 Queensway, Hong Kong |
| **Hong Kong Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Principal share registrar and transfer office** | Maples Fund Services (Cayman) Limited<br>P.O. Box 1093, Boundary Hall<br>Cricket Square<br>Grand Cayman, KY1-1102<br>Cayman Islands |
| **Principal banks** | China Construction Bank, Beijing Chegongzhuang Branch<br>Building Five,<br>No. 9 Chegongzhuang Street<br>Xicheng District<br>Beijing, the PRC<br><br>Bank of Communications, Hong Kong Branch<br>16/F, Lee Garden Five<br>18 Hysan Avenue<br>Causeway Bay<br>Hong Kong<br><br>China CITIC Bank, Beijing Jintai International Branch<br>1/F, Jintai International Building<br>No. 11 Grangqu Road<br>Chaoyang District<br>Beijing, the PRC |

*Certain information, including statistics and estimates, set out in this section and elsewhere in this prospectus have been derived from the Frost & Sullivan Report commissioned by us in connection with the Global Offering and independently prepared by Frost & Sullivan. We believe that the sources of such information are appropriate, and we 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 in any material respect. However, neither we nor any of the Relevant Persons have independently verified such information, and neither we nor any other Relevant Persons are giving any representation as to the accuracy or completeness of such information. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set out in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industry, see "Risk Factors — Risks Relating to Our Business and Industry".*

## 1. OVERVIEW OF CANCER IMMUNOTHERAPY

Over the past few years, cancer immunotherapy has revolutionised cancer care. Cancer immunotherapy is designed to stimulate a patient's own immune system to generate or augment an antitumour immune response in order to control or eradicate cancer cells. Due to its ability to provide relatively durable remissions while being generally well-tolerated in certain patients with advanced cancers, the discovery and development of cancer immunotherapy in recent years have marked a milestone in cancer treatment. Major types of cancer immunotherapy include cellular immunotherapy, checkpoint inhibitors, therapeutic cancer vaccines and cytokines, among which, the cellular immunotherapy is the most advanced cancer immunotherapy in terms of the latest biotechnology it utilises.

While there are many types of cancer immunotherapy products, the antitumour effect of most of these products is derived from T cells. Because of the different regulatory environment and the different marketing approval systems for pharmaceutical products in China and in other countries, the most advanced cancer immunotherapy products, being the cellular immunotherapy products, such as Kymriah®, Yescarta® and Immuncell-LC™, have not been approved in the Chinese market. Among them, the indication of Immuncell-LC™ is the same as that of EAL®.

The following table sets forth the major marketed products for each type of cancer immunotherapy products:

| Type | Sub-type | Marketed products | Pharmaceutical companies | Years of commercialisation in China *(note)* |
|---|---|---|---|---|
| Cytokines | IL-2 | Ontak® | Eisai Inc | — |
| | | Proleukin® | Chiron | — |
| | IFN | Multiferon® | Viragen | — |
| | | Pegasys® | Roche | — |
| Cancer vaccines | — | BiovaxID® | Biovest International | — |
| | | Provenge® | Dendreon | — |
| Immune checkpoint inhibitors | PD-1 inhibitors | Keytruda® (可瑞達) | MSD (默沙東) | 1 July 2018 |
| | | Opdivo® (歐狄沃) | BMS (百時美施貴寶) | 1 June 2018 |
| | | Libtayo® | Regeneron Pharmaceuticals | — |
| | | Tyvyt® (達伯舒) | Innovent (信達生物製藥) | 1 December 2018 |
| | PD-L1 inhibitors | Tecentriq® (泰聖奇) | Roche (羅氏) | 1 April 2020 |
| | | Bavencio® | Pfizer/Merck | — |
| | | Imfinzi® (英非凡) | AstraZeneca (阿斯列康) | 1 December 2019 |
| | CTLA-4 inhibitors | Yervoy® | BMS | — |
| Cellular immunotherapy | Genetically modified – CAR-T | Kymriah® | Novartis | — |
| | | Yescarta® | Gilead | — |
| | Non-genetically modified – Activated autologous lymphocytes | Immuncell-LC™ | Green Cross Cell | — |
| Others | Oncolytic viruses | Imlygic® | Amgen | — |
| | | Rigvir® | Sia Latima | — |
| | | Oncorine® (安柯瑞) | Shanghai Sunway Biotech (上海三維) | 1 October 2006 |
| | Immunomodulatory polypeptides | Thymopentin (胸腺五肽) | Zhonghe Pharmaceutical (海南中和藥業) | 1 January 1997 |
| | | Thymosin α-1 (胸腺肽α1) | SciClone Pharmaceuticals (賽生藥業) | 1 March 2003 |

| Type | Sub-type | Marketed products | Pharmaceutical companies | Years of commercialisation in China *(note)* |
|---|---|---|---|---|
| | Traditional Chinese medicine | Kang'ai (康艾) | Changbaishan Pharmaceutical (長白山製藥) | 1 January 2002 |
| | | Ai'di (艾迪) | Yibai Pharmaceutical (益佰製藥) | 1 January 1996 |

*Note:* No dates are disclosed for the products that have not been marketed in China.

According to the Frost & Sullivan Report, in 2018, the size of the global cancer immunotherapy market reached US$20.6 billion. With the sales growth of the market for immune checkpoint inhibitors and the approval of new therapies, the market size is expected to grow to US$75.5 billion in 2023, and US$123.6 billion in 2030.

China's cancer immunotherapy market is estimated to have reached RMB1.9 billion in 2018, and is expected to grow to RMB82.4 billion in 2023 and RMB229.1 billion in 2030. Cancer immunotherapy is expected to become one of major cancer therapies in China market.

## 2. OVERVIEW OF CELLULAR IMMUNOTHERAPY

Cellular immunotherapy, also known as adoptive cell transfer (ACT) therapy, is a type of immunotherapy in which immune cells (mostly are T cells) are given to a patient for the treatment of hematologic cancer and solid tumours. The T cells are usually taken from the patient's own blood or tumour tissues, grown in large numbers in the laboratory, and then infused to the patient to help the immune system kill tumour cells.

As a passive immunotherapy, cellular immunotherapy can be categorised into non-genetically modified and genetically modified cell products. Activated autologous lymphocytes, including Immuncell-LC™ and EAL®, are a type of non-genetically modified cellular immunotherapy which can be used for patients with early-stage malignant tumours to prevent recurrence after receiving surgical treatments. It can also be used with other types of treatment (eg chemotherapy) for patients who cannot receive surgical treatments.

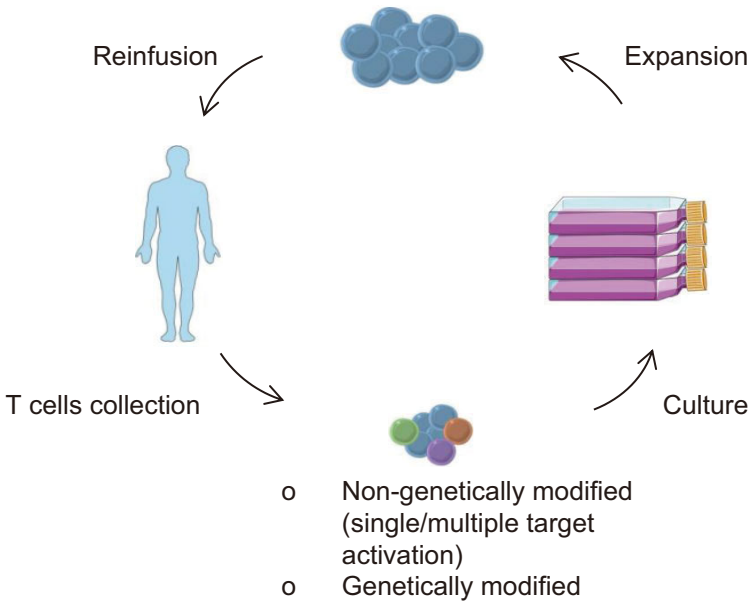
According to the Frost & Sullivan Report, cellular immunotherapy has the following advantages:

- *Specificity:* Cellular immunotherapy activates T cells that target specific tumour antigens. Some activated T cells differentiate into effector cell to kill tumour cells directly or indirectly while some activated T cells can promote the differentiation of B cells into antibody-producing plasma cells.

- *Adaptability:* Tumour cells in each patient will mutate frequently resulting in the mechanism of escape from immune system and targeted therapy. However, the immune system of patients is able to produce a limited number of T cells and B cells aimed at the mutated antigens. These immune cells can be activated and expanded in vitro then infused back to the patients, consequently killing the mutated tumour cells effectively. In cellular immunotherapy, tumour antigens will be released after T cells killing tumour cells, which can activate more T cells and B cells to kill mutated tumour cells.

- *Persistence:* Cellular immunotherapy can stimulate the body's immune memory and prolong the immune system's antitumour response. Some activated immune cells become memory cells which can maintain the specific recognition ability for antigens and clean the lesion cells during subsequent antigen invasions. The persistence of cancer immunotherapy therefore has a significant advantage in preventing tumour recurrence compared with traditional cancer therapies.

The following diagram illustrates the simplified production process of cellular immunotherapy products:



**Comparison of different types of cellular immunotherapy**

The following table sets forth a comparison of different types of cellular immunotherapy:

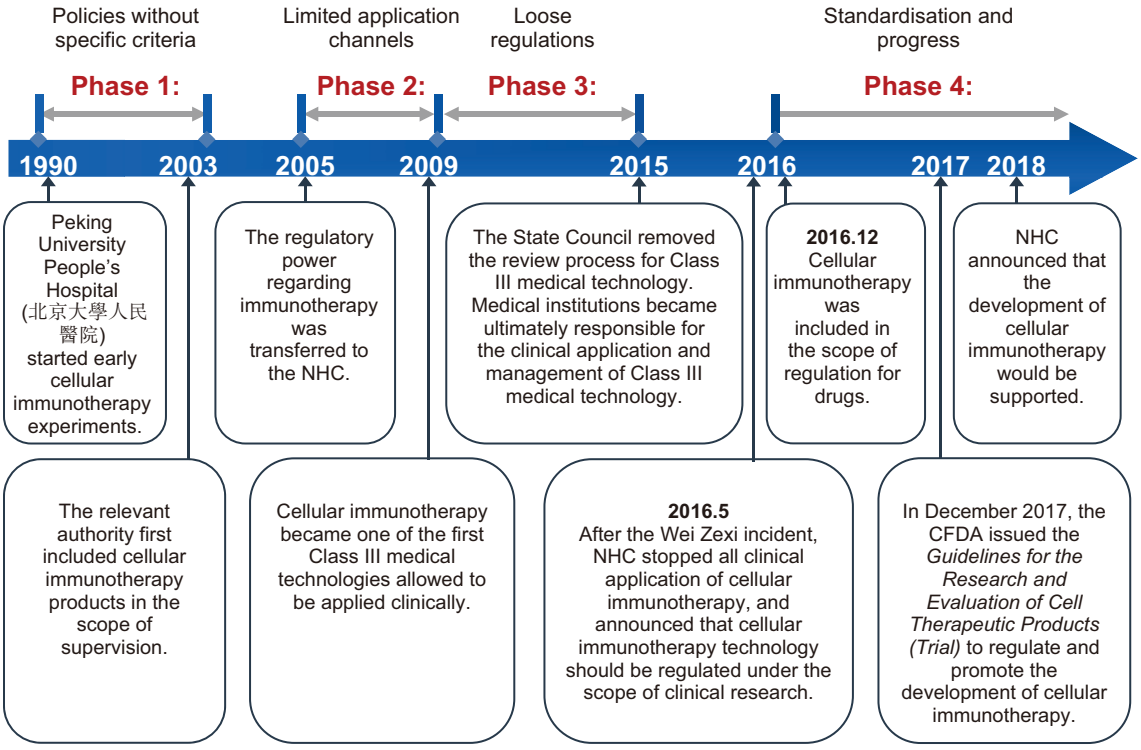
| Type | Category | Cell source | Side effects | Mechanism of action | Clinical control trial effectiveness |
|---|---|---|---|---|---|
| Activated autologous lymphocytes (including EAL®) | Non-genetically modified | PBMCs*(Note)* | Self-limited slight fever<br>Grade 1-2 adverse events | Activation and expansion of T cells from peripheral blood with multiple targets on cancer cells | Reduced approximately 37% of the risk of recurrence of liver cancer after surgery (clinical trial data from Immuncell-LC™) |
| CIK | Non-genetically modified | PBMCs*(Note)* | Chill, fever and general malaise | Activation and expansion T cells | Extend overall survival of patients (data from clinical study reports) |
| TIL | Non-genetically modified | Fresh resected tumour specimen | Albinism-autoimmune disease (in melanoma) | Activation and expansion of T cells from tumour tissues with multiple targets on cancer cells | Advanced malignant melanoma subsided by 70% (data from clinical study reports) |
| CAR-T | Genetically modified | PBMCs*(Note)* | Cytokine release syndrome<br>B-cell aplasia<br>Neurotoxicity | Genetic modification of T cells | Complete remission for B-cell ALL is about 83%<br>Overall response rate for B-cell lymphoma is about 50-73%<br>(data from clinical trials of Yescarta™ and Kymriah®) |
| TCR-T | Genetically modified | PBMCs*(Note)* | Temporary fever, shivering, and nausea<br>Rash dermatitis, vitiligo, uveitis, orchitis | Genetic modification of T cells | Can target a variety of solid tumors. Side effects are less than CAR-T (data from clinical study reports) |

*Note:* PBMCs: Peripheral Blood Mononuclear Cells

## Evolution in regulations of cellular immunotherapy in China

China has approximately 20 years of experience in cellular immunotherapy. Although cellular immunotherapy was invented before 2000, there was a long period with blind spots in regulations of cellular immunotherapy, thus hindering the standardisation and promotion of the related industry. In 2016, the Wei Zexi incident was a typical embodiment of this regulatory oversight and strict policies were subsequently promulgated. According to Frost & Sullivan, with the improvement of regulations after 2016, the cellular immunotherapy industry is well positioned for progressive development.

The following timeline sets forth the evolution in regulations of cancer immunotherapy in China:




## Activated autologous lymphocytes

The underlying technology for activated autologous lymphocytes (AAL) therapy was developed in Japan based on the research conducted by Dr Steven Rosenberg of the National Cancer Institute (NCI) in the United States. The first clinical trial was conducted in Japan and the research data was published in *The Lancet*.

### *Overview of activated autologous lymphocyte products*

After the successful clinical trial of AAL therapy used for liver cancer, Japan's Lymphotec and Korea's Green Cross Cell Corporation worked together to promote the application of this technology. AAL was eventually approved to the market in Korea and Japan in 2014 and 2015, respectively.

In Japan AAL is classified as a Class III regenerative medicine. To conduct and manage AAL therapies, medical institutions need to be approved by the Ministry of Health, Labour, and Welfare ("**MHLW**"). According to Frost & Sullivan, there are approximately 145 Japanese medical institutions approved by the MHLW for using AAL therapies, of which approximately 28 institutions use the products of Lymphotec.

In Korea, AAL therapy-related products are classified as cellular therapy drugs, and Immuncell-LC™ from Green Cross Cell Corporation* is the only approved AAL therapy-related product. Immuncell-LC™ was approved for the treatment of liver cancer in 2014. It is also undergoing clinical trials for other indications such as glioblastoma and pancreatic cancer. Green Cross Cell Corporation is a company listed on KOSDAQ (stock code: 031390). Japan's Lymphotec was acquired by Korea's Green Cross Cell Corporation in 2018.

According to the Frost & Sullivan Report, Green Cross Cell Corporation's market value reached US$549.0 million as at the end of 2018, and its revenue for 2018 was US$27.0 million.

***Efficacy in randomised controlled clinical trials***

The preparation of EAL® and other AAL products has been based on the principles first reported by Sekine et al in 1993[1]. Following positive results from randomised controlled clinical trials on the use of similar activated T cell products in the prevention of postsurgical recurrence of liver cancer in Japan, such products have been granted approval from the Japanese government for clinical application as a form of medical technology.

In 2007, the Korea Food and Drug Administration granted approval for Immuncell-LC™ which applied similar principles to initiate Phase III clinical trials on the prevention of postsurgical recurrence of liver cancer. On the basis of the clear positive results, Immuncell-LC™ was granted marketing approval in Korea in 2014. Phase III clinical trials on glioblastoma have been completed and good clinical results have been obtained.

In 2006, Immunotech commenced research into EAL® and the clinical application of EAL® under the regime of medical technology. In August 2015, Immunotech submitted the IND application for EAL®, eight months before the inclusion of cellular

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* To the best of our Directors' knowledge, Mr Jung's brother, Mr Jung Hyun Jin, was a minority shareholder of Innocell Corporation (the name formerly used by Green Cross Cell Corporation) and was Innocell Corporation's CEO from 2005 to 2012, and as of the Latest Practicable Date, Mr Jung Hyun Jin was not a shareholder of or hold any position in Green Cross Cell Corporation. Based on confirmation by Mr Jung Hyun Jin and after having conducted due and careful enquiries, we are not aware of any non-compliant incidents, liabilities, claims, litigations or legal proceedings (whether actual or threatened), any investigation which have involved or might involve Mr Jung Hyun Jin or his associates.

1 Sekine T, Shiraiwa H, Yamazaki T, Tobisu K, Kakizoe T. A feasible method for expansion of peripheral blood lymphocytes by culture with immobilised anti-CD3 monoclonal antibody and interleukin-2 for use in adoptive immunotherapy of cancer patients. *Biomedicine & Pharmacotherapy* 1993; 47: 73–78.

immunotherapy in the regulatory framework of drugs, and Immunotech's application was accepted by the CDE. In October 2017, Immunotech received the IND approval, and enrolled the first patient for the clinical trial in September 2018.

In 2018, Immuncell-LC™ was designated by the US FDA as an orphan drug in its clinical trials for the treatment of liver cancer, glioblastoma, and pancreatic cancer.

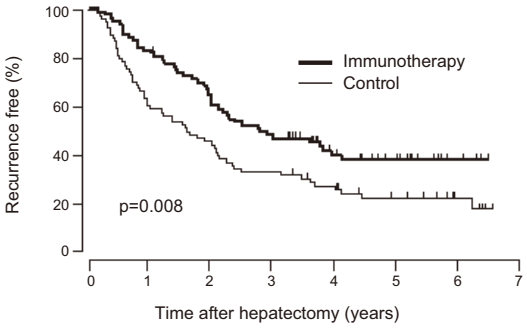
*Clinical results in Japan*

In 2000, Takayama et al[2] reported in *The Lancet* a randomised controlled clinical trial by the National Cancer Centre of the University of Tokyo in respect of the use of adoptive immunotherapy to lower the frequency of recurrence and prolong time to first recurrence and recurrence-free survival in patients who had undergone radical resection for hepatocellular carcinoma.

In the clinical trial, a total of 150 patients who each underwent radical resection for hepatocellular carcinoma were enrolled between 1992 and 1995, consisting of 76 patients in the immunotherapy-treated group and 74 patients in the control group. Patients in the immunotherapy-treated group received an average of five sessions of immunotherapy within six months after the surgery. During the follow-up period (between 0.2 and 6.7 years, with a median of 4.4 years), the two-year and five-year recurrence rates in the immunotherapy-treated group were 33% and 59% respectively, while those in the control group were 54% and 77% respectively. The recurrence-free survival in the immunotherapy-treated group was significantly longer than that in the control group. The risk of recurrence was decreased by 41%. A total of 62 events of adverse reactions occurred in 45 patients, all of which were at grade I or II and were self-limiting. No patient was found with any abnormality in the lungs or kidneys, any sign of infections, any decline in liver functions, or any autoimmune disorder.

[2] Takayama T, Sekine T, Makuuchi M, Yamasaki S, Kosuge T, Yamamoto J et al. Adoptive immunotherapy to lower postsurgical recurrence rates of hepatocellular carcinoma: a randomised trial. *The Lancet* 2000; 356(9232): 802–807.

The following charts illustrate the recurrence-free survival as reported in the study in Japan:




*Source:* Takayama T, Sekine T, Makuuchi M, Yamasaki S, Kosuge T, Yamamoto J et al. Adoptive immunotherapy to lower postsurgical recurrence rates of hepatocellular carcinoma: a randomised trial. *The Lancet* 2000; 356(9232): 802–807.

*Clinical results in Korea*

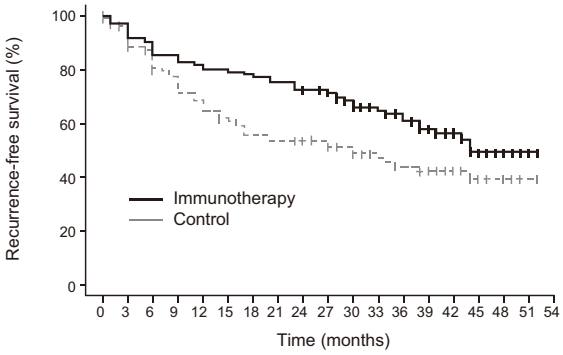
In 2007, the Korea Food & Drug Administration approved the use of Immuncell-LC™ in the Phrase III clinical trials on the prevention of recurrence of liver cancer. Lee et al[3] reported the results of the multicentre, randomised, open-label Phase III clinical trial which investigated whether adjuvant immunotherapy with activated autologous lymphocytes prolonged recurrence-free survival of patients after radical therapy for hepatocellular carcinoma.

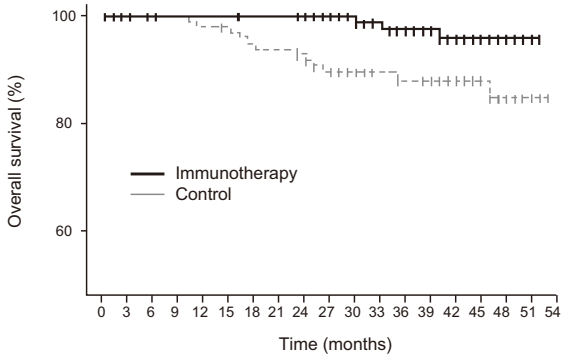
A total of 230 patients were enrolled between July 2008 and December 2012, and 226 patients were included in the efficacy analysis. The median value of recurrence-free survival (RFS) in the immunotherapy-treated group (114 patients) was 44.0 months, while that in the control group (112 patients) was 30.0 months, and the risk of tumour recurrence or death in the immunotherapy-treated group was 37% lower than that in the control group.

The immunotherapy reduced the risk of intrahepatic recurrence, intrahepatic distal recurrence, and extrahepatic recurrence. The overall survival (OS) and cancer-specific survival (CSS) in the immunotherapy-treated group were both longer than those in the control group. Of the 230 patients who were evaluated for the safety of the immunotherapy, a total of 118 patients (51%) with adverse events were reported in the two groups. The mild to moderate adverse reaction rate in the immunotherapy-treated group was higher than that in the control group, and there was no difference between the two groups in respect of the serious adverse reaction rate. In the immunotherapy-treated group, there were 19 patients (17%) with drug-related adverse reactions, including fever, chills, muscle pain, and fatigue, but there was no patient for which the immunotherapy was delayed or discontinued by reason of those adverse reactions.

[3] Lee J, Lee J, Lim Y, Yeon J, Song T, Yu S et al. Adjuvant Immunotherapy With Autologous Cytokine-Induced Killer Cells for Hepatocellular Carcinoma. *Gastroenterology* 2015; 148(7): 13831391.

The following charts illustrate the overall survival and recurrence-free survival as reported in the study in Korea:




*Source: Lee J, Lee J, Lim Y, Yeon J, Song T, Yu S et al. Adjuvant Immunotherapy With Autologous Cytokine-Induced Killer Cells for Hepatocellular Carcinoma. Gastroenterology 2015; 148(7): 1383–1391.*

The following table sets forth the clinical trial data of the only marketed AAL product, Immuncell-LC™:

| | |
|---|---|
| **Product Name** | Immuncell-LC™ |
| **Manufacturer** | Green Cross Cell Corporation |
| **Clinical Trial Name** | IIC-I01 |
| **Indication** | Hepatocellular Carcinoma |
| **Trial Size** | 230 |
| **ALL Products Treated Patients** | 114 |
| **Clinical Trial Registration Number** | NCT00699816 |
| **Jurisdiction of Commercialisation** | Korea (approved to the market in 2014) |
| **Price Per Regimen**[1] | USD80,000 |
| **Clinical Results** | |
| **Baseline Demographics and Disease Characteristics** | |
| Tumour Number | |
| ≥3 | 2 |
| <3 | 112 |
| Tumour Size, cm | |
| Median | 1.8 |
| Treatment Modality | |
| Percutaneous Ethanol Injection | 13 |
| Radiofrequency Ablation | 69 |
| Surgical Resection | 32 |

**Efficacy and Safety**

| | |
|---|---|
| Recurrence-free Survival Rate[2] | |
| 12 months | 79.9% |
| 24 months | 72.5% |
| 36 months | 60.9% |
| 48 months | 49.6% |
| Recurrence-free Survival (month)[3] | |
| Median | 44.0 |
| Overall Survival Rate[4] | |
| 12 months | 100.0% |
| 24 months | 100.0% |
| 36 months | 97.5% |
| 48 months | 95.9% |
| All adverse events[5] | |
| Any Grade | 62.0% |
| Serious Adverse Events[6] | 7.8% |

*Source: the Frost & Sullivan Report*

*Notes:*

(1) Each regimen includes 16 infusions (USD5,000 per infusion).

(2) Recurrence-free survival rate equals the number of recurrence-free survival patients divided by the total number of patients in the sample.

(3) Recurrence-free survival (month) means the period of patient not having had recurrence.

(4) Overall survival rate equals the number of overall survival patients divided by the total number of patients in the sample.

(5) Adverse event means any undesirable experience associated with the use of a medical product in a patient.

(6) Serious Adverse event means any adverse drug event (experience) occurring at any dose that in the opinion of either the investigator or sponsor results in any of the following outcomes: death, life-threatening adverse drug experience, inpatient hospitalisation or prolongation of existing hospitalisation (for more than 24 hours), etc.

*Comparison of efficacy and safety data between the marketed AAL product and EAL®*

The following table sets forth the efficacy and safety data for the only marketed AAL product, Immuncell-LC™, compared to that of EAL® based on our pre-clinical study and clinical trial:

**Efficacy**

| | Immuncell-LC ™ | Control Group | Difference | EAL® | Control Group | Difference |
|---|---|---|---|---|---|---|
| Sample Size (number of patients) | 114 | 112 | | 48 | 52 | |
| **Recurrence-free survival rate**[1] | | | | | | |
| 12 months | 79.9% | 65.1% | **14.8%** | 84.16% | 57.60% | **26.56%** |
| 24 months | 72.5% | 53.8% | **18.7%** | – | – | **–** |
| 36 months | 60.9% | 44.3% | **16.6%** | – | – | **–** |
| 48 months | 49.6% | 39.6% | **10.0%** | – | – | **–** |
| **Recurrence-free survival (month)**[2] | | | | | | |
| Median | 44.0 | 30.0 | **14** | – | – | **–** |
| **Overall survival rate**[3] | | | | | | |
| 12 months | 100.0% | 98.0% | **2.0%** | 100% | 100% | **0** |
| 24 months | 100.0% | 91.8% | **8.2%** | – | – | **–** |
| 36 months | 97.5% | 88.1% | **9.4%** | – | – | **–** |
| 48 months | 95.9% | 84.8% | **11.1%** | – | – | **–** |

**Safety**

| | Immuncell-LC ™ | Control Group | Difference | EAL® | Control Group | Difference |
|---|---|---|---|---|---|---|
| Sample Size (number of patients) | 115 | 115 | | 48 | 54 | |
| **All adverse events**[4] | | | | | | |
| Any grade | 62% | 41% | **21.0%** | 66.67% | 59.26% | **7.41%** |
| Serious Adverse Events[5] | 7.8% | 3.5% | **4.3%** | 2.08% | 11.11% | **9.03%** |

*Source: the Frost & Sullivan Report and the data of the Group*

*Notes:*

(1) Recurrence-free survival rate equals the number of recurrence-free survival patients divided by the total number of patients in the sample.

(2) Recurrence-free survival (month) means the period of patient not having had recurrence.

(3) Overall survival rate equals the number of overall survival patients divided by the total number of patients in the sample.

(4) Adverse event means any undesirable experience associated with the use of a medical product in a patient.

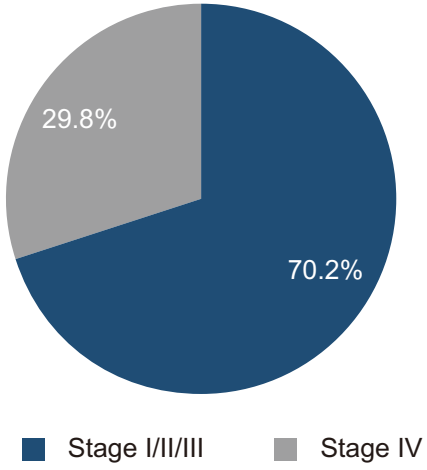
(5) Serious Adverse event means any adverse drug event (experience) occurring at any dose that in the opinion of either the investigator or sponsor results in any of the following outcomes: death, life-threatening adverse drug experience, inpatient hospitalisation or prolongation of existing hospitalisation (for more than 24 hours), etc.

(6) The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018. Thus, the data of recurrence-free survival rate, recurrence-free survival (month) and overall survival rate for 24 months, 36 months and 48 months are not available as at the Latest Practicable Date.

According to Frost & Sullivan, the R&D capabilities of the Group are in line with competitive or comparable players in the market, such as Hrain Biotech (上海恒潤達生生物科技有限公司), Carsgen Therapeutics (科濟製藥), Legend Biotech (傳奇生物), etc. with respect to the development of cellular immunotherapy and EAL® as a biotech product. R&D capabilities are highly dependent on the size of R&D team. By comparing the size of R&D teams between the Group, Hrain Biotech (上海恒潤達生生物科技有限公司), Carsgen Therapeutics (科濟製藥), Legend Biotech (傳奇生物), the R&D capabilities of the Group are in line with them.

EAL® product targets at HCC patients who can receive the liver resection. These patients are at Stage I/II/III, accounting for 70.2% of total HCC patients. Therefore, the addressable HCC patients for EAL® is considered to be 70.2% of the total HCC patients in the Chinese market.

**EAL Product Addressable HCC Patients — Stage I/II/III HCC Patients**

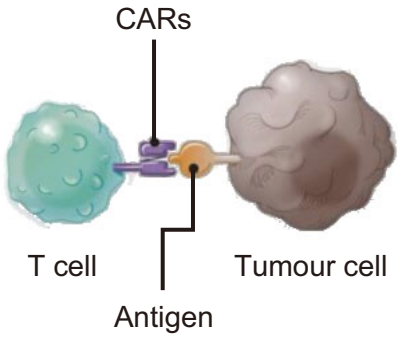



**CAR-T cells**

Chimeric antigen receptor T cells (CAR-T) are T cells that have been genetically modified to produce an artificial antigen receptor, which gives T cells the new ability to target a specific protein.

The genetically modified T cells have receptors on their surface called chimeric antigen receptor (CARs). The CARs can combine with antigens on the tumour cell surface to trigger the intracellular signalling to active T cells, resulting in the elimination of tumour cells.

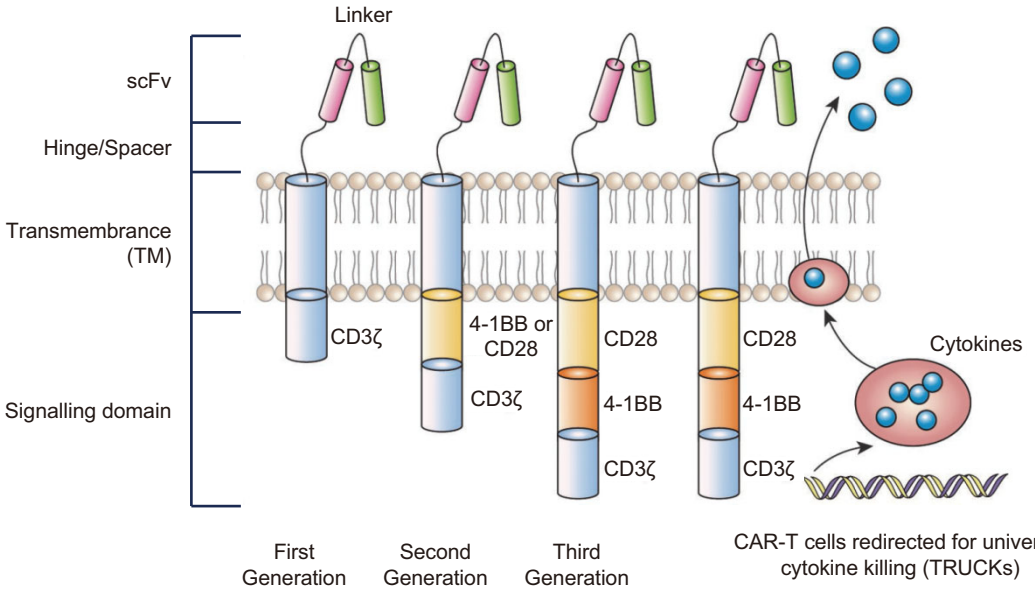
The following diagram illustrates the mechanism of action of CAR-T cells:




CARs' extracellular domain consists of the scFv (single chain variable fragment) from a monoclonal antibody, which recognises a tumour-associated antigen (TAA). Various hinges and TM domains are used to link the recognition domain with the intracellular signalling molecules.

While first-generation CARs signalled through the CD3 chain only, second-generation CARs further include a signalling domain from a co-stimulatory molecule. Third generation CARs incorporate two co-stimulatory signalling domains in tandem with the CD3ζ chain. Some of the further modified CAR-T cells such as TRUCK (CAR-T cells redirected for universal cytokine killing) cells can secrete proinflammatory cytokines to activate an innate immune response against the tumour.

The following diagram illustrates the schematic representation of the CAR structure:




*Source: Androulla M N, Lefkothea P C. CAR T-cell therapy: a new era in cancer immunotherapy. Current pharmaceutical biotechnology, 2018, 19(1): 5-18; Frost & Sullivan Analysis.*

***Efficacy and safety of CAR-T cell products***

CAR-T cell therapy has significant efficacy in leukaemia and non-Hodgkin lymphoma. The major limitations of CAR-T cell therapy include higher post-treatment recurrence rate and limited efficacy in the treatment of solid tumours. As at the Latest Practicable Date, CAR-T cell products for treating solid tumours are still under exploration.

The following table sets forth the efficacy and safety data for two selected CAR-T products:

| | Efficacy | | Safety | | |
|---|---|---|---|---|---|
| **Indication** | **ORR** | **CR** | **Cytokine Release Syndrome** | **Neurological Toxicity** | **Serious Infections** |
| Kymriah® | | | | | |
| DLBCL (JULIET Trial) | 50% (34/68) | 32% (22/68) | 74% (3 deaths) | 58% | 55% (1 death) |
| ALL (ELIANA Trial) | 81% (61/75) | 60% (61/75) | 77% (5 deaths) | 72% | 55% (2 deaths) |
| Yescarta™ | | | | | |
| DLBCL (ZUMA-1) | 72% (73/101) | 51% (52/101) | 94% (4 deaths) | 87% | 38% |

*Source: the Frost & Sullivan Report.*

Kymriah® is the only CAR-T marketed product of which the indication is the same as that of CAR-T-19. The following table sets forth the efficacy, safety and market value data for Kymriah® compared to that of CAR-T-19:

| Product (candidate) | Target | Indication | Efficacy | Safety | Market Value | Target Market(s) |
|---|---|---|---|---|---|---|
| CAR-T-19 | CD19 | R/R B-cell ALL | 12-month Overall Survival Rate: >80% | Cytokine Release Syndrome: 76.5% | Not available since it has not been marketed | To be marketed in China |
| Kymriah® | CD19 | R/R B-cell ALL | 12-month Overall Survival Rate: 76% | Cytokine Release Syndrome: 77% | 2019 Global Sales[1]: USD278 million | U.S., Canada, Japan, etc.[2] |

*Source: the Frost & Sullivan Report and the data of the Group*

*Note:*

(1) The global sales of Kymriah® in 2017 and 2018 was US$6 million and US$76 million, respectively.

(2) Kymriah® has not been marketed in China.

(3) The cost of lentiviral vectors in producing CAR-T cell products accounts for around one-third of the total production cost. The lentiviral vectors for Kymriah® is bought from its suppliers. We constructed the lentiviral vectors for CAR-T-19 product candidate ourselves, which reduced our cost in production of CAR-T-19 product candidate.

**Growth drivers of cellular immunotherapy in China**

Early diagnosis, early treatment, and prevention of recurrence are key to extending cancer patients' survival prospect. At present, there exists a market gap for effective immunotherapy products with reduced side effects used for prevention of the recurrence of early-stage cancer. Therefore, we believe that AAL products, if approved, will become one of the key cancer immunotherapy products in China for the prevention of the recurrence of tumours. The lack of availability of similar products in China is expected to drive the R&D efforts in the expansion of clinical indications.

According to Frost & Sullivan, the following are the growth drivers of cellular immunotherapy in China:

- *Enlarging patient pool with cancers:* The increasing cancer incidences, especially treatment-naïve, early-stage patients, will drive the development of cellular immunotherapy in China. New cases of cancer patients have been increasing stably, reaching 4,285,000 in 2018 in total. However, the treatment options are still limited for the enlarging patient pool. Cellular immunotherapy, which is able to address unmet clinical needs with superior efficacy and less severe side effects, will represent significant market opportunity in the China market. In addition, with the implementation of early screening and diagnosis of cancer, more patients at early stage can be diagnosed to receive treatments in time.

- *Improving affordability:* The disposable income of Chinese residents has seen fast growth in the past 5 years, increasing from RMB20,167 in 2014 to RMB28,228 in 2018. It is expected to further increase in the future, which will enhance the patients' willingness and ability to pay. In addition, the National Reimbursement Drug List ("**NRDL**") has adopted price negotiation and implemented two turns, incorporating more than 30 anti-cancer drugs, which shows the opportunity for cellular immunotherapy to be included in the NRDL in the future.

- *Favourable policy:* The NMPA has published the guidelines for cell therapy clinical trials and promulgated favourable policies in July 2018 including the encouragement of innovative drugs approval and review and the implied approval system for INDs. Implied approval system refers to a mechanism in which if a negative or doubtful opinion is not received from the CDE within 60 days since the submission of the IND application, the applicant may start to conduct the clinical trials in accordance with its submitted clinical trial plan. As a result, by April 2020, there were 17 cell therapy products under the implied approvals. Among them, nine cell therapy products have started the

clinical trials. EAL® is not included in the implied approval list because it has been approved for the clinical trial in October 2017 before the implied approval system became effective. The following table sets forth further details of 17 cell therapy products under the implied approvals. The nine cell therapy products from (1) to (9) set forth below have started the clinical trials.

| | Pharmaceutical companies | Product candidates | Target | IND Approval Date | Indication | Current Stage of Clinical Trial |
|---|---|---|---|---|---|---|
| (1) | Carsgen Therapeutics (上海科濟製藥有限公司) | CAR-T | GPC3 | 28 January 2019 | HCC | Phase I |
| (2) | Carsgen Therapeutics (上海科濟製藥有限公司) | CAR-T | CD19 | 1 March 2019 | R/R B-cell NHL | Phase II |
| (3) | Carsgen Therapeutics (上海科濟製藥有限公司) | CAR-T | BCMA | 1 March 2019 | R/R MM | Phase I |
| (4) | Hrain Biotech (上海恒潤達生生物科技有限公司) | CAR-T | BCMA | 6 December 2018 | R/R MM | Phase I |
| (5) | Shanghai Cell Therapy (上海細胞治療集團有限公司) | CAR-T | CD19 | 11 April 2019 | R/R B-cell NHL | Phase I |
| (6) | Huadao CAR-T (華道(上海)生物醫藥有限公司) | CAR-T | CD19 | 29 October 2019 | R/R B-cell ALL<br>R/R B-cell NHL | Phase I |
| (7) | Precision Biotech (重慶精準生物技術有限公司) | CAR-T | CD19 | 12 February 2019 | R/R B-cell ALL<br>R/R B-cell NHL | Phase I |
| (8) | Juventas Biotech (合源生物科技(天津)有限公司) | CAR-T | CD19 | 29 November 2019 | R/R B-cell ALL<br>R/R B-cell NHL | Phase I |
| (9) | IASO Biotherapeutics (南京馴鹿醫療技術有限公司) | CAR-T | BCMA | 10 September 2019 | R/R MM | Phase I |
| (10) | Bio-Raid Biotechnology (武漢波睿達生物科技有限公司) | CAR-T | CD30 | 21 April 2020 | | unstarted |
| (11) | Gracell Biotechnologies (亙喜生物科技有限公司) | CAR-T | CD19 | 2 April 2020 | | unstarted |
| (12) | Pregene Biotechnology (深圳普瑞金生物藥業有限公司) | CAR-T | BCMA | 17 March 2020 | | unstarted |

| | Pharmaceutical companies | Product candidates | Target | IND Approval Date | Indication | Current Stage of Clinical Trial |
|---|---|---|---|---|---|---|
| (13) | Novartis (諾華) | CAR-T | CD19 | 30 October 2019 | | unstarted |
| (14) | SiDanSai Biotechnology (上海斯丹賽生物技術有限公司) | CAR-T | CD19 | 22 February 2019 | | unstarted |
| (15) | Immunochina Pharmaceuticals (北京藝妙醫療科技有限公司) | CAR-T | CD19 | 21 April 2020 | | unstarted |
| (16) | PersonGen BioTherapeutics (博生吉安科細胞技術有限公司) | CAR-T | CD19 | 6 December 2019 | | unstarted |
| (17) | XiangXue Life Sciences (廣東香雪精準醫療技術有限公司) | TCR-T | HLA/NY-ESO-1 | 19 March 2019 | | unstarted |

- *Increasing capital investment:* In China, the capital investment on pharmaceutical market increase from USD1.0 billion in 2014 to USD4.8 billion in 2018, representing a CAGR of 48.0%. The tremendous increasing capital investment significantly stimulates the development of the pharmaceutical market. A large number of investors believe in the prospect in cellular immunotherapies for cancer treatment, especially the potential capacity to significantly increase cancer patients' overall survival. More capital comes into cellular immunotherapy R&D, significantly promoting the progress of cellular immunotherapy development in China.

- *Emerging personalised combination immunotherapies:* Some patients respond better to drugs than do others. Moreover, tumours can become resistant to drugs over time. These limitations have pushed immunotherapy research towards the use of several drugs in combination.

**Future trends of cellular immunotherapy in China**

According to Frost & Sullivan, market players in China are expected to explore more indications especially for solid tumours for cellular immunotherapy, and the potential of cellular immunotherapy to be used in combination with other therapies. Research into cellular immunotherapy is expected to be further diversified. Eventually it is hoped that cancer will become a form of chronic disease with the emergence of advanced treatments in the future, and the survival prospect of cancer patients will be improved.

In addition, the following are the future trends of cellular immunotherapy in China:

- *Development of cellular immunotherapy technology for the treatment of solid tumours:* The success of CAR-T cell therapy in the treatment of leukaemia has attracted attention to the development of cellular immunotherapy for the treatment of solid tumours. This is expected to attract more R&D investment globally.

- *Combination therapy:* Studies have shown that the combination of immunotherapy and other therapies can lead to better clinical results compared to therapies adopting a single drug. This is expected to stimulate investment in the development of combination therapy involving cellular immunotherapy.

- *Diversification of technology:* With the development of immunotherapy, emerging cellular immunotherapy products are expected focus on different indications, tumour stages, and tumour molecular types in the future. These diverse technologies will become an important part of comprehensive treatments of cancer.

**Competitive landscape of cellular immunotherapy in China**

In China, as of April 2020, there were 15 cellular immunotherapy products under clinical trials. Among them, 13 products were used in for the treatment of haematologic cancer and only two products were studied for the treatment of solid tumour, which are EAL® and Carsgen Therapeutics (科濟製藥) as listed below. Carsgen Therapeutics (科濟製藥) is not considered as an alternative product or substitute of EAL® because it targets the different groups of patients (late stage HCC patients who are not eligible for liver resection) from EAL® (early stage HCC patients who have conducted liver resection). There were currently no marketed cellular immunotherapy products in China.

EAL® from Immunotech is the first cellular immunotherapy product that started the clinical trial for solid tumour, targeting liver cancer as the indication. As one of the AAL therapy, EAL® is expected to be used for the treatment after the liver resection to prevent recurrence, offering a potential treatment option for the unmet clinical need. Effectively preventing early stage liver cancer patients from recurrence has significant unmet clinical needs and market in the future because more patients can be diagnosed at an early stage.

The following table summarises the cellular immunotherapy products submitted for NDA or undergoing clinical trials in China as at the Latest Practicable Date:

| Product | Type | Target | Clinical status | Indication |
|---|---|---|---|---|
| EAL® *(note)* | AAL | Multiple | Phase II | HCC |
| Carsgen Therapeutics (科濟製藥) | CAR-T | GPC3 | Phase I | HCC |
| Kite and Fosun Pharma (復星凱特) | CAR-T | CD19 | NDA | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Legend Biotech (傳奇生物) | CAR-T | BCMA | Phase II | Relapsed/refractory multiple myeloma |
| Wuxi Juno Biotech (藥明巨諾生物) | CAR-T | CD19 | Phase II | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Carsgen Therapeutics (科濟製藥) | CAR-T | CD19 | Phase II | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Hrain Biotech (恒潤達生生物) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell acute lymphoblastic leukemia<br>Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Galaxy Biomedical (銀河生物) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Carsgen Therapeutics (科濟製藥) | CAR-T | BCMA | Phase I | Relapsed/refractory multiple myeloma |
| Hrain Biotech (恒潤達生生物) | CAR-T | BCMA | Phase I | Relapsed/refractory multiple myeloma |
| Shanghai Cell Therapy (上海細胞治療) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Precision Biotech (精準生物) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell acute lymphoblastic leukemia |
| Huadao CAR-T (華道生物) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| Juventas Biotech (合源生物) | CAR-T | CD19 | Phase I | Relapsed/refractory B-cell non-Hodgkin's lymphoma |
| IASO Biotherapeutics/ Innovent Biologics (馴鹿醫療／信達生物) | CAR-T | BCMA | Phase I | Relapsed/refractory multiple myeloma |

*Source: the Frost & Sullivan Report.*

*Note:* According to the Frost & Sullivan Report, EAL® is the first cellular immunotherapy product granted IND approval in China.

As shown in the above table, 14 out of 15 cellular immunotherapy products in China undergoing clinical trials are CAR-T cell products and the other one is an AAL product. Current market players in China are focusing on developing CAR-T cell products since there are already mature and successful CAR-T cell products on the market such as Kymriah® and Yescarta® which have been approved by the FDA and well acknowledged in the U.S. market. Although CAR-T cell products have shown efficacy for otherwise untreatable B-cell leukaemia and B-cell lymploma and for late-stage cancer, such products have limited efficacy in the treatment of solid tumours. On the other hand, AAL therapy has shown efficacy for preventing the recurrence of early-stage liver cancer, and can be used together with other forms of therapies. Immunotech's significant research progress in the development and clinical trial of EAL® may become an entry barrier for potential new market entrants in the PRC. Generally speaking, five years of pre-clinical studies and clinical trials are required before an AAL product candidate may advance to Phase III clinical trial.

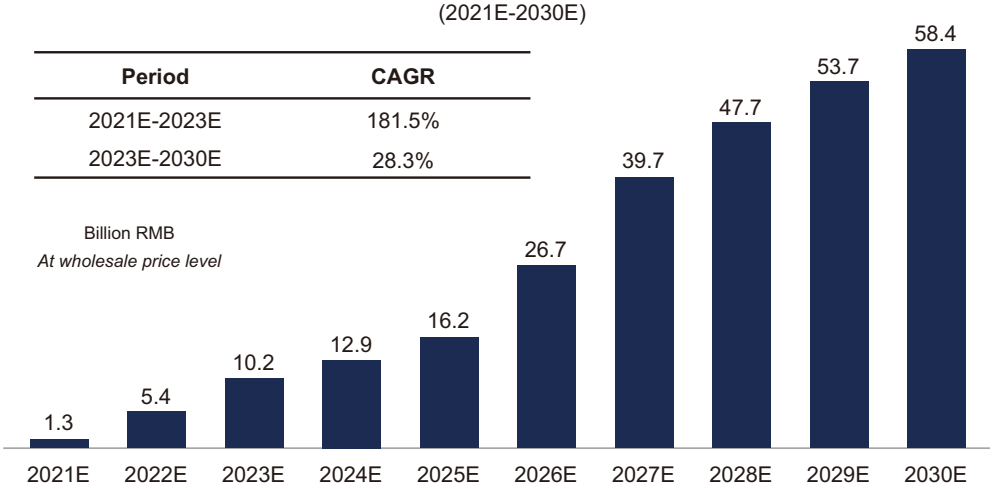
**Market size of cellular immunotherapy in China**

According to the Frost & Sullivan Report, the size of China's cellular immunotherapy products market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%, which is based on the assumption that the first cellular immunotherapy product is expected to be marketed in 2021, following CAR-T products being expected to be approved by the NMPA to be marketed in China around 2023. With more cellular immunotherapy products being approved, the market is forecasted to reach RMB58.4 billion in 2030, with a CAGR of 28.3% from 2023 to 2030. The market is expected to form in 2021, which will result in a higher CAGR in the early years and a lower CAGR in the following years because when a new technology enters into the market, its demand is expected to grow rapidly in the early years and will become stable in the following years. In addition, growth rate typically flattens over longer period. The period for calculating the CAGR of 28.3% from 2023 to 2030 is eight years, which is longer than the period for calculating the CAGR of 181.5% from 2021 to 2023.

**Forecasted market size of China's cellular immunotherapy products market**

(2021E-2030E)

| Period | CAGR |
|---|---|
| 2021E-2023E | 181.5% |
| 2023E-2030E | 28.3% |




*Source: the Frost & Sullivan Report.*

*Note:*

(1) This diagram illustrated the forecasted data of China's cellular immunotherapy products market which will consist of the cellular immunotherapy products to be approved by the NMPA and to be marketed in China.

(2) This diagram does not include the historical data during the Dual Track System (from December 2006 to May 2016) when the cellular immunotherapy was applied as a medical technology because (i) the data during that period are not publicly available; and (ii) any such data would not be meaningful or comparable to China's cellular immunotherapy products market in the future as the then market was formed by the market players adopting divergent quality standards under which the cellular immunotherapy was applied as a medical technology.

## 3. LIVER CANCER

Liver cancer is the growth and spread of malignant cells in the liver. The number of patients newly diagnosed with liver cancer in China increased from 360,100 in 2014 to 400,200 in 2018 at a CAGR of 2.7%, and is expected to reach 526,000 in 2030.

There are two major types of liver cancer, namely metastatic liver cancer and primary liver cancer. Hepatocellular carcinoma (HCC) is the most common type of primary liver cancer in adults, accounting for 90% of patients with liver cancer. HCC is also the most common cause of death in people with cirrhosis.

The stages of HCC are defined by a number of factors including the diameter and number of tumours, vascular invasion, and extra-hepatic metastasis, which lead to the choice of cancer therapy. The number of available drugs for liver cancer patients is currently limited. The most recommended drugs, such as Sorafenib and FOLFOX4, have been marketed for over ten years with late-stage liver cancer as the clinical indication.

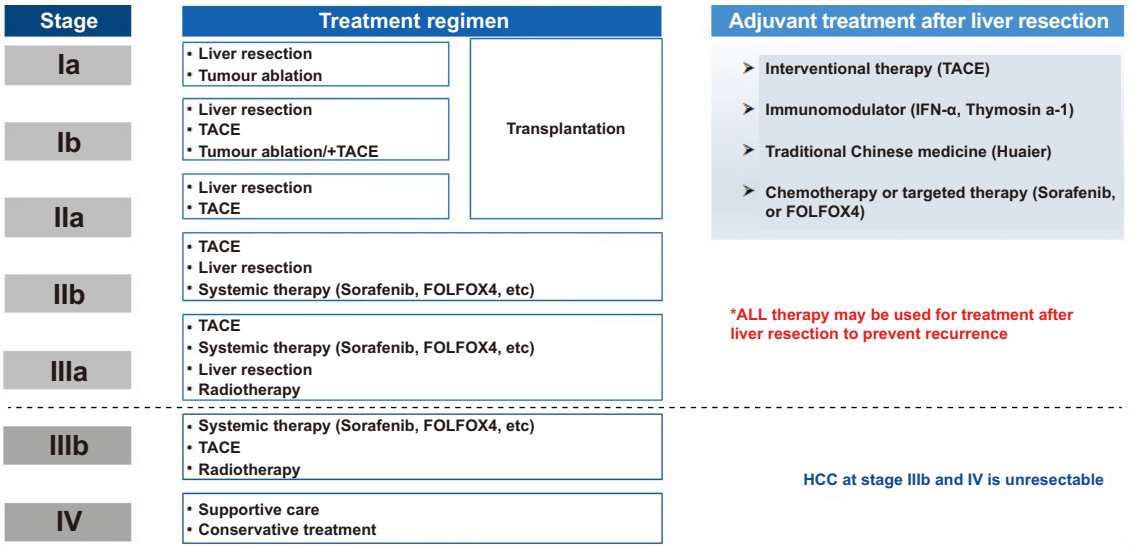
According to Frost & Sullivan, liver cancer at early stage has about 60.0% of 5-year survival rate, which is significantly higher than that with late stage liver cancer (3%). However, 60-70% of early stage liver cancer patients may have recurrence within 5 years. The recurrence can occur within 2 months after liver resection while most recurrence occurs between 1-2 years. Therefore, it is important to increase the early stage diagnosis rate of liver cancer and receive therapies after liver resection to prevent recurrence.

Decreasing the recurrence rate after resection is critical for the improvement of overall liver cancer treatment of early stage patients. Although transarterial chemoembolisation (TACE), IFN, radiotherapy, targeted therapy, and traditional Chinese medicine are available adjuvant therapies after liver resection, there is no adjuvant therapy that is well-recognised for the prevention of recurrence. Accordingly, effectively preventing early stage liver cancer patients from recurrence have significant unmet clinical needs and generate a large amount of market in the future with more patients can be diagnosed at an early stage.

Currently, there is no standard of care for adjuvant therapy that is well-recognised clinically to prevent postoperative liver cancer recurrence. According to Treatment Guidelines for Primary Liver Cancer (2017), "Surgery + TACE" is considered current standard treatment for liver cancer.

In addition, clinical trial participants, regardless of their assignment to either experimental or control group, are recommended to take imageological examination at the first month and every three months thereafter following the surgery. Such checkups aim to detect potential tumor relapse as early as possible and thereby crucial for the subsequent treatment in that case. Clinical studies are designed in a randomised controlled manner, through which patients are allocated by chance to either experimental or control group, preventing both physicians and patients from choosing interventions.

The following diagram sets forth the treatment paradigm of liver cancer in China:



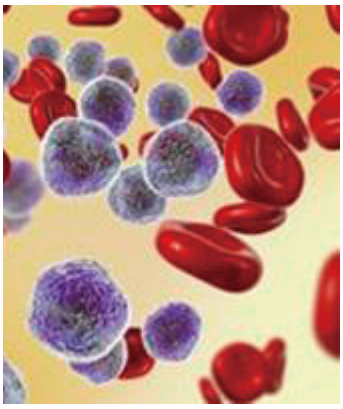

*Source: the Frost & Sullivan Report.*

## 4. LEUKAEMIA

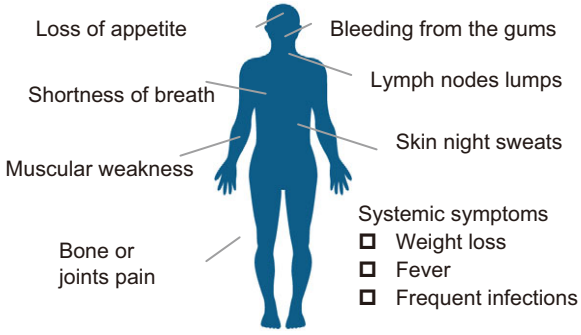
Leukaemia is a group of blood cancers that usually begin in the bone marrow and result in high numbers of abnormal blood cells. Most often, leukaemia is a cancer of the white blood cells, but some forms of leukaemia start in other blood cell types. There are several types of leukaemia, which are divided four types based on mainly on whether the leukaemia is acute (fast growing) or chronic (slower growing), and whether it starts in myeloid cells or lymphoid cells.

Acute lymphocytic leukaemia (ALL) is one of the subtypes of acute leukaemia. It is characterised by a rapid increase in the number of immature blood cells, in which the DNA of the blood cells is damaged, and cannot grow up to function as normal cells. ALL is more common in children than in adults.

**Illustration of ALL patient's blood cells**



**Symptoms of ALL**




*Source: the Frost & Sullivan Report.*

In ALL patients, 75% are B-cell ALL with CD19 positive expression. The new cases of ALL patients increased from approximately 11,600 in 2014 to approximately 12,400 in 2018 with a CAGR of 1.7%. According to Frost & Sullivan, due to the development of early screening, the number is estimated to 13,400 in 2023 and 14,700 in 2030. In 2018, there were approximately 10,700 new cases of childhood ALL (0-18 years old) in China, accounting for 86.3% of total ALL in China.

It is difficult for children to tolerate long-term intense chemotherapy, as such, advanced targeted therapy and cellular immunotherapy therapy with fewer side effects can be great tools for the treatment of childhood R/R ALL. Although no CAR-T product is approved to the market in China, this novel therapy has already been recommended in the guideline issued by NHC for the treatment of childhood acute lymphocytic leukaemia.

## 5. REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the cancer immunotherapy markets in China and globally. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the cancer immunotherapy market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports, and publicly available data from reputable industry organisations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesise 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 analysed the information, but the

accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of USD116,500 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict, or have an impact on the information set forth in this section in any material respect.

*The following is a brief summary of the laws and regulations in the PRC that currently materially affect our Group and our operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this prospectus, which may be subject to change.*

## 1. REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of companies in China is governed by the PRC Company Law (中華人民共和國公司法), which was promulgated in 1993 and amended in 2005, 2013 and 2018. Under the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. Investments in the PRC by foreign investors are regulated by the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on 12 April 2001 and 19 February 2014, and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated on 8 October 2016 and amended on 30 July 2017 and 29 June 2018. Under these laws and regulations, the establishment of a wholly foreign-owned enterprise is subject to the approval of, or the filing with, Ministry of Commerce of the PRC (the "**MOFCOM**") or its local counterpart and such wholly foreign-owned enterprises must register and file with the appropriate administrative bureau of industry and commerce. We filed the local branch of MOFCOM for our interests in our wholly-owned PRC subsidiary AK Ruihe.

On 15 March 2019, the Standing Committee of the National People's Congress (the "**SCNPC**") passed the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which came into effect on 1 January 2020 and whereupon the Foreign-Owned Enterprise Law of the PRC was terminated. According to the Foreign Investment Law, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organisations, including the following circumstances: (1) a foreign investor establishes a foreign-funded enterprise within the territory of China, either alone or together with any other investor; (2) a foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China; (3) a foreign investor invests in any new project within the territory of China, either alone or together with any other investor; and (4) a foreign investor invests in any other way stipulated under laws, administrative regulations or provisions of the State Council. And a foreign-funded enterprise refers to an enterprise incorporated under Chinese laws within the territory of China and with all or part of its investment from a foreign investor.

The Foreign Investment Law further prescribes that the State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. If more preferential treatment for access of foreign investors is provided under international treaties or agreements governing foreign investment that the PRC concludes or accedes, such provisions may apply.

Investment activities in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂)) (the "**Catalogue**"), which was promulgated jointly by MOFCOM and National Development and Reform Commission (the "**NDRC**") on 28 June 2017 and became effective on 28 July 2017 and contains specific provisions guiding market access of foreign capital. Under the Catalogue, foreign-invested industries are classified into two categories, namely (1) encouraged foreign-invested industries (the "**Encouraged List**"); and (2) foreign-invested industries which are subject to special administrative measures for access of foreign investment (the "**Negative List**"). The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries, setting out restrictions such as shareholding requirements and qualifications of the senior management. Any industry not listed in the Negative List is a permitted industry.

The NDRC and the MOFCOM issued the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "**Special Administrative Measures (2018)**") on 28 June 2018, which became effective from 28 July 2018 and the Negative List in the Catalogue was repealed simultaneously. The Special Administrative Measures contains a list of fields that foreign investment is restricted or forbidden. The NDRC and the MOFCOM further promulgated the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**Special Administrative Measures (2019)**") on 30 June 2019, which became effective from 30 July 2019 and replaced the Special Administrative Measures (2018).

The NDRC and the MOFCOM issued the List of Encouraged Industries for the Access of Foreign Investment (鼓勵外商投資產業目錄) on 30 June 2019, which became effective on 30 July 2019 and the Encouraged List in the Catalogue was repealed simultaneously.

Our PRC operation entities mainly engage in the business of development and application of immunotherapy, including the business of development and application of CAR-T therapy carried out by Yongtai Ruike. CAR-T therapy involves gene therapy which falls in the prohibited foreign-invested industries both in the Catalogue and the Special Administrative Measures (2018) and the Special Administrative Measures (2019), thus, we cannot directly or indirectly hold the equity of Yongtai Ruike. Therefore, we hold our interests in Yongtai Ruike by the contractual arrangement.

On 8 August 2006, six PRC regulatory agencies, namely the MOFCOM, the State-owned Assets Supervision and Administration Commission of the PRC, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange, or the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which became effective on 8 September 2006 and were amended by MOFCOM on 22 June 2009. The M&A Rules require, among other things, that a foreign investor (1) acquiring an equity interest in a non-foreign-invested PRC enterprise or (2) purchasing and operating the assets of such an enterprise through the establishment of a foreign-invested enterprise must comply with relevant foreign investment industry policies and be subject to approval/filing by MOFCOM or its local counterpart.

## 2. DRUG REGULATORY REGIME

We operate our business in China through our operation entities under a legal regime consisting of the SCNPC, the State Council and several ministries and agencies under the State Council's authority including, among others, the China Food and Drug Administration (the "**CFDA**"). According to the Institutional Reform Program of the State Council (2018) (國務院機構改革方案(2018)) (the "**2018 Institutional Reform Program**"), promulgated by the PRC National People's Congress on 18 March 2018, the CFDA's functions with respect to drug supervision has been transferred to National Medical Products Administration (the "**NMPA**"), a newly established regulatory authority responsible for registration and supervision of drugs, cosmetics and medical equipment under the supervision of State Administration for Market Regulation (the "**SAMR**"), a newly established national institution for supervising and administrating the market in China. The CFDA was canceled following the structure reform of administrative organs led by the State Council. There is no drug supervision institution at municipal and county level, instead, the local SAMRs are entitled to perform the drug supervision functions such as drug sales and operation.

### Regulations regarding the research and development of drugs

In the PRC, the CFDA, monitored and supervised the administration of biological products. Local provincial drug administrative authorities were responsible for supervision and administration of drugs within their respective administrative regions. Pursuant to the 2018 Institutional Reform Program, NMPA has been newly established to carry out CFDA's functions with respect to drug supervision. The PRC Drug Administration Law (中華人民共和國藥品管理法) (the "**Drug Administration Law**") promulgated by the SCNPC in 1984, as amended in 2001, 2013 and 2015, and the

Implementing Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施辦法) as promulgated by the Ministry of Health (the "**MOH**"), in 1989, which was replaced by the Implementing Regulations of the PRC Drug Administration Law (中華人民共和國藥品管理法實施條例) (the "**Implementing Regulations of the Drug Administration Law**") promulgated by the State Council effective on 15 September 2002 and amended on 6 February 2016 and 2 March 2019, laid down the legal framework for the administration of drugs, including the research, development and manufacturing. The PRC Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of drugs. It regulates and prescribes a framework for the administration of drug manufacturers, drug trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of biological products. The Implementing Regulations of the Drug Administration Law serve to provide detailed implementation regulations for the revised PRC Drug Administration Law.

The 12th session of the standing committee of the 13th NPC approved the amendment to the Drug Administration Law on 26 August 2019. The revised Drug Administration Law (the "**Revised Drug Administration Law**") took effect on 1 December 2019 and brought a series of good changes to the drug supervision and administration system, including but not limited to making it clear what kind of drugs shall be encouraged, changing the clinical trial approval to implied license and prescribing a preferential examination and approval system for certain drugs. According to the Revised Drug Administration Law, drugs refer to articles which are used in the prevention, treatment and diagnosis of human diseases and intended for the regulation of the physiological functions of human beings, for which indications or functions, usage and dosage are specified, including traditional Chinese drugs, chemical drugs and biological products.

We are required to follow these regulations for non-clinical research, clinical trials and production of new biological products.

**Regulatory changes about human cell therapy**

On 30 October 2002, the State Drug Administration (the predecessor of the CFDA) published the Measures for the Administration of Drug Registration (trial) (藥品註冊管理辦法(試行)) (the "**Drug Registration Measures (trial)**"), which came into effect on 1 December 2002 and was replaced by the Drug Registration Measures on 1 May 2005. According to the Drug Registration Measures (trial), human cell therapy and its products to therapeutic biological products and shall be subject the provisions thereof.

In 2003, the State Food and Drug Administration published the Guidelines for Research on Human Cell Therapy and Quality Control of Preparations (人體細胞治療研究和製劑質量控制技術指導原則), which set out some principles for the research of human cell therapy.

On 2 March 2009, the MOH published the Management Measures for Clinical Application of Medical Technology (醫療技術臨床應用管理辦法), which came into effect on 1 May 2009 and prescribed that cell immunotherapy belongs to the Category III medical technology of which the Clinical Application shall be subject to the additional provisions of the MOH. On 1 May 2009, the MOH published the First List of Category III Medical Technologies Allowed for Clinical Application (首批允許臨床應用的第三類醫療技術目錄) which prescribed cell immunotherapy technology as the Category III medical technologies allowed for clinical application.

On 29 June 2015, the National Health and Family Planning Commission (the "**NHFP**") published the Notice on Cancellation of the Category III Medical Technology Entry Approval (關於取消第三類醫療技術臨床應用准入審批有關工作的通知), which cancelled the approval of the Category III medical technology clinical application.

On 16 May 2016, the Health and Family Planning Commission and the traditional Chinese Medicine Bureau of Guangdong province jointly published the Notice on Further Regulating the Management of Medical Institution and Medical Technology (關於進一步規範醫療機構科室管理和醫療技術管理的通知) in accordance with the spirit of the Medical Administration of the NHFP's video conference on 4 May 2016 focusing on further regulating the management of medical institution and medical technology. According to the provisions therein, cell immunotherapy technology shall be subject to clinical research regulations and shall not be used in clinical application.

Furthermore, on 18 December 2017, the CFDA promulgated the Technical Guiding Principles for Research and Evaluation of Cell Therapy Products (trial) (細胞治療產品研究與評價技術指導原則(試行)) (the "**Technical Guiding Principles for Cell Therapy Products**") to regulate and guide the research and evaluation of cell therapy products that are researched on, developed and registered as drugs.

On 4 January 2018, the NHFP published the Letter of Response to Proposal No. 0543 (Medical Sports 056) of the Fifth Session of the 12th CPPCC National Committee (關於政協十二屆全國委員會第五次會議第0543號(醫療體育類056號)提案答覆的函), which further explained that the approval of the Category III medical technology clinical application was cancelled, however, the medical technology involving the use of drugs, medical devices or related products with similar attributes and preparations (mainly cell immunotherapy technology) shall not be used in clinical application before the drugs, medical devices or related products with similar attributes and preparations are approved for marketing.

The Drug Administration Law and the Administrative Measures for Drug Registration (藥品註冊管理辦法) (the "**Administrative Measures for Drug Registration**") promulgated by the CFDA on 10 July 2007 and as of effect from 1 October 2007 set out the basic rules for drug clinical trial, drug production or import, and conducting drug approval, relevant testing for drug registration, or regulation. In accordance with the Attachment 3 of the Administrative Measures for Drug Registration, gene therapy, human cell therapy and its products are categorised as biological products for therapeutic use and thus human cell therapy is subject to the rules stipulated by the Drug Administration Law and the Administrative Measures for Drug Registration.

On 22 January 2020, the SAMR promulgated the newly revised Administrative Measures for Drug Registration (the "**Revised Administrative Measures for Drug Registration**"), which will take effect on 1 July 2020. According to the Revised Administrative Measures for Drug Registration, biological product registration shall be categorised in accordance with biological product innovative medicine, biological product improved new medicine, marketed biological products (including biosimilar) etc. Detailed categorisation of biological products shall be formulated by the NMPA based on product features, degree of innovative and review administration for registration of drugs.

According to the Drug Administration Law, the Administrative Measures for Drug Registration and the Implementing Regulations of the Drug Administration Law, the PRC government encourages research and development of new drugs. A new drug refers to "a drug that has not been sold in the Chinese domestic market".

On the basis of the rules set out in the Drug Administration Law and the Administrative Measures for Drug Registration, there are further regulations or legal documents that reformed the evaluation and approval system for drugs, especially the evaluation and approval process for innovative drugs. For example, on 9 August 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (關於改革藥品醫療器械審評審批制度的意見) (the "**Reform Opinions**"), which established a framework for reforming the evaluation and approval system for drugs. According to the Reform Opinions, the definition of a new drug is revised from "a drug that has not been sold in the Chinese domestic market" to "a drug that has not been sold in both the domestic and overseas markets". New drugs are divided into innovative drugs and improved drugs. In accordance with the Reform Opinions, the State Council encourages clinical value-oriented drug innovation, optimising the review and approval procedures for innovative drugs, accelerating the review of innovative drugs with urgent clinical demand.

For more detailed information about the basic rules and reformation of the evaluation and approval system for drugs, see the following paragraphs.

We made an application to the CDE for the clinical trial of our EAL® for the prevention of postsurgical recurrence of liver cancer as an innovative drug. In the IND application materials, we submitted that conducting Phase I clinical trial is unnecessary for EAL® given that (1) the safety of EAL® has been observed in the history of clinical applications of the product, being that no serious adverse reactions were observed, the side effect was self-limiting influenza-like symptoms as well as retrospective studies confirmed the safety of EAL® (see "Business — 4. Product Pipeline — EAL® — Early R&D and clinical application (2006-16)"); (2) the safety and efficacy of other AAL products have been seen in randomised clinical trials (see "Industry Overview — 2. Overview of Cellular Immunotherapy — Activated autologous lymphocytes"); and (3) a similar product in Korea directly entered into Phase III clinical trial based on the research conducted in Japan. After reviewing the application materials and overall clinical trial plan of our EAL® product, the CDE held a communication meeting with us to discuss our EAL® product clinical trial plan, and based on such discussions, the CDE agreed that we may proceed with the Phase II clinical trial and it could be deemed that Phase I clinical trial for EAL® on postsurgical recurrence of liver cancer is not required.

All of our products fall under the classes of cellular immunotherapy products, including both non-genetically-modified and genetically-modified products, as well as both multi-target and single-target products. In addition to EAL®, our other main product candidates including the CAR-T cell series and the TCR-T cell series, are classified as human cell therapy products and subject to the PRC laws and regulations governing human cell therapy.

**The Technical Guiding Principles for Research and Evaluation of Cell Therapy Products (trial)**

The Technical Guiding Principles for Cell Therapy Products set out the guidelines for medical study, non-clinical research and clinical research of cell therapy products.

As for the medical study of cell therapy, the general principle is that the medical studies and quality control of cell therapy shall take the fact that cells are capable of living in a body, multiplying and/or differentiating into consideration. At the same time, cell therapy products should meet the general requirements of drug quality management, and the whole production process of clinical samples should meet the basic principles and relevant requirements of the Good Manufacturing Practice for Drugs (藥品生產質量管理規範) (the "**GMP Regulations**"), published by the MOH on 28 December 1992.

According to the Technical Guiding Principles for Cell Therapy Products, the non-clinical research shall follow the following principles:

(i) the research and evaluation of different products should follow the principle of a "case by case analysis" while at the same time, the Guidelines for the Evaluation of Non-clinical Safety of Biotechnology Drugs (生物技術藥品的非臨床安全性評價指南) issued by the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use (人用藥品註冊技術要求國際協調會) provide reference for the evaluation of non-clinical research of cell therapy products;

(ii) non-clinical study evaluation trials should use cell therapy products intended for clinical trials whenever possible. The production process and quality control of a subject used in a non-clinical trial shall be consistent with that of the subject to be used in a clinical trial (if not, the subject shall be explained and its effect on the prediction of human response shall be assessed);

(iii) non-clinical study evaluation should be conducted by selecting suitable species of animals whose biological response to cell therapy products is close to or similar to the expected human response. In some cases, alternatives to animal sources may also be used for evaluation;

(iv) in non-clinical study evaluation, the administration of cell therapy products should be able to maximise the simulation of the proposed clinical administration. If clinical administration cannot be simulated in animal studies, alternative administration methods should be identified in pre-clinical studies and their scientific and rational nature should be clarified; and

(v) subject analysis data should be provided.

As for clinical trials, the Technical Guiding Principles for Cell Therapy Products stipulate that when cell therapy products enter clinical trials, they should follow the requirements of the Administration of Good Clinical Practice of Pharmaceutical Products (藥物臨床試驗質量管理規範) (the "**GCP Administration**") promulgated by the CFDA in August 2003. In principle, the research contents of clinical trials should include clinical safety evaluation, pharmacokinetics study, pharmacodynamics study, dose exploration study and confirmatory clinical trials. According to the product nature of different cell therapy products, the specific test design can be adjusted as appropriate.

**Non-clinical research and animal testing**

To improve the quality of non-clinical research, the CFDA promulgated the Administrative Measures for Good Laboratories Practice of Non-clinical Laboratory (藥物非臨床研究質量管理規範) in 2003, which was revised on 27 July 2017, and has conducted Good Laboratories Practice, or GLP Certifications since 2003. In April 2007, the CFDA issued the Circular on Measures for Certification of Good Laboratory Practice for Non-clinical Laboratory (藥物非臨床研究質量管理規範認證管理辦法), (the "**CFDA Circular 214**"), which provides that the CFDA is responsible for the certification of non-clinical research institutions. Under CFDA Circular 214, the CFDA decides whether an institution is qualified for undertaking non-clinical research upon the evaluation of the institution's organisational administration, its research personnel, its equipment and facilities and its operation and management of non-clinical research projects. If all requirements are met, a GLP Certification will be issued by the CFDA and the result will be published on the CFDA's website.

According to the Regulations for the Administration of Affairs Concerning Experimental Animals (實驗動物管理條例) promulgated by the State Science and Technology Commission in November 1988, as amended in January 2011, July 2013 and March 2017 by the State Council, the Administration Measures on Good Practice of Experimental Animals (實驗動物質量管理辦法) jointly promulgated by the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision in December 1997, and the Administrative Measures on the Certificate for Experimental Animals (Trial) (實驗動物許可證管理辦法(試行)) promulgated by the State Science and Technology Commission and other regulatory authorities in December 2001, using and breeding experimental animals shall be subject to certain rules and performing experimentation on animals requires a Certificate for Use of Laboratory Animals.

We have commissioned third parties to carry out non-clinical research and animal testing for us, and such third parties are all qualified with the permits or approval issued by the competent authorities.

**Clinical trials and registration of new drugs**

The Administrative Measures for Drug Registration provide the standards and requirements for clinical trials and drug registration applications. According to the Administrative Measures for Drug Registration, drug registration applications are divided into three different types, Domestic New Drug Applications, Domestic Generic Drug Applications, and Imported Drug Applications. Drugs fall into one of three general types divided by working mechanism, including chemical medicine, biological product or traditional Chinese or natural medicine. Pursuant to the Administrative Measures for Drug Registration, the PRC Drug Administration Law and Implementing Measures of the PRC Drug Administration Law, upon completion of non-clinical research, clinical trials must be conducted for the application of a new drug registration, and research institutions must apply for approval of a Clinical Trial Application ("**CTA**"), from the CFDA, or the CDE, before conducting clinical trials.

In accordance with the Administrative Measures for Drug Registration, the CDE shall organise the pharmaceutical, medical and other technical personnel to conduct technical examination of the new drug. Subsequent to technical review, the review opinion and relevant application document shall be submitted to the State Food and Drug Administration (the "SFDA", replaced by the CFDA in 2013) . The SFDA makes decision on whether to give an approval in accordance with the technical review opinion. According to the Decision of the China Food and Drug Administration on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (國家食品藥品監督管理關於調整部份藥品行政審批事項審批程序的決定) promulgated by the CFDA on 17 March 2017 and as of effect on 1 May 2017, decision on the approval of clinical trials of drugs (including domestic and imported drugs) to be made by the CFDA have been adjusted and are to be made by the CDE in the name of the CFDA. The PRC Legal Advisers are of the opinion that the CDE is the competent authority for clinical trials of drugs in the PRC and is competent to make decisions on clinical trials.

On 13 March 2018, the CDE promulgated the Key Considerations in Applying for Clinical Trials of Cell Therapy Products for Pharmaceutical Research and Application Data (細胞治療產品申請臨床試驗藥學研究和申報資料的考慮要點) to encourage the innovation of cell therapy products in view of the urgent need of clinical drug use. The document provides guidance on the preparation of pharmaceutical research and application materials in the application phase of clinical trials, according to which, on the basis of following the requirements of technical guidelines for carrying out relevant research, the applicant should pay special attention to the certain considerations of pharmaceutical research and application materials, including production of raw materials, production process, quality studies, and stability studies.

On the basis of the Technical Guiding Principles for Cell Therapy Products, on 18 October 2019, the CDE promulgated the Pharmaceutical Research Questions and Answers for Application of Cell Therapy Products for Clinical Trials (Issue One) (細胞治療產品申報臨床試驗藥學研究問題與解答(第一期)) to provide reference for applicants on the common problems in the review and communication of IND application data of cell therapy products.

According to the Revised Drug Administrative Law and the Revised Administrative Measures for Drug Registration, where an applicant submits an application for drug clinical trial upon completion of pharmacy, pharmacology and toxicology etc. which support the drug clinical trial, the relevant research materials shall be submitted in accordance with the requirements on declaration materials. Upon form examination, where the declaration materials are found to comply with the requirements, the application shall be accepted. The CDE shall organise pharmacists, medical personnel and other technicians to review the accepted application for drug clinical trial. A decision on approval or non-approval of the application for drug clinical trial shall be made within 60 days from acceptance of application, and the applicant shall be notified of the examination and approval outcome through the CDE website; where the applicant is not notified within the stipulated period, the application shall be deemed approved, and the applicant may conduct drug clinical trial in accordance with the submitted scheme. And applicants proposing to conduct bioequivalence test shall complete filing formalities for bioequivalence test on the CDE website in accordance with the requirements.

**Reform of evaluation and approval system for drugs**

The Reform Opinions established a framework for reforming the evaluation and approval system for drugs. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

In November 2015, CFDA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (關於藥品註冊審評審批若干政策的公告) (the "**Several Policies Circular**"), which further clarified the measures and policies regarding simplifying and accelerating the approval process on the basis of the Reform Opinions.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定) promulgated on 17 March 2017, and that came into effect as of 1 May 2017, the approval for a CTA can be directly issued by the CDE on behalf of the CFDA.

On 21 December 2017, the CFDA promulgated the Opinions on Encouraging the Prioritised Evaluation and Approval for Drug Innovations (關於鼓勵藥品創新實行優先審評審批的意見) (the "**Encouraging Opinions**"), replacing the Opinions on Priority Review and Approval for Resolving Drug Registration Applications Backlog (關於解決藥品註冊申請積壓實行優先審評審批的意見) promulgated in February 2016, which further clarified that a fast track clinical trial approval or drug registration pathway will be available for innovative drugs.

In addition, on 17 May 2018, the NMPA and National Health Commission jointly promulgated the Circular on Issues Concerning Optimising Drug Registration Review and Approval (關於優化藥品註冊審評審批有關事宜的公告), which further simplified and accelerated the clinical trial approval process.

The Revised Administrative Measures for Drug Registration prescribe some procedures for expedited registration of drug marketing, including procedures for breakthrough therapy designation, procedures for conditional approval, procedures for prioritised review and approval and special examination and approval procedure, which will further simplify and facilitate the procedures of drug marketing.

**Fast track approval for certain drugs under current reform frame**

On 11 November 2015, the Several Policies Circular potentially simplified and accelerated the approval process of clinical trials under the following reform framework: (1) a one-time umbrella approval procedure allowing the comprehensive approval of all phases of a new drug's clinical trials, replacing the current phase-by-phase application and approval procedure, will be adopted for new drugs' CTAs, and (2) a fast track drug registration or clinical trial approval pathway for certain types of drug applications.

In addition, on 21 December 2017, the Encouraging Opinions further clarified that a fast track clinical trial approval or drug registration pathway will be available to both innovative drugs with distinctive clinical benefits which have not been sold within or outside China as well as drugs using advanced technology, innovative treatment methods or having distinctive treatment advantages.

The Reform Opinions promulgated in 2015 provide that the composition of the examiner team of the CDE shall be strengthened by, among others, (1) recruiting professional evaluation talent from the public as contractors, (2) engaging relevant experts to participate in professional examination and evaluation, and (3) establishing a system of chief professional positions. The Encouraging Opinions further emphasised the improvement of the examination and evaluation system which requires the establishment of a new drug examination and evaluation team comprising professionals specialised in clinical medicine, pharmaceutical sciences, pharmacology, toxicology and statistics. As a result, since 2015, the CFDA and the CDE have started a large-scale expansion of examiners which could greatly accelerate new drug approval in the PRC.

**Four phases of clinical trials**

According to the Administrative Measures for Drug Registration, a clinical development program consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate's therapeutic effectiveness and safety for particular indications in patients, to provide evidence and support for the design of Phase III clinical trials and to settle the administrative dose regimen. Phase III refers to clinical trials undertaken to confirm the therapeutic effectiveness of a drug. Phase III is used to further verify the drug's therapeutic effectiveness and safety on patients with target indications, to evaluate the overall benefit-risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate the overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose.

In accordance with the Revised Administrative Measures for Drug Registration, Drug clinical trial shall comprise Phase I clinical trial, Phase II clinical trial, Phase III clinical trial, Phase IV clinical trial as well as bioequivalence test.

Pursuant to the Several Policies Circular, the CDE grants a one-time approval for clinical trial applications for new drugs and does not require separate declarations, reviews or approvals for the subsequent phases of clinical trials. The CDE review focuses on the scientific nature of the clinical trial protocols and the control of safety risks to ensure patient safety. Applicants must promptly communicate with the CDE, to resolve problems during clinical trials and make a supplementary report on the latest research materials as the relevant reviewer requires. Upon the completion of Phase I and Phase II clinical trials, the applicant must submit trial results and the clinical trial protocol for the next phase in a timely manner. Where there is no safety problem, applicants can proceed to Phase III clinical trials after discussion with the CDE. The applicants must report serious adverse events that occur during the clinical trials and submit annual research reports. Where clinical trial risks cannot be controlled, the clinical trials must be stopped immediately.

On 30 September 2018, the NMPA promulgated the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (藥物研發與技術審評溝通交流管理辦法) (the "**Communication Measures**") to regulate the communication between the project management personnel of the CDE and the applicant on key technologies not covered by current drug development and evaluation guidelines, which shall be applicable to the communication in the R&D process and registration application of innovative drugs, improved new drugs, biosimilars, complex generic drugs and consistent evaluation varieties. The Communication Measures provide that communication meetings between the applicants and the CDE can be classified into three types. Type I communication meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II communication meetings are convened in key research and development periods of innovative drugs, mainly including (1) meetings before the application for clinical trials, (2) meetings upon the completion of Phase II trials and before the Phase III trial begins, (3) meetings before submitting a marketing application for a new drug, and (4) meetings for risk evaluation and control. Type III communication meetings refer to other kinds of meetings. Pursuant to the Communication Measures, project management personnel must prepare meeting minutes promptly, and meeting minutes shall be formed in accordance with the requirements set out in the Communication Meeting Minutes Template; consensus reached by both sides shall be recorded, as well as respective opinions in the case of failure to reach a consensus by both sides. Meeting minutes shall be finalised on the 30th day after the end of the meeting at the latest, and it is encouraged to form meeting minutes immediately on the spot. The minutes of the meeting are archived as important documents and serve as an important basis for drug development, review and approval.

On 24 July 2018, the NMPA promulgated the Announcement on Adjusting the Evaluation 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), which provides that, within 60 days after acceptance of and charging the fees for clinical trial application, the applicant may conduct clinical trial in accordance with the clinical trial protocol submitted if no negative or questioned

opinion is received from the CDE. The minutes of the communication meetings between the applicants and the CDE are archived as review and approval documents and serve as a reference for review and approval.

**The Guidelines to the General Consideration of Drug Clinical Trial**

The CFDA issued the Notice on Publishing the Guidelines to the General Consideration of Drug Clinical Trial (關於發佈藥物臨床試驗的一般考慮指導原則的通告) (the "**General Consideration Guidelines**") on 18 January 2017 to further regulate drug clinical trial, to provide technological support to applicants and researchers on making overall drug R&D strategies and single clinical trial and, at the same time, provide reference for technical evaluation. As stipulated by the General Consideration Guidelines, provisions thereof are mainly applicable to chemical drugs and biological products for therapeutic use.

In accordance with the General Consideration Guidelines, according to research and development stage, clinical trials can be divided into four phases, i.e. Phases I, II, III and IV. Clinical trials can also be classified into clinical pharmacology studies, exploratory clinical trials, confirmatory clinical trials, and post-marketing studies according to research objectives. Both classification systems have some limitations, but they complement each other to form a dynamic and useful clinical trial network.

Among the above-mentioned classification of clinical trials, studies in confirmatory clinical trials aim to confirm efficacy and safety, provide a basis for assessing benefit/risk relationships in support of registration, and determine dose-effect relationships. Confirmatory clinical trials are designed to further confirm the preliminary evidence of efficacy and safety of investigational clinical trials in order to provide sufficient evidence to obtain market approval, and the primary objective of the trial is to identify therapeutic benefits.

**Sampling and collecting human genetic resources filing**

On 10 June 1998, the Ministry of Science and Technology and the Ministry of Health promulgated the Interim Administrative Measures on Human Genetic Resources (人類遺傳資源管理暫行辦法), which established the rules for protecting and utilising human genetic resources in the PRC. On 2 July 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (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), which became effective on 1 October 2015 according to the Circular on Implementing the Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources (關於實施人類遺傳資源採集、收集、買賣、出口、 出境行政許可的通知), which clarified that the sampling and collection of human genetic resources though clinical trials shall be required to be filed with the China Human Genetic Resources Management Office through the online system. On 26 October 2017, the Ministry of Science and Technology promulgated the Circular on Optimising the Administrative Examination and Approval of Human Genetic Resources (關於優化人類遺傳資源行政審批流程的通知) simplifying the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

On 28 May 2019, the State Council promulgated the Administrative Regulations on 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), which came into effect on 1 July 2019. According to the provisions therein, the State shall support the rational utilisation of human genetic resources to carry out scientific research, develop the biomedical industry, improve diagnosis and treatment technologies, improve the biosafety guarantee capabilities of China and improve the people's health protection level. And foreign organisations, individuals and the institutions established or actually controlled thereby shall not collect or preserve China's human genetic resources within the territory of China. Nor shall they provide China's human genetic resources out of the country. Furthermore, collection, preservation, utilisation and external provision of China's human genetic resources shall comply with the ethical principles of human genetic resources providers and be subject to ethical review in accordance with relevant regulations of the State.

Our collaboration clinical trial institutions have filed with the China Human Genetic Resources Management Office for our ongoing EAL® Phase II clinical trials.

**Drug clinical practice certification and compliance with GCP**

To improve the quality of clinical trials, the CFDA promulgated the GCP Administration, in August 2003, which aims to ensure standard clinical trial which will deliver scientific and reliable results, and protect the rights, interests and safety of human subjects. In February 2004, the CFDA issued the Circular on Measures for Certification of Drug Clinical Practice (Trial) (藥物臨床試驗機構資格認定辦法(試行)), which provides that the CFDA is responsible for certification of clinical trial institutions, and that the NHFP is responsible for certification of clinical trial institutions within its duties. Under the Circular on Measures for Certification of Drug Clinical Practice (Trial), the CFDA and the NHFPC will decide whether an institution is qualified for undertaking clinical trials upon the evaluation of the institution's organisational administration, research personnel, equipment and facilities, management system and standard operational rules. If all requirements are met, a GCP Certification will be issued by the CFDA and the result will be published on the CFDA's website. Pursuant to the Deepening Reform Opinions, the accreditation of the institutions for drug clinical trials are subject to record-filing administration. The conduct of clinical trials must adhere to the GCP and the protocols approved by the ethics committees of each study site. On 29 November 2019, the NMPA and the National Health Commission of the PRC published the Regulations on the Administration of Drug Clinical Trial Institutions (藥物臨床試驗機構管理規定), which came into effect on 1 December 2019 and replaced the Measures for Certification of Drug Clinical Practice (Trial). The new regulations stipulate that, instead of certification, clinical trial institutions shall file on the Drug Clinical Trial Institution Filing Management Information Platform (藥物臨床試驗機構備案管理信息平台).

To date, we have only used CFDA certified and filed GCP clinical trial institutions to conduct trials following GCP based on CFDA requirements.

On 17 July 2018, the SAMR released the Revised Administration of Quality of Drug Clinical Practice (Draft for Comments) (藥物臨床試驗質量管理規範(修訂草案徵求意見稿)) (the "**New Practice**") to seek comments from the public, which as compared to current GCP Administration, mainly includes the following key highlights:

- GCP Administration is applicable to the clinical trial of drugs for registration purposes, and clinical trials for other purposes may refer to GCP Administration;

- the rights and safety of the subjects shall be the primary factor to be considered, giving priority over scientific and social benefits;

- ethical review and informed consent shall be the main measures to protect the rights of the subjects;

- a quality management system shall be established for clinical trial purposes; and

- investigators and their family members (including spouse and children) shall avoid the following material conflicts of interests: receiving a fee of more than RMB20,000 which are not directly related to clinical trials from the sponsor within two years, holding shares or stocks in the sponsor, holding the intellectual property of the clinical trial products or technology, or holding senior positions in the sponsor.

The consultation period ended on 16 August 2018. On 23 April 2020, the NMPA and the National Health Commission of the PRC published the Good Practice for Clinical Trials of Drugs (Revised in 2020), which will come into effect on 1 July 2020 and will replace the current GCP Administration.

**Drug clinical trial registration**

Pursuant to the Administrative Measures for Drug Registration, upon obtaining approval of its CTA and before conducting a clinical trial, an applicant shall file a registration form with the CFDA containing various details, including the clinical study protocol, the name of the principal researcher of the leading institution, names of participating institutions and researchers, an approval letter from the ethics committee, and a sample of the Informed Consent Form, with a copy sent to the competent provincial administration departments where the trial institutions are located. On 6 September 2013, the CFDA published the Announcement on Drug Clinical Trial Information Platform (關於藥物臨床試驗信息平台的公告), providing that, instead of the aforementioned registration filed with the CFDA, all clinical trials approved by the CFDA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of CTA in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrolment in the trial. If the registration is not completed within one year after the approval of CTA, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of CTA shall automatically expire.

In accordance with the Revised Administrative Measures for Drug Registration, the applicant of clinical trial shall, prior to conducting the drug clinical trial, register information on the drug clinical trial scheme etc. on the drug clinical trial registration and information announcement platform. During the drug clinical trial, the applicant shall update registration information continuously, and register information on the outcome of the drug clinical trial upon completion of the drug clinical trial. The registration information shall be announced on the platform, the applicant shall be responsible for the veracity of the drug clinical trial registration information. The detailed requirements for registration of drug clinical trial and information announcement shall be formulated and announced by the CDE.

We have completed clinical trial registrations through the Drug Clinical Trial Information Platform for our EAL® clinical trials conducted in China.

**New drug application**

Pursuant to the Administrative Measures for Drug Registration, when Phases I, II and III of clinical trials have been completed, the applicant may apply to the CFDA for approval of a new drug application (the "**NDA**"). The CFDA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the CFDA. We must obtain approval of an NDA before our drugs can be manufactured and sold in the China market.

According to the Revised Drug Administration Law, for the drugs for diseases which are seriously life-threatening and have no effective means of treatment and the drugs which are urgently needed in public health, if there is available data in clinical trials showing the efficacy and predicting the clinical value, marketing approval may be given with some conditions, and relevant matters shall be stated in the drug registration certificate.

**The marketing authorisation holder system**

Pursuant to the Reform Opinions in 2015, the State Council published a policy of carrying out a pilot plan for the drug marketing authorisation holder mechanism (the "**MAH System**"). Under the authorisation of the Standing Committee of the National People's Congress, the State Council issued the Pilot Plan for the Drug Marketing Authorisation Holder Mechanism (藥品上市許可持有人制度試點方案) on 26 May 2016, which provides a detailed pilot plan for the MAH System, for drugs in 10 provinces in China. Under the MAH System, domestic drug research and development institutions and individuals in the pilot regions, including Beijing, Shanghai, Guangdong, etc., are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorisation holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the pilot regions. Drugs that qualify for the MAH System include Category 1 biological products (a new biological product that has never been marketed in any country) and Category 7 biological products (a biological products that has been marketed abroad but not in China) under the Administrative Measures for Drug Registration.

On 15 August 2017, the CFDA issued the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorisation Holder System (關於推進藥品上市許可持有人制度試點工作有關事項的通知) (the "**MAH Circular**"), which clarified the legal liability of the marketing authorisation holder, who is responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for non-clinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. The marketing authorisation holder is permitted to entrust several drug manufacturers under the drug quality management system established by the marketing authorisation holder. Pursuant to the MAH Circular, the holder shall submit a report of drug manufacturing, marketing, prescription, techniques, pharmacovigilance, quality control measures and other situations to the CFDA within 20 working days after the end of each year.

According to the Revised Drug Administration Law and the Revised Administrative Measures for Drug Registration, whoever obtains a drug registration certificate is a drug marketing authorisation holder. The marketing authorisation holders shall assume responsibilities for non-clinical research, clinical trials, production and marketing, post-marketing research, monitoring, reporting and handling of adverse reactions of the drug. The legal representative and principal person in charge of the drug marketing authorisation holders shall be fully responsible for the drug quality. A drug marketing authorisation holder may produce or sell the drug by itself or entrust a qualified third party to produce or sell the drug. Drug marketing authorisation holders, drug manufacturers, drug distributors and medical institutions shall establish and implement a drug quality trace system to ensure drug traceability. And upon approval by the drug regulatory department under the state council, the drug registration certificate may be transferred. The transferee of the drug registration certificate shall have the ability of quality management, risk prevention and control and liability compensation to ensure the safety and effectiveness of the drug and shall fully fulfil the obligations of drug marketing authorisation holders.

**Administrative protection and monitoring periods for new drugs**

According to the Administrative Measures for Drug Registration and the Implementing Regulations of the Drug Administration Law, the CFDA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the CFDA will not accept other applications for new drugs containing the same active ingredient. This results in an effective five-year exclusivity protection for new drugs. The only exception is that the CFDA will continue the regular examination process if, prior to the commencement of the monitoring period, the CFDA has already approved the applicant's clinical trial for a similar new drug. If such application meets the relevant requirements, the CFDA may approve such applicant to manufacture or import the similar new drug.

**Drug manufacturing**

On 28 December 1992, the MOH published the GMP Regulations to regulate the manufacturing practice of drugs. The GMP Regulations came into effect immediately and was amended on 18 June 1999 and 17 January 2011 respectively. According to the latest GMP Regulations which was promulgated by the MOH on 17 January 2011 and came into effect on 1 March 2011, the manufacturer should establish a quality management system. The system should cover all factors that influence the quality of drugs, including all organised and planned activities with the objective of ensuring that the drugs are of the quality required for their intended use. The basic requirements of production and quality control of drug manufacturing shall include but not limited to: i) all manufacturing processes are clearly defined, systematically reviewed and shown to be capable of consistently manufacturing drugs of the required quality and complying with their specifications; ii) steps of manufacturing processes and significant changes to the process are validated; iii) all necessary resources are provided, including appropriately qualified and trained personnel, adequate premises and space, suitable equipment and services, correct starting materials, packaging materials and labels, approved master manufacturing documents and operation procedures and suitable storage and transport; iv) operators are trained to carry out procedures correctly; and v) records should be made during the entire manufacture and any deviations are investigated and recorded accordingly.

Pursuant to the Administrative Measures for Drug Registration, drugs used for clinical trials shall be manufactured in facilities in compliance with the GMP Regulations. The manufacturing process shall strictly meet the requirements of the GMP Regulations. According to the Revised Administrative Measures for Drug Registration, upon approval of marketing of drugs, a drug marketing authorisation holder shall manufacture the drug in accordance with the manufacturing process and quality standards approved by the NMPA, and carry out refinement and implementation in accordance with the GMP Rules.

In view of the cells in treatment of production and management of special products, on 28 November 2019, the Centre for Food and Drug Inspection of the NMPA (國家藥品監督管理局食品藥品審核查驗中心) promulgated the GMP Appendix — Cell Therapy Product (Draft) (GMP附錄 — 細胞治療產品(徵求意見稿)) (the "**GMP Appendix**") to regulate the production and quality control of cell therapy products. The cell therapy products described in the GMP Appendix refer to live cell products of human origin, including those produced by cell lines, as well as immune cells, stem cells, and tissue cells derived from autogenous or allogeneic sources. The provisions of the GMP Appendix shall apply to the whole process of cell therapy products from the transportation, receipt, production, and inspection of donor materials to the release, storage, and transportation of finished products. The production and quality control of cell therapy products shall comply with the requirements thereof and other relevant national regulations.

To strengthen the supervision on drug manufacturing, on 11 December 2002, the then NMPA promulgated the Administrative Measures on Supervision of Drug Manufacturing (trial) (藥品生產監督管理辦法(試行)) (the "**Administrative Measures of Drug Manufacturing**"), which was amended on 5 August 2004 and 17 November 2017. According to the Administrative Measures of Drug Manufacturing, drug

manufacturing enterprises shall apply for a drug manufacturing license (藥品生產許可證). Newly established drug manufacturing enterprises, drug manufacturing enterprises which built new drug manufacturing premises or added new drug types in their product range shall apply to the relevant food and drug administration authorities for the drug manufacturing quality management standard certification (《藥品生產質量管理規範》認證) ("**GMP Certification**") within 30 days from the date of issue of drug manufacturing certificate or date of approval for formal commencement in accordance with the provisions of the CFDA.

On 22 January 2020, the SAMR promulgated the newly revised Administrative Measures on Supervision of Drug Manufacturing (the "**Revised Administrative Measures of Drug Manufacturing**"), which will take effect on 1 July 2020. The Revised Administrative Measures of Drug Manufacturing further implement the dug marketing authorisation holder system as stipulated in the Revised Drug Administrative Law. Drug marketing authorisation holder entrusting others to manufacture preparations shall enter into an outsourcing agreement and quality agreement with a qualified drug manufacturing enterprise and submit the relevant agreements together with the actual manufacturing site application materials to the competent drug administrative authorities to apply for a drug manufacturing license. The Revised Administrative Measures of Drug Manufacturing no longer require GMP Certification for drug manufacturing enterprises, but the competent drug administrative authorities shall, based on regulatory needs, conduct compliance inspection of drug manufacturing quality control examination before drug marketing.

## 3. INTELLECTUAL PROPERTY RIGHTS

China became a member of the World Trade Organisation and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (與貿易有關的知識產權協定) on 11 December 2001. In addition, China has entered into several international conventions on intellectual property rights, including without limitation, the Paris Convention for the Protection of Industrial Property (保護工業產權巴黎公約), the Madrid Agreement Concerning the International Registration of Marks (商標國際註冊馬德里協議) and the Patent Cooperation Treaty (專利合作公約).

### Patents

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008, and effective from 1 October 2009 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), promulgated by the State Council on 21 December 1992 and as amended on 15 June 2001, 28 December 2002, and 9 January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the PRC Patent Law, for public health purposes, the State Intellectual Property Office of the

PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, pursuant to the Patent Law, any organisation or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination.

**Trade secrets**

Pursuant to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), promulgated by the SCNPC on 2 September 1993, amended on 4 November 2017 and on 23 April 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, solicitation or coercion; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (3) disclosing, using or permitting others to use the trade secrets, in violation of confidentiality obligations or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigating, inducing or assisting others to violate confidentiality obligation or any requirements of the legal owners or holders on keeping confidentiality of commercial secrets, obtaining, disclosing, using or allowing others to use the commercial secrets of the legal owners or holders. Natural persons, legal persons and unincorporated organisations other than business operators committing any of the illegal acts stipulated in the preceding paragraph shall be deemed to have infringed upon trade secrets. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

**Trademarks**

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法), promulgated by the SCNPC on 23 August 1982, amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 and effective from 1 November 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

**Domain Names**

Domain names are protected under the Measures on Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法) promulgated by the Ministry of Industry and Information Technology (the "**MIIT**"), on 5 November 2004 and effective from 20 December 2004, which was replaced by the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) issued by the MIIT as of 24 August 2017, and the Implementing Rules on Registration of Domain Names (中國互聯網絡信息中心域名註冊實施細則) issued by China Internet Network Information Center on 29 May 2012, which became effective on 29 May 2012. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

## 4. 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 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018, is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC (中華人民共和國民法通則) promulgated by the National People's Congress on 12 April 1986, amended and became effective on 27 August 2009, both manufacturers and sellers shall be held liable where relevant defective products result in damage to property of others or bodily injuries. Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法), promulgated by the SCNPC on 26 December 2009 and effective on 1 July 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

## 5. ENVIRONMENT PROTECTION

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, 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 28 October 2002 and amended on 2 July 2016 and 29 December 2018, the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Enterprises generating environmental pollution in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective from 1 November 1984 and most recently amended on 27 June 2017, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective from 1 June 1988 and most recently amended on 26 October 2018, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) effective from 1 March 1997 and most recently amended on 29 December 2018, and the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法), effective from 1 April 1996 and most recently amended on 7 November 2016. These laws regulate extensive issues in relation to environmental protections including waste water discharge, air pollution control, noise emission and solid waste pollution control. Pursuant to these laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection. Our plants are subject to and must comply with above environmental laws and regulations.

## 6. PRODUCTION SAFETY

According to the Safety Production Law of the PRC (中華人民共和國安全生產法) (the "**Safety Production Law**"), which was promulgated on 29 June 2002, became effective on 1 November 2002 and was amended on 27 August 2009 and 1 December 2014 respectively, production and business operation entities shall provide their employees with education and training on work safety to ensure that the employees acquire the necessary knowledge about work safety, are familiar with the relevant rules for work safety and safe operating procedures, master the safety operating skills for the posts, understand the emergency handling measures for accidents and are aware of their rights and obligations in respect of work safety. No employee who fails to pass the examination after receiving education and training on work safety may be assigned to posts. The safety facilities of a production or business operation entity for engineering projects to be built, renovated or expanded (hereinafter collectively referred to as construction projects) shall be designed, constructed, and put into operation and use simultaneously with the principal part of the projects. Investments

into safety facilities shall be included in the budgetary estimates for the construction projects. Our laboratories and production facilities are subject to and must comply with the Safety Production Law.

## 7. PREVENTION OF OCCUPATIONAL DISEASES

On 27 October 2001, the SCNPC promulgated the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (職業病防治法) (the "**Law on the Prevention and Control of Occupational Diseases**"), which became effective on 1 May 2002 and was amended on 31 December 2011, 2 July 2016 and 4 November 2017 respectively. In accordance with the Law on the Prevention and Control of Occupational Diseases, the expenditure entailed by the facilities included in a construction projects, for the prevention and control of occupational diseases shall be included in the budget of the project, and such facilities shall be designed, constructed, and put into production and use at the same time with the main body of the construction project. And before accepting a construction project upon its completion in the acceptance inspection, the construction unit shall have the effect of occupational disease hazard control assessed in relation to the project. In addition, the employer shall take certain measures as prescribed therein for prevention and treatment of occupational diseases in the course of work. Our plants are subject to and must comply with the Law on the Prevention and Control of Occupational Diseases.

## 8. REGULATIONS ON FIRE PREVENTION

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**") was adopted on 29 April 1998, amended on 28 October 2008 and 23 April 2019. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the emergency management authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire and rescue department of such a people's government is responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards.

## 9. FOREIGN EXCHANGE CONTROL

The PRC State Council promulgated the PRC Regulation for the Foreign Exchange (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations, on 29 January 1996, which was then amended in January 1997 and in August 2008. On 20 June 1996, the People's Bank of China further promulgated the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**"), which came into effect on 1 July 1996. Pursuant to the Foreign Exchange Regulation and the Settlement Regulations, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorising distribution of profits or payment of dividends. The Settlement Regulations remove the previous restrictions on convertibility of foreign exchange in respect of current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange

transactions, while foreign exchange transactions in respect of capital account items, such as direct investment, loan, securities investment and repatriation of investment remain subject to the approval of SAFE.

On 19 November 2012, SAFE promulgated the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (資本項目直接投資外匯業務操作規程), an appendix to the Circular of SAFE on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), or SAFE Circular 59, which became effective on 17 December 2012 and amended on 4 May 2015. According to SAFE Circular 59, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-funded enterprises is improved. In addition, on 13 February 2015, SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), which became effective on 1 June 2015 and provides that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On 11 May 2013, SAFE promulgated the Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (外國投資者境內直接投資外匯管理規定), or FDI Provisions, and the relevant supporting documents which regulate and clarify the administration over foreign exchange administration in foreign direct investments. The FDI Provisions became effective on 13 May 2013 and was amended on 10 October 2018.

On 30 March 2015, SAFE released the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from 1 June 2015. On 9 June 2016, SAFE further promulgated the Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Projects (關於改革和規範資本項目結匯管理政策的通知), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Considering that SAFE Circular 19 and SAFE Circular 16 are relatively

new, it is unclear how they will be implemented, and there exists high uncertainties with respect to their interpretation and implementation by authorities. For example, under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or SAFE Circular 37, on 4 July 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires an amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Failure to comply with the SAFE registration requirements under SAFE Circular 37 could result in liability under PRC law for evasion of foreign exchange controls. On 13 February 2015, SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective 1 June 2015, which provides that the local bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

## 10. LABOUR AND SOCIAL INSURANCE

Pursuant to the PRC Labour Law (中華人民共和國勞動法), which was promulgated by the SCNPC on 5 July 1994 and became effective on 1 January 1995 and subsequently amended on 27 August 2009 and 29 December 2018, the PRC Labour Contract Law (中華人民共和國勞動合同法), which was promulgated by the SCNPC on 29 June 2007 and subsequently amended on 28 December 2012 and became effective on 1 July 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (中華人民共和國勞動合同法實施條例), which was promulgated by the State Council and became effective on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labour safety and sanitation, strictly abide by State rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

Under applicable PRC laws, including the Social Insurance Law of PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on 28 October 2010 and became effective on 1 July 2011 and amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council and became effective on 22 January 1999 and amended on 24 March 2019, and the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), which was promulgated by the State Council and became effective on 3 April 1999, amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

## 11. DIVIDEND DISTRIBUTION

Pursuant to the PRC Company Law and the Foreign-Owned Enterprise Law of PRC, as amended on 26 October 2018 and 3 September 2016 respectively, and the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC, as amended on 12 April 2001 and 19 February 2014, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a foreign-invested enterprise is required to set aside at least 10% of its respective accumulated profits each year to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. These wholly foreign-owned companies may also allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. Amounts allocated to these reserve funds and staff welfare and bonus funds reduce the amount distributable as cash dividends. Upon approval of the competent governmental authorities, foreign investors may utilise RMB dividends to invest or re-invest in enterprises established in China.

On 26 January 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知), or SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including the requirements that (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

## 12. TAXATION

Because we carry out our PRC business operations through operating subsidiaries organised under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**"), promulgated by the National People's Congress on 16 March 2007, which became effective on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing on 1 January 2008 with certain exceptions. In order to clarify certain provisions of the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) on 6 December 2007, which became effective on 1 January 2008 and was amended on 23 April 2019. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

The EIT Implementation Rules provide that, since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

According to the Temporary Regulations on Value added Tax of the PRC (中華人民共和國增值稅暫行條例) (the "**VAT Regulations**"), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 10 November 2008, on 6 February 2016 and 19 November 2017 respectively, and the Detailed Rules for the Implementation of the VAT Regulations (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance (中華人民共和國財政部) (the "**MOF**") and came into effect on 25 December 1993 and was amended on 15 December 2008 and 28 October 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value added tax. Other than those as specified in the VAT Regulations, the tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) issued on 4 April

2018 and became effective on 1 May 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (關於深化增值税改革有關政策的公告) issued on 20 March 2019 and became effective on 1 April 2019, the value added tax rate was reduced to 13% and 9%, respectively.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on 20 February 2009 (關於執行税收協定股息條款有關問題的通知) by the state administration of taxation, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (國家税務總局關於税收協定中"受益所有人"有關問題的公告), issued on 3 February 2018 and effective on 1 April 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under thence Arrangement.

## 1. OUR EARLY CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 11 April 2018 and is the holding company of our Group. We are a leading cellular immunotherapy biopharmaceutical company in China focused on the research, development, and commercialisation of T cell immunotherapy for over 13 years.

Our history can be traced back to Beijing Yongtai, a PRC limited liability company established by Innocell USA Corporation (which was only an investment holding company whose name was chosen as it bears the meaning of "innovative" and "cell" and was used with Innocell Corporation's acknowledgement) in November 2006, where upon Dr Wang, our executive Director, CEO and co-CTO, was appointed as the director, CEO and CTO of Beijing Yongtai and Mr Jung, our executive Director and chief strategy officer, was appointed as the director of Beijing Yongtai. For further information about Beijing Yongtai, please refer to "3. Our subsidiaries" below. In January 2016, through a series of investments with their own funds, Mr Jung (through Beijing Sainuotai, his wholly-owned company) and Tan Xiaoyang (the father of Mr Tan, our Chairman and executive Director and one of our Controlling Shareholders) acquired the entire registered capital of Beijing Yongtai as to 70.00% and 30.00%, respectively. Subsequently, a group of Passive Minority Shareholders invested in Beijing Yongtai and with a view to consolidate control over Beijing Yongtai and our Company, they and Mr Tan entered into the Irrevocable Trust Arrangements, whereby the Passive Minority Shareholders have agreed to irrevocably entrust to Mr Tan (and his investment holding company, Tan Zheng Ltd) all their voting rights at any general meeting of Beijing Yongtai and our Company such that Mr Tan and Tan Zheng Ltd may exercise such voting rights with absolute discretion. For further information about the Irrevocable Trust Arrangements, please refer to "8. Irrevocable Trust Arrangements" below. As such, since 30 June 2016, Mr Tan has been a shareholder of Beijing Yongtai controlling over 30.00% of the voting rights up to immediately prior to our Reorganisation. For further information about Beijing Yongtai and our Reorganisation, please refer to "3. Our Subsidiaries" and "4. The Reorganisation" respectively below.

## 2. BUSINESS MILESTONES

Since our establishment in 2006, we have focused on R&D and clinical applications of cellular immunotherapy drugs for cancers and other major diseases, by applying advanced theories in immunology, cell biology, and genetics.

The following table sets forth a summary of our Group's key business milestones:

| Year | Key Business Milestones |
|---|---|
| 2006 | • Beijing Yongtai was established in the PRC |
| 2007 | • Our patent "Highly effective method for amplifying activated lymphocyte and cultivation system" was applied for with the China National Intellectual Property Administration in the PRC |

| | | |
|---|---|---|
| 2011 | • | Our patent "Highly effective method for amplifying activated lymphocyte and cultivation system" was granted by the China National Intellectual Property Administration in the PRC |
| | • | We commenced pre-clinical studies on EAL® |
| 2013 | • | We commenced research into CAR-T cell technology |
| 2015 | • | We submitted an IND application for EAL® |
| 2016 | • | EAL® had been clinically applied in dozens of hospitals for the treatment of more than 4,000 patients. For details, please refer to "Business — 4. Product Pipeline — EAL® — Early R&D and clinical application (2006-16)" |
| 2017 | • | We obtained the drug clinical trial approval document in respect of our EAL® product |
| | | We commenced pre-clinical studies on our CAR-T-19 product candidate |
| 2018 | • | EAL® became the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and the first that had been approved for application in a Phase II clinical trial for solid tumour treatment according to Frost & Sullivan |
| | • | We commenced Phase II clinical trial for EAL® indicated for the prevention of postsurgical recurrence of liver cancer |
| | • | Our CAR-T-19 injection product candidate achieved a complete response rate of over 90% in a researcher-initiated clinical study in which 63 patients were treated from June 2017 to September 2018 |
| | • | We applied for three invention patents, including an invention patent for an improved lentiviral vector and two invention patents in relation to two of our product candidates, namely CAR-T-19-DNR and aT19, which are certain improved methods used in T-cell therapy |
| | • | Shanghai Yongtai was established in preparation for the commercialisation of EAL® in Eastern China |

2019
- We filed an IND application for the CAR-T-19 injection product candidate
- Guangzhou Yongrui was established in preparation for the commercialisation of EAL® in Southern China
- We established a research centre in Korea for research of CAR-T cell technology
- We obtained ethical approval from the China Ethics Committee of Registering Clinical Trials to commence a clinical study on our CAR-T-19-DNR product candidate

## 3. OUR SUBSIDIARIES

As of the Latest Practicable Date, we principally engaged in the research and development of our product pipeline through Beijing Yongtai and Yongtai Ruike. Our subsidiaries in the PRC are set out as follows:

| No. | Name | Major business activities | Date of establishment | Registered capital as of the Latest Practicable Date |
|---|---|---|---|---|
| 1. | Beijing Yongtai | R&D of EAL® | 20 November 2006 | RMB22.75 million |
| 2. | Yongtai Ruike*(Note)* | R&D of CAR-T and TCR-T | 8 June 2018 | RMB100,000 |
| 3. | Shanghai Yongtai | No current operations | 2 July 2018 | RMB10 million |
| 4. | Guangzhou Yongrui | No current operations | 27 February 2019 | RMB10 million |
| 5. | Beijing Weixiao | No current operations | 15 July 2016 | RMB26 million |
| 6. | AK Ruihe | Investment holding | 3 July 2018 | HK$43 million |

*Note:* Please refer to "Contractual Arrangements" for further details.

We describe below a summary of our subsidiaries in the PRC, including major changes in their equity capital of such major subsidiaries during the Track Record Period.

### Beijing Yongtai

After Mr Jung having acquainted and met with each of Tan Xiaoyang and Mr Tan in and around early 2015, in January 2016, through a series of investments, Mr Jung (through Beijing Sainuotai, his wholly-owned company) and Tan Xiaoyang acquired the entire registered capital of Beijing Yongtai as to 70.00% and 30.00%, representing RMB10.3 million and RMB4.4 million of its registered capital, respectively. Beijing Yongtai is a limited liability company established in the PRC on 20 November 2006 and is principally engaged in R&D of EAL®. At the time of establishment, its registered

capital was US$3.0 million and was wholly-owned by Innocell USA Corporation, which in turn was wholly owned by Jung Hyun Jin(1), the brother of Mr Jung.

Pursuant to the equity transfer agreements dated 18 April 2017 (1) Tan Xiaoyang transferred 4.00%, 1.50% and 2.00% of his equity interest in Beijing Yongtai to each of Mr Tan, Li Lei and Ke Shaobin, at a consideration of RMB728,402, RMB272,782 and RMB364,201, respectively, which was determined with reference to the then registered capital of Beijing Yongtai; and (2) Beijing Sainuotai transferred 3.50% and 4.00% of its equity interest in Beijing Yongtai to Li Lei and Song Aiping at a consideration of RMB636,983 and RMB728,402, respectively, which was determined with reference to the then registered capital of Beijing Yongtai; Zhang Junzheng and Ma Xiaoou subscribed for 15.20% and 3.80% equity interest in Beijing Yongtai, for a consideration of RMB40.0 million and RMB10.0 million, respectively, through arms' length negotiations with reference to a pre-money valuation of RMB263.0 million of Beijing Yongtai.

Pursuant to its shareholder resolutions dated 13 March 2018, Beijing Yongtai issued and Wang Shuhui, Li Yunhui, Tan Yueyue, Wang Minhui, Wang Yuning and Zhang Beini subscribed for 4.00%, 4.00%, 4.00%, 4.00%, 2.00% and 2.00% equity interest in Beijing Yongtai for a consideration, based on the amount of the registered capital subscribed, of RMB30.0 million, RMB30.0 million, RMB30.0 million, RMB30.0 million, RMB15.0 million and RMB15.0 million, respectively.

Pursuant to the equity transfer agreement dated 29 March 2018, Mr Tan acquired from Li Lei 4.00% equity interest in Beijing Yongtai for a consideration of RMB909,765. The consideration was determined based on the then registered capital of Beijing Yongtai.

Pursuant to the equity transfer agreement dated 29 March 2018, Ni Gang acquired from Song Aiping 2.00% equity interest in Beijing Yongtai for a consideration of RMB455,091. The consideration was determined based on the then registered capital of Beijing Yongtai.

According to our PRC Legal Advisers, the transactions above have been properly and legally completed and settled and all necessary regulatory approvals have been obtained in accordance with PRC laws and regulations.

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(1) Mr Jung Hyun Jin has never been involved in any operation of Beijing Yongtai and he relied on his brother Mr Jung to operate the business of Beijing Yongtai.

After graduating from the medical college of Seoul National University in 1989, he obtained training as an intern and resident in Seoul National University Hospital, became a medical doctor in clinical pathology and served as a fellow in Seoul National University Hospital until 2000. From 2002 to 2005, he served as the CEO of Bio Medical Holdings Co., a cancer drug developer in the Republic of Korea. From 2005 to 2012, he served as the CEO of Innocell Corporation now named as Green Cross Cell, an immune cell therapy company in the Republic of Korea. From 2013 to the Latest Practicable Date, he served as the CEO of StCube, a cancer drug company in the Republic of Korea. He divested out of Beijing Yongtai entirely in January 2016 for other investments. As of the Latest Practicable Date, Mr Jung Hyun Jin's investment portfolio mainly included shares of StCube where he serves as the CEO.

Upon completion of the aforesaid transactions and up to immediately prior to the Reorganisation, the list of shareholders of, and their respective equity interest in, Beijing Yongtai are set out as follows:

| Shareholder of Beijing Yongtai | Relationship with our Group/Directors/Shareholders | Approximate % of equity interest |
|---|---|---|
| Mr Jung[(1)] | Executive Director and chief strategy officer of our Group | 39.36 |
| Mr Tan[(2)] | Chairman and executive Director | 7.20 |
| Tan Xiaoyang (譚曉陽)[(2)] | Investor, the father of Mr Tan and spouse of Tan Yueyue | 13.44 |
| Zhang Junzheng (張軍政)[(2)] | Investor, the spouse of Wang Minhui and brother-in-law of Wang Shuhui | 12.16 |
| Li Yunhui (李昀慧)[(2)] | Investor | 4.00 |
| Tan Yueyue (譚月月)[(2)] | Investor, the mother of Mr Tan and spouse of Tan Xiaoyang | 4.00 |
| Wang Shuhui (王淑慧)[(2)] | Investor, the sister of Wang Minhui and sister-in-law of Zhang Junzheng | 4.00 |
| Ma Xiaoou (馬曉鷗)[(2)] | Investor | 3.04 |
| Wang Yuning (王玉寧)[(2)] | Investor | 2.00 |
| Ke Shaobin (柯少彬)[(2)] | Investor | 1.60 |
| Song Aiping (宋愛平)[(2)] | Investor | 1.20 |
| Wang Minhui (王敏慧) | Investor, the spouse of Zhang Junzheng and sister of Wang Shuhui | 4.00 |
| Ni Gang (倪剛) | Investor and Independent Third Party | 2.00 |
| Zhang Beini (張蓓妮) | Investor and Independent Third Party | 2.00 |

*Notes:*

(1) Mr Jung's interest was held through Beijing Sainuotai, his wholly-owned company.

(2) Pursuant to the Irrevocable Trust Arrangements, the Passive Minority Shareholders have all agreed to irrevocably entrust all their shareholder voting rights in Beijing Yongtai to Mr Tan. For further information about the Irrevocable Trust Arrangements, please refer to "8. Irrevocable Trust Arrangements" below.

For subsequent equity transfers in Beijing Yongtai, see "4. The Reorganisation" below.

**Yongtai Ruike**

Yongtai Ruike is a limited liability company established in the PRC on 8 June 2018 and is principally engaged in R&D of CAR-T and TCR-T cells. At the time of establishment, its registered capital was RMB100,000 and was owned as to 60.00% and 40.00% by Mr Tan and Dr Wang, respectively. On 10 September 2018, we entered into the Contractual Arrangements with the Registered Shareholders and Yongtai Ruike, under which substantially all economic benefits arising from the business of Yongtai Ruike are transferred to Beijing Yongtai to the extent permitted under the PRC laws and regulations. Please refer to "Contractual Arrangements" for further details of the Contractual Arrangements.

**Shanghai Yongtai**

Shanghai Yongtai is a limited liability company established in the PRC on 2 July 2018 with a registered capital of RMB10.0 million in preparation for the commercialisation of EAL® products in the Eastern China. Shanghai Yongtai is wholly-owned by Beijing Yongtai. As at the Latest Practicable Date, Shanghai Yongtai had no business operations.

**Guangzhou Yongrui**

Guangzhou Yongrui is a limited liability company established in the PRC on 27 February 2019 with a registered capital of RMB10.0 million in preparation for the commercialisation of EAL® products in the Southern China. Guangzhou Yongrui is wholly-owned by Beijing Yongtai. As at the Latest Practicable Date, Guangzhou Yongrui had no business operations.

**Beijing Weixiao**

Beijing Weixiao is a limited liability company established in the PRC on 15 July 2016. Beijing Weixiao is principally engaged in technical development of biological products. At the time of establishment, its registered capital was RMB26.0 million and was owned as to 99.00% and 1.00% respectively by Wu Shuangchen and Liao Qian, who are Independent Third Parties save as to being shareholders of Beijing Weixiao. On 20 July 2017, Beijing Yongtai acquired 70.00% equity interest in Beijing Weixiao from Wu Shuangchen at nil consideration. As confirmed by our Directors, such consideration was determined on the basis that Beijing Weixiao was a company with no assets and no business operations at the time of the acquisition and Beijing

Yongtai was obligated to make capital injections of RMB5.0 million to Beijing Weixiao to fund Beijing Weixiao's research and development activities after the acquisition. Upon completion of the acquisition, Beijing Weixiao became a subsidiary of Beijing Yongtai, which was owned as to 70.00%, 29.00% and 1.00% by Beijing Yongtai, Wu Shuangchen and Liao Qian respectively. Beijing Yongtai had subsequently injected RMB5.0 million into Beijing Weixiao in late 2017 to fund its research and development activities.

In light of our current strategic focus on and expected rising demand for EAL®, CAR-T and TCR-T products, we have decided to allocate all of our R&D resources and time to our development for those product's pipelines, and the R&D in Beijing Weixiao has been terminated since June 2019. As at the Latest Practicable Date, Beijing Weixiao had no business operations.

As part of our business strategy and long-term development goals, we regularly engage in acquisition activities to expand our business and disposal activities to streamline our business operations. During the Track Record Period, save as our acquisition of Beijing Weixiao, we did not conduct any acquisitions or mergers which we consider to be material to the operations and performance of our Group.

For details of the accounting implications regarding our acquisitions during the Track Record Period, see note 31 of the Accountants' Report set out in Appendix I to this prospectus.

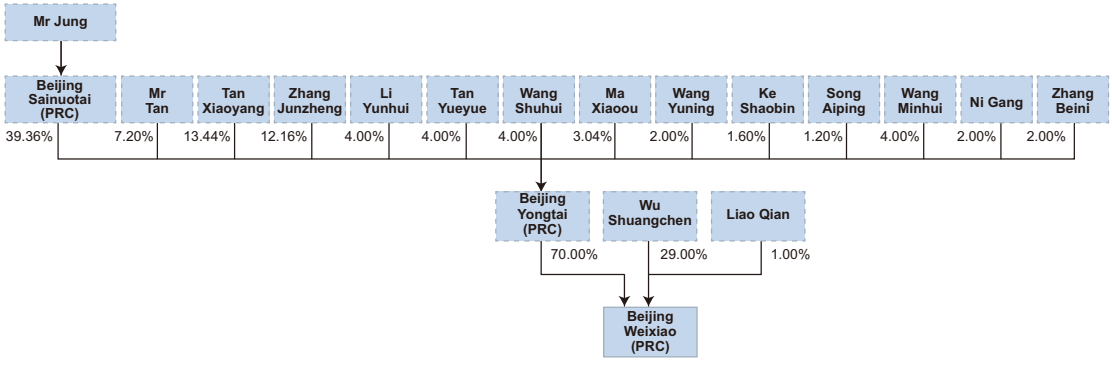
### AK Ruihe

AK Ruihe is a limited liability company established in the PRC on 3 July 2018 with a registered capital of HK$43 million, see "4. The Reorganisation — Establishment of AK Ruihe" for details.

## 4. THE REORGANISATION

### Corporate structure immediately prior to the Reorganisation

The following chart sets forth the corporate structure of our Group immediately prior to the Reorganisation:




In preparation for the Listing, our Group underwent the Reorganisation which involved the following steps.

**Incorporation of our Company**

Our Company was incorporated to act as the holding company of our Group following the Reorganisation.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 April 2018 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of incorporation of our Company, one share was issued and allotted to Sertus Nominees (Cayman) Limited as the initial subscriber, for US$1.00 and was fully paid-up which was on the same day transferred to Evodevo, a company wholly-owned by Mr Jung.

**Incorporation of Hamiyang**

Hamiyang was incorporated in the BVI on 19 April 2018 with an authorised share capital of US$50,000 divided into 50,000 shares of a par value of US$1.00 each, which one share was allotted and issued to our Company upon its incorporation. Hamiyang is wholly-owned by our Company and is the holding company of JY Research. As of the Latest Practicable Date, Hamiyang had no business operations other than its investment holding in JY Research.

**Incorporation of JY Research**

JY Research was incorporated in Hong Kong on 3 May 2018 with an issued share capital of HK$1.00 comprising one share, which was allotted and issued to Hamiyang on incorporation. JY Research is wholly-owned by Hamiyang and is the holding company of AK Ruihe. As of the Latest Practicable Date, JY Research had no business operations other than its investment holding in AK Ruihe.

**Establishment of AK Ruihe**

AK Ruihe was established as a limited liability company under the laws of the PRC on 3 July 2018 with a registered capital of HK$43.0 million. AK Ruihe is wholly-owned by JY Research and is the holding company of our PRC subsidiaries. As of the Latest Practicable Date, AK Ruihe had no business operations other than its investment holding in Beijing Yongtai.

**Acquisition of Beijing Yongtai by AK Ruihe**

Pursuant to the equity transfer agreement dated 9 July 2018 between Beijing Sainuotai and JY Research, JY Research acquired from Beijing Sainuotai 1.00% equity interest in Beijing Yongtai for a cash consideration of RMB344,961. Pursuant to the equity transfer agreements dated 29 August 2018 between AK Ruihe and the then shareholders of Beijing Yongtai, namely Beijing Sainuotai,Tan Xiaoyang, Zhang Junzheng, Ni Gang, Song Aiping, Mr Tan, Ke Shaobin, Ma Xiaoou, Wang Minhui, Wang Yuning, Wang Shuhui, Li Yunhui, Tan Yueyue, Zhang Beini and JY Research, AK Ruihe acquired from such shareholders their respective equity interest, representing the entire equity interest in Beijing Yongtai for an aggregate cash consideration of RMB34.5 million. The aforesaid considerations were determined with reference to the asset valuation of Beijing Yongtai as at 30 April 2018 assessed by an independent valuer.

According to our PRC Legal Advisers, the transactions above have been properly and legally completed and settled and all necessary regulatory approvals have been obtained in accordance with PRC laws and regulations.

**Allotment and issue of ordinary shares**

On 30 August 2018, our Company allotted and issued an aggregate of 9,999 Shares with a par value of US$1.00 per share. Upon the completion of the aforesaid allotment, the shareholding structure of our Company was as follows:

| Shareholders | Number of shares | % of the shareholding |
|---|---|---|
| Evodevo[(1)] | 3,936 | 39.36% |
| Tan Zheng Ltd[(2)] | 720 | 7.20% |
| Tan Xiao Yang Ltd[(3)] | 1,344 | 13.44% |
| Zhang Jun Zheng Ltd[(4)] | 1,216 | 12.16% |
| Hui Shi Dan Kun Ltd[(5)] | 400 | 4.00% |
| Tan Yue Yue Ltd[(6)] | 400 | 4.00% |
| Wang Shu Hui Ltd[(7)] | 400 | 4.00% |
| Xiao O Ltd[(8)] | 304 | 3.04% |
| Yu Ning Ltd[(9)] | 200 | 2.00% |
| Ke Shi Ltd[(10)] | 160 | 1.60% |
| Song Ai Ping Ltd[(11)] | 120 | 1.20% |
| Wang Min Hui Ltd[(12)] | 400 | 4.00% |
| Rnng Ltd[(13)] | 200 | 2.00% |
| Bei Ni Ltd[(14)] | 200 | 2.00% |
| **Total** | **10,000** | **100%** |

*Notes:*

(1) Evodevo is a company wholly-owned by Mr Jung.

(2) Tan Zheng Ltd is a company wholly-owned by Mr Tan.

(3) Tan Xiao Yang Ltd is a company wholly-owned by Tan Xiaoyang.

(4) Zhang Jun Zheng Ltd is a company wholly-owned by Zhang Junzheng.

(5) Hui Shi Dan Kun Ltd is a company wholly-owned by Li Yunhui.

(6) Tan Yue Yue Ltd is a company wholly-owned by Tan Yueyue.

(7) Wang Shu Hui Ltd is a company wholly-owned by Wang Shuhui.

(8) Xiao O Ltd is a company wholly-owned by Ma Xiaoou.

(9) Yu Ning Ltd is a company wholly-owned by Wang Yuning.

(10) Ke Shi Ltd is a company wholly-owned by Ke Shaobin.

(11) Song Ai Ping Ltd is a company wholly-owned by Song Aiping.

(12) Wang Min Hui Ltd is a company wholly-owned by Wang Minhui.

(13) Rnng Ltd is a company wholly-owned by Ni Gang.

(14) Bei Ni Ltd is a company wholly-owned by Zhang Beini.

On 23 October 2018, our Company increased the authorised share capital from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to US$5.00 million divided 5,000,000 shares of a par value of US$1.00 each.

On 11 January 2019, pursuant to the Equity Financing Subscription Agreement and a letter of direction dated 11 December 2018 from NKY HK, our Company allotted and issued an aggregate of 10,000 shares of US$1.00 each to Bei Ni Ltd, NKY HK, Brim Elite and Great Edge, for a total subscription price of HK$200.0 million. For details of the allotment and issue of the shares above, see "6. Pre-IPO Investments" below.

On 11 January 2019, our Company further allotted and issued an aggregate of 80,000 shares with a par value of US$1.00 per share. Upon completion of the aforesaid allotment, the shareholding structure of our Company was as follows:

| Shareholders | Number of shares in our Company | % of shareholding in our Company |
|---|---|---|
| Evodevo[(1)] | 35,424 | 35.42% |
| Tan Zheng Ltd[(2)] | 6,480 | 6.48% |
| Tan Xiao Yang Ltd[(3)] | 12,096 | 12.10% |
| Zhang Jun Zheng Ltd[(4)] | 10,944 | 10.94% |
| Hui Shi Dan Kun Ltd[(5)] | 3,600 | 3.60% |
| Tan Yue Yue Ltd[(6)] | 3,600 | 3.60% |
| Wang Shu Hui Ltd[(7)] | 3,600 | 3.60% |
| Xiao O Ltd[(8)] | 2,736 | 2.74% |
| Yu Ning Ltd[(9)] | 1,800 | 1.80% |
| Ke Shi Ltd[(10)] | 1,440 | 1.44% |
| Song Ai Ping Ltd[(11)] | 1,080 | 1.08% |
| Wang Min Hui Ltd[(12)] | 3,600 | 3.60% |
| Rnng Ltd[(13)] | 1,800 | 1.80% |
| Bei Ni Ltd[(14 & 15)] | 8,050 | 8.05% |
| NKY HK[(15)] | 2,000 | 2.00% |
| Brim Elite[(15)] | 1,250 | 1.25% |
| Great Edge[(15)] | 500 | 0.50% |
| **Total** | **100,000** | **100%** |

*Notes:*

(1) Evodevo is a company wholly-owned by Mr Jung.

(2) Tan Zheng Ltd is a company wholly-owned by Mr Tan.

(3) Tan Xiao Yang Ltd is a company wholly-owned by Tan Xiaoyang.

(4) Zhang Jun Zheng Ltd is a company wholly-owned by Zhang Junzheng.

(5) Hui Shi Dan Kun Ltd is a company wholly-owned by Li Yunhui.

(6) Tan Yue Yue Ltd is a company wholly-owned by Tan Yueyue.

(7) Wang Shu Hui Ltd is a company wholly-owned by Wang Shuhui.

(8) Xiao O Ltd is a company wholly-owned by Ma Xiaoou.

(9) Yu Ning Ltd is a company wholly-owned by Wang Yuning.

(10) Ke Shi Ltd is a company wholly-owned by Ke Shaobin.

(11) Song Ai Ping Ltd is a company wholly-owned by Song Aiping.

(12) Wang Min Hui Ltd is a company wholly-owned by Wang Minhui.

(13) Rnng Ltd is a company wholly-owned by Ni Gang.

(14) Bei Ni Ltd is a company wholly-owned by Zhang Beini.

(15) Each of Bei Ni Ltd, NKY HK, Brim Elite and Great Edge is a Pre-IPO Investor.

## 5. CONTRACTUAL ARRANGEMENTS

We have entered into Contractual Arrangements as part of our Reorganisation. For details of the Contractual Arrangements, see "Contractual Arrangements".

## 6. PRE-IPO INVESTMENTS

### Overview

We underwent two rounds of Pre-IPO Investments:

Pursuant to the Equity Financing Subscription Agreement dated 11 December 2018, our Company allotted and issued an aggregate of 10,000 shares of US$1.00 each (which represented 10.00% of the total number of issued shares in our Company immediately following completion of the subscription under the Equity Financing Investment Agreement) to Bei Ni Ltd, Great Edge, Brim Elite and NKY HK on 11 January 2019 for a consideration of HK$200 million.

Pursuant to the Preference Shares Subscription Agreement dated 3 June 2019, Poly Platinum subscribed for 5,000 Convertible Preference Shares (which represented 4.76% of the total number of issued shares in our Company immediately following completion of the Preference Shares Financing) from the Company for a consideration of HK$200 million.

## Principal terms of the Pre-IPO Investments

The below table summarises the principal terms of the Pre-IPO Investments:

| | Equity Financing | | | | Preference Shares Financing |
|---|---|---|---|---|---|
| | **Bei Ni Ltd[3]** | **Great Edge** | **Brim Elite** | **NKY HK** | **Poly Platinum** |
| Consideration paid by the investors | HK$125.0 million | HK$10.0 million | HK$25.0 million | HK$40.0 million | HK$200.0 million[1] |
| Basis of the consideration paid | Post-money valuation of our Group at HK$2 billion for the Equity Financing. The consideration for the Pre-IPO Investments were determined based on arm's length negotiations between us and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities. | | | | Post-money valuation of our Group at HK$4.2 billion for the Preference Shares Financing. The consideration for the Pre-IPO investments were determined based on arm's length negotiations between us and the Pre-IPO Investor after taking into consideration, among other things, the timing of the investments, the additional number and significance of business milestones achieved, the terms of investment, the updated status of commercialisation planning of its core product in the PRC and the status of our business and operating entities. |
| Number of ordinary shares subscribed | 6,250 | 500 | 1,250 | 2,000 | N/A |
| Number of Convertible Preference Shares subscribed | N/A | N/A | N/A | N/A | 5,000 |
| Date on which investment was fully settled | 30 May 2018 | 8 January 2019 | 14 January 2019 | 14 January 2019 | 12 June 2019 |
| Shareholding in our Company immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued upon exercise of any options that may be granted under the Share Option Schemes) | 4.76%[4] | 0.38% | 0.95% | 1.52% | 3.81% |
| Cost per Share (taking into account Capitalisation Issue) | HK$4.07 | HK$5.25 | HK$5.25 | HK$5.25 | HK$10.50 |
| Discount to the Offer Price[2] | 62.14% | 51.16% | 51.16% | 51.16% | 2.32% |

| | Equity Financing | | | | Preference Shares Financing |
|---|---|---|---|---|---|
| | **Bei Ni Ltd[3]** | **Great Edge** | **Brim Elite** | **NKY HK** | **Poly Platinum** |
| Use of proceeds from the Pre-IPO Investments | The Company shall use the entire proceeds from the sale of the subscribed Shares for the operation, business, development or investment in the principal business of the Group in accordance with the budget and business plan as approved by the Board from time to time. | | | | After deducting the transactions costs, the remaining amount of the proceeds from the issue of Convertible Preference Shares shall be applied by the Company to satisfy any operational fees, costs or expenses arising from or in relation to the business, or to finance any investment, acquisition or share subscription by the Group (if any) which is approved by Poly Platinum from time to time. |
| Amount of unutilised proceeds of the Pre-IPO Investments: | As at 30 September 2019, the unutilised proceeds from the Pre-IPO Investments amounted to HK$152.3 million, in aggregate. | | | | |
| Lock-up | No lock-up arrangement. | | | | |
| Strategic benefits of the Pre-IPO Investors brought to our Company | At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the Pre-IPO Investors' commitments to our Company as their investments demonstrate their confidence in the operations of our Group and serve as an endorsement of our Company's performance, strength and prospects.<br><br>Apart from financial and startup investors, our Pre-IPO Investors include a company engaged in, among other things, research, development, production and distribution of biochemical products and related pharmaceutical intermediaries and a fund that seeks to seize on, among other things, technological innovation. Taking into account the background and experience of our Pre-IPO Investors, we expect they may bring in the following strategic benefits to the Group:<br><br>(i) we may utilise our Pre-IPO Investors' business network in the PRC with various corporations, where our Pre-IPO Investors may match the Group's business needs with their respective acquaintances to provide our Group with appropriate financial and/or network resources for our future growth and development;<br><br>(ii) leveraging on our Pre-IPO Investors' business exposure and existing network, our Group may be able to better promote our Group's products and bring in potential customers to our Group and solidify our Group's sales framework on the commercialisation of our Group's products in the future; and<br><br>(iii) Si Xiaobing, Lu Yuan and Li Yuezhong, as non-executive Directors, will be able to provide strategic input in our management with experience and specialties in their respective fields. See "Directors and Senior Management" for biographical details of our non-executive Directors. | | | | |

*Notes:*

(1) Pursuant to the Convertible Bond Subscription Agreement dated 29 March 2019, the Company issued a convertible bond in the principal amount of HK$100.0 million to Poly Platinum on 9 April 2019. Subsequently, such convertible bond was redeemed on 12 June 2019 for HK$100.0 million due from the Company (the "**Redeemed Amount**"). Under the Preference Shares Subscription Agreement, the consideration for the subscription of the Convertible Preference Shares was settled by (i) setting off with the Redeemed Amount and (ii) payment of HK$100.0 million, together amounting to HK$200.0 million.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$10.75 per Share, being the mid-point of the indicative offer price range stated in this prospectus, on the basis that the Capitalisation Issue and the Global Offering have been completed (including the conversion of the Convertible Preference Shares into Shares).

(3) Bei Ni Ltd paid the consideration early with a view to secure the Pre-IPO Investment opportunity pending the finalisation of the relevant Equity Financing Subscription Agreement with the Company eventually signed on 11 December 2018.

(4) Prior to this Equity Financing, Bei Ni Ltd had been an existing shareholder of our Company. Such 4.76% shareholding is only in connection with this Equity Financing by Bei Ni Ltd and does not include the existing shareholding prior to this Equity Financing. For further information of the shareholding of Bei Ni Ltd immediately following the Global Offering, please refer to "Information on the Pre-IPO Investors — Bei Ni Ltd" below.

**Rights of Poly Platinum under the Preference Shares Financing**

The special rights granted to Poly Platinum pursuant to the Preference Shares Financing are set forth below. All of the special rights are expected to terminate prior to the Listing in accordance with the terms of the Preference Shares Subscription Agreement:

***(a) Conversion rights***

The Convertible Preference Shares shall be automatically converted into fully paid, ordinary shares free of encumbrance based on a conversion ratio of one preference share to one ordinary share on the date of Listing.

***(b) Put option rights***

Poly Platinum has a right to require any or all of the put option grantors, namely, the Company, Mr Tan, Tan Xiaoyang, Zhang Junzheng, Ma Xiaoou, Song Aiping, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue and Wang Yuning, under the put option deed (the "**Put Option Deed**") to purchase or redeem all or any portions of the Convertible Preference Shares held by Poly Platinum.

The put price shall be determined in accordance with the following formulae:

**Put Option price = A * (1 + 10% * n) + B * (1 + 10% * y) * C**

where

A = HK$100.0 million;

n = the number of days from and including 9 April 2019 to and including the completion date of the transfer under the put option / 365;

B = HK$100.0 million;

y = the number of days from and including the Preference Shares Subscription Agreement closing date of the Preference Shares Financing, which is 12 June 2019, and including the completion date of the transfer under the put option / 365; and

C = the number of Convertible Preference Shares to be sold by Poly Platinum to the relevant put option grantor as set out in a notice in writing delivered by or on behalf Poly Platinum to any of the put option grantors under the Put Option Deed.

Exercise windows of the put option

Poly Platinum is only able to exercise the put option:

(1) at the commencement date of the Put Option Deed and up to the date of the first submission of the first listing application to the Hong Kong Stock Exchange by the Company for the Listing;

(2) from the date when the first listing application is withdrawn, rejected, returned or lapsed (the "**First Lapse**") and we do not give an undertaking to submit a renewed application to the Hong Kong Stock Exchange within three months after the First Lapse (the "**Relevant Undertaking**");

(3) from the date when the renewed listing application (submitted to the Hong Kong Stock Exchange within three months after the First Lapse) is withdrawn, rejected, returned or lapsed; and

(4) in the case we have given the Relevant Undertaking, from the date falling three months after the First Lapse and no renewed application has actually been submitted to the Hong Kong Stock Exchange by then (collectively, the "**Exercise Windows**").

Trigger events of the put option

Poly Platinum has the right to exercise the put option during any of the Exercise Windows if any of the following events occurs:

(1) if the Company fails to achieve a Qualified IPO (as defined below) within 12 months from 12 June 2019;

(2) if the Company issues shares exceeding 10.00% of the total number of issued and outstanding ordinary shares (taking into account the effect of any share splits, share consolidations or analogous restructuring of the issued share capital of the Company from time to time and excluding any shares to be issued under the Global Offering); or

(3) if the Group fails to meet certain business performance requirements, including but not limited to (i) IND application, Phase 1 and Phase 2 clinical trial targets and milestones of CAR-T-19 and (ii) Phase 2 clinical trial targets and milestones, conditional approval and drug marketing authorisation of the core product candidate, and the relevant deadlines for the aforesaid targets and milestones for the 36 months following the closing date, which is 12 June 2019.

Qualified IPO means an initial public offering ("**IPO**") with a valuation based on the offer price of the IPO which, on a Pre-IPO basis, impliedly values the equity value of 100% of the Group as a whole immediately prior to the Listing of the Company at not less than HK$5,460 million. Nevertheless, the Company has obtained a consent from Poly Platinum to an IPO regardless of whether a Qualified IPO is achieved within 12 months from 12 June 2019.

***(c) Pre-emptive rights***

Poly Platinum has a pre-emptive right to purchase up to its pro rata share of any new securities (except for certain excepted issuance such as new securities issuance under all employee share incentive plan of the Company), which the Company may, from time to time, propose to sell or issue.

***(d) Director designation rights***

Under the Preference Shares Subscription Agreement, as long as Poly Platinum holds any portion of the Convertible Preference Shares which remains outstanding before the Listing Date, it shall have the right to nominate a member of any board committee established or to be established by the Board and/or a director of any member of the Group.

***(e) Veto Rights***

Certain corporate actions of the Company require the approval with the affirmative vote of the director nominated by Poly Platinum.

***(f) Information Rights***

Poly Platinum has the right to receive the financial information, annual budgets, material information available to any Director and board of directors of any member of the Group, and other information reasonably requested by it, as well as the right to visit and inspect the Company or its subsidiaries to examine the facilities, books of account, records, financial vouchers, financial statements and to discuss affairs with the directors, officers, and senior management of any of our Company and its subsidiaries.

**Security**

Each of Tan Zheng Ltd and Tan Xiao Yang Ltd provided a share mortgage over their respective shares in the Company (representing an aggregate of approximately 17.69% of the shareholding in the Company immediately after the Reorganisation but before completion of the Global Offering), in favour of Poly Platinum to secure the obligations and liabilities under the Put Option Deed. Additionally, each of Tan Xiaoyang, Mr Tan, Zhang Junzheng, Ma Xiaoou, Song Aiping, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue and Wang Yuning provided a guarantee in favour of Poly Platinum in respect of liabilities under the the Put Option Deed. The relevant share mortgages and guarantees are expected to be discharged and released, as the case may be, upon termination of the Put Option Deed which occurs upon exercise of such put option or at an IPO.

**Information on the Pre-IPO Investors**

***NKY HK***

NKY HK was incorporated in Hong Kong on 9 November 2018 and is a wholly-owned subsidiary of NKY Medical, a China-based company listed on the Shenzhen Stock Exchange, and principally engaged in research, development, production and distribution of biochemical products, related pharmaceutical intermediaries and others. The use of its products includes pharmaceuticals and industrials. Zhang Junzheng, a Passive Minority Shareholder, joined NKY Medical in 2005, was its board's secretary and board office's head from 2010 to 2018 and its deputy general manager from 2010 to 2019 and has served as its director and general manager since September 2019. Also, one of NKY Medical's controlling shareholders (together with the concerted parties, holding in aggregate less than 30% of its shareholdings as of the Latest Practicable Date) is the father-in-law of Zhang Junzheng and the father of Wang Shuhui and Wang Minhui, our Passive Minority Shareholder and minority Shareholder respectively. NKY HK is an investment holding company.

NKY HK will be interested in approximately 1.52% of the issued share capital of the Company immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

***Bei Ni Ltd***

Bei Ni Ltd was incorporated in the BVI on 27 March 2018. It is wholly-owned by Zhang Beini, an Independent Third Party. Bei Ni Ltd is an investment holding company and was an existing shareholder of the Company prior to the Equity Financing.

Bei Ni Ltd will be interested in approximately 6.13% of the issued share capital of the Company immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

***Great Edge***

Great Edge was incorporated in the BVI on 28 November 2018. It is wholly-owned by Michael Zhou, an Independent Third Party. Great Edge is an investment holding company.

Great Edge will be interested as to approximately 0.38% of the issued share capital of the Company immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

***Brim Elite***

Brim Elite was incorporated in the BVI on 20 September 2018. It is wholly-owned by Wu Ju, an Independent Third Party. Brim Elite is principally engaged in investment in startup and growth stage companies, and the provision of financial advisory services.

Brim Elite will be interested as to approximately 0.95% of the issued share capital of the Company immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

***Poly Platinum***

Poly Platinum was incorporated in the BVI on 9 November 2018 and is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥) (the "**Greater Bay Area Fund**"). According to Poly Platinum, the general partner of Greater Bay Area Fund is Greater Bay Area Homeland Development Fund (GP) Limited which generally assumes the role on daily operation of the fund, and the Greater Bay Area Fund is a fund that was jointly established by limited partners, which include investment holding vehicles, asset management arms or financial arms of state-owned and non-state-owned conglomerates, institutions and enterprises with group members listed on the Hong Kong Stock Exchange or other major stock exchanges, majority of which

has an asset management scale exceeding multi-billion HK$ and an experienced investment team. All of them became the limited partners of and committed their relevant investment amounts, which in total amounted to approximately HK$10 billion, to the Greater Bay Area Fund in Q4 of 2018. Pursuant to the Convertible Bond Subscription Agreement and the Preference Shares Subscription Agreement which were completed in April 2019 and June 2019 respectively, the Greater Bay Area Fund became our sophisticated investor within the meaning of the Guidance Letter HKEX-GL92-18 issued in April 2018 by the Hong Kong Stock Exchange, and the disclosure in relation to the sophisticated investor complies with the requirements under Guidance Letter HKEX-GL107-20 issued in April 2020 by the Hong Kong Stock Exchange. The Greater Bay Area Fund is under discretionary management by Greater Bay Area Development Fund Management Limited (the "**GBA Fund Management**"), a type 1, 4 and 9 licensed corporation under the SFO. The Greater Bay Area Fund covers a range of activities, including venture capital, private equity investments and listed company investments and mergers and acquisitions. The objective of Greater Bay Area Fund is to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an international innovation and technology hub, which focuses on technological innovation, industrial upgrading, quality of life, smart city and all other related industries. The Greater Bay Area Fund has been in operation for over a year. During this time, the Greater Bay Area Fund has invested in projects solely through its special purpose vehicles, the main vehicle of which, namely Poly Platinum, has invested in at least 13 different projects. The Greater Bay Area Fund has invested in over 15 projects and deployed over a total of HK$2.8 billion as at 31 December 2019. Apart from Poly Platinum's investment in the Company, the Greater Bay Area Fund has already invested in, among others, four high-growth pre-IPO private companies in the healthcare, biotech and pharmaceutical sectors, which include a biopharmaceutical company that develops anti-viral therapies, a biopharmaceutical company that develops therapeutics in the fields of immuno-oncology and immunological diseases, a biotechnology company that specialises in the developing and engineering of immuno-oncology antibodies against novel epitopes and a company that develops technologies for molecular detection and analysis, with the earliest project dating back to 2018. The responsible officers of GBA Fund Management, the investment manager of Greater Bay Area Fund, are seasoned financial professionals with an average of over 15 years of finance and investment experience, and their past working experience include working as responsible officers of Hong Kong securities houses. They have ample experience in investments in, amongst others, the biotech, healthcare and pharmaceutical industry, and for instance, they have participated in over 40 healthcare related projects in total. Poly Platinum is an investment holding company.

The following table sets out the relevant information including the size, knowledge, expertise and experience of key limited partners of Greater Bay Area Fund:

| Limited partner | Relevant background information |
|---|---|
| LP1 | A state-owned conglomerate established in 2012 and managed about RMB300 billion in assets as of the end of 2019. It has made investments in healthcare, pharmaceuticals and technology industries in recent years. For example, a healthcare company in China, which is principally engaged in the manufacture and marketing of pharmaceutical products for various disease areas in the medical and pharmaceutical industry in China. |
| LP2 | A state-owned conglomerate, with healthcare and technology businesses in addition to its businesses in traditional industries. It was established in 2006 and has accumulated assets management scale exceeding HK$120 billion since its establishment. |
| LP3 | A non-state-owned conglomerate established in 1996, with healthcare and insurance businesses in addition to its businesses in traditional industries. It provided a US$115 million grant to a university in the US to develop therapies against COVID-19. In 2018, it established a hospital that focuses in cancer treatment. |
| LP4 | A state-owned conglomerate established in 1999, with assets management and investment subsidiaries, and had total assets valued about HK$130 billion as at the end of its 2019 fiscal year. |
| LP5 | A state-owned conglomerate established in 1912, with total assets valued over RMB3 trillion. In 2015, it formed an acquisition consortium and invested and privatised a New York-listed Chinese company that provides integrated outsourcing services in the discovery, development and manufacturing of innovative drugs and other healthcare products. In 2017, it joined a consortium to acquire shares of a global biopharmaceutical company, for approximately US$605 million. |

| Limited partner | Relevant background information |
|---|---|
| LP6 | A state-owned conglomerate established in 1928, with total assets valued over HK$21 billion as of the end of its 2019 fiscal year. |
| LP7 | A state-owned conglomerate established in 2000, with total assets valued over HK$900 billion as of the end of its 2019 fiscal year. |
| LP8 | A non-state-owned conglomerate established in 1970, with total assets valued over HK$180 billion as of the end of its 2019 fiscal year. In recent years, it has established a provide platform to support start-ups, inventors and technology companies from Hong Kong and overseas. For instance, it sponsored a co-working space which housed several of the investee companies in Hong Kong, including a pharmaceutical biotechnology company developing bacteria-based cancer immunotherapies, a startup aiming to develop and commercialise advanced bio-imaging techniques, and a biotech startup developing innovative vaccines for antimeicrobial resistance, in Hong Kong. |

Without taking into account any Shares subscribed by Poly Platinum under the Cornerstone Placing, Poly Platinum will be interested in approximately 3.81% of the issued share capital of the Company immediately following the Capitalisation Issue and the Global Offering, and taking into account approximately 2.88% of Shares to be issued to Poly Platinum under the Cornerstone Placing based on the mid-point of HK$10.75 of the indicative Offer Price range, it will be interested in approximately 6.69% of our total issued share capital immediately following the Capitalisation Issue and the Global Offering (both assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes). The Convertible Preference Shares held by Poly Platinum shall be converted into ordinary shares of the Company upon Listing.

**Public float**

In respect of the Pre-IPO Investors, as (i) none of the Pre-IPO Investors and its beneficial owners is a core connected person of our Company; (ii) the shares subscribed by the Pre-IPO Investors were not financed by our Company or any core connected persons of our Company; and (iii) the Pre-IPO Investors are not accustomed to take instruction from our Company or any core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it, shares held by the Pre-IPO Investors will be counted towards the public float after the Listing.

In respect of other existing shareholders of our Company, Rnng Ltd and Wang Min Hui Ltd will be counted towards the public float after the Listing as none of Rnng Ltd, Wang Min Hui Ltd and their beneficial owners is a core connected person of our Company. Wang Min Hui Ltd's sole shareholder is the spouse of Zheng Junzheng who is a Passive Minority Shareholder but not a core connected person of our Company.

**Joint Sponsors' confirmation**

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Hong Kong Stock Exchange and (ii) the special rights granted to the Pre-IPO Investors will terminate prior to the Listing, the Joint Sponsors have confirmed that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock Exchange on 13 October 2010 and as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in March 2017.

## 7. SHARE SUBDIVISION

On 23 August 2019, each issued and unissued ordinary and preference share of our Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each and following the subdivision of share capital of our Company, the number of issued (i) ordinary shares of our Company increased from 100,000 of US$1.00 each to 100,000,000 of US$0.001 each, and (ii) preference shares of our Company increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

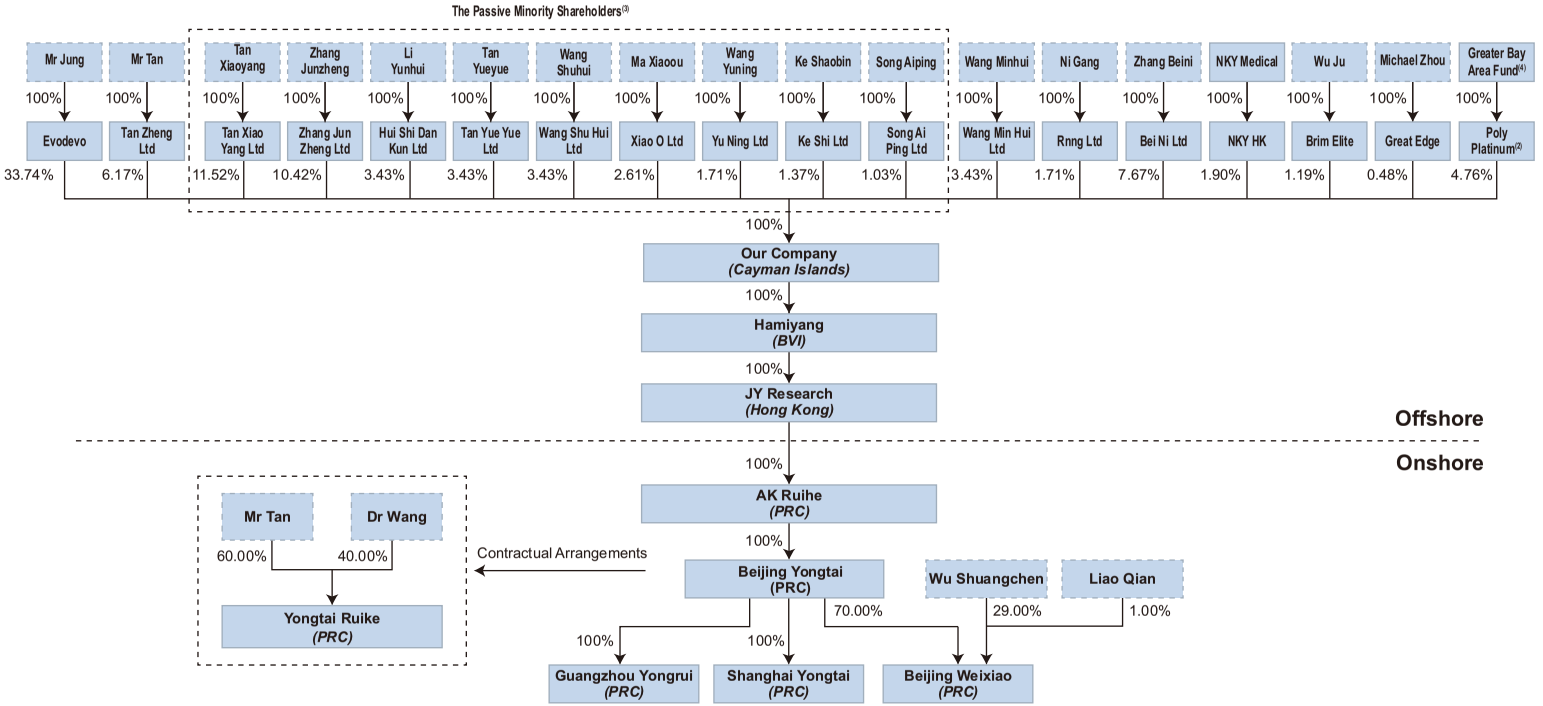
## 8. IRREVOCABLE TRUST ARRANGEMENTS

With a view to consolidate control over Beijing Yongtai and our Company, a group of Passive Minority Shareholders and Mr Tan and Tan Zheng Ltd (as the case may be) entered into the Irrevocable Trust Arrangements, consisting of (1) the First Irrevocable Trust Agreement dated 30 June 2016, pursuant to which the Passive Minority Shareholders irrevocably entrusted their voting rights at any general meeting of Beijing Yongtai to Mr Tan such that he may exercise such voting rights with absolute discretion; (2) the Second Irrevocable Trust Agreement dated 1 March 2018, pursuant to which the Passive Minority Shareholders irrevocably entrusted their voting rights at any general meeting of Beijing Yongtai to Mr Tan such that he may exercise such voting rights with absolute discretion; and (3) the Proxy Agreement dated 29 August 2019, pursuant to which the Passive Minority Shareholders irrevocably entrusted their voting rights at any general meeting of our Company since its incorporation to Tan Zheng Ltd such that it may exercise such voting rights with absolute discretion; the Passive Minority Shareholders have also agreed that they will, and will procure their respective associates, not to acquire or transfer any Shares without Mr Tan's consent.

As such, since 30 June 2016, Mr Tan has been a shareholder of Beijing Yongtai controlling over 30.00% of the voting rights up to immediately prior to our Reorganisation. After the Capitalisation Issue and the Global Offering (assuming Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes), as Mr Tan and Tan Zheng Ltd, directly and indirectly, will be entitled to exercise approximately 36.10% of the voting rights in our Company, each of Mr Tan and Tan Zheng Ltd will be regarded as our Controlling Shareholder under the Listing Rules. For further information on our Controlling Shareholders, please refer to "Relationship with Controlling Shareholders".

## 9. CORPORATE STRUCTURE IMMEDIATELY AFTER THE REORGANISATION AND IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth the shareholding structure[(1)] of our Group immediately after completion of the Reorganisation and immediately before completion of the Global Offering.




*Notes:*

(1) The above chart includes shareholding information related to our major subsidiaries. For details of our principal subsidiaries, see note 37 of the Accountants' Report set out in Appendix I to this prospectus.

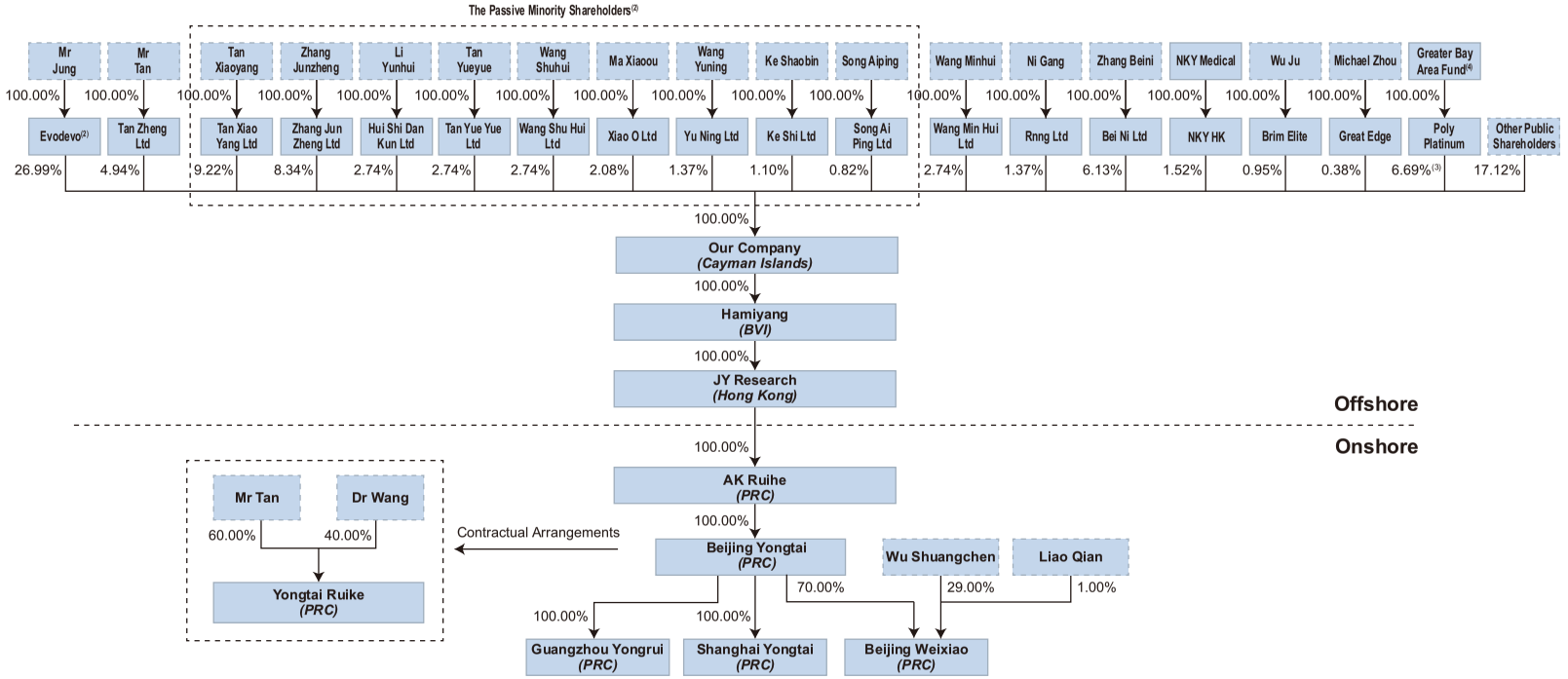
(2) Assuming all the Convertible Preference Shares held by Poly Platinum will be automatically converted into ordinary Shares of the Company upon Listing. For further details of Poly Platinum, see "6. Pre-IPO Investments".

(3) According to the Proxy Agreement, the Passive Minority Shareholders have irrevocably entrusted their voting rights in the Company to Tan Zheng Ltd.

(4) Poly Platinum is wholly-owned by Greater Bay Area Fund. Certain eligible employees of the fund manager of Greater Bay Area Fund hold certain class B preferred shares of Poly Platinum, which do not carry any voting power and cannot be exchanged or converted to ordinary shares of Poly Platinum.

## 10. CORPORATE STRUCTURE IMMEDIATELY UPON COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth the shareholding structure(1) of our Group immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Schemes.




*Notes:*

(1) The above chart includes shareholding information related to our major subsidiaries. For details of our principal subsidiaries, see note 37 of the Accountants' Report set out in Appendix I to this prospectus.

(2) According to the Proxy Agreement, the Passive Minority Shareholders have irrevocably entrusted their voting rights in the Company to Tan Zheng Ltd.

(3) Poly Platinum's shareholding in the Company is calculated based on a conversion ratio of one Convertible Preference Share to one Share upon Listing. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments — Rights of Poly Platinum under the Preference Shares Financing — (a) Conversion rights". The percentage of Shares of Poly Platinum includes approximately 2.88% of our issued share capital, to be issued to Poly Platinum under the Cornerstone Placing calculated based on the mid-point of HK$10.75 of the indicative Offer Price range. See "Cornerstone Investors" for details.

(4) Poly Platinum is wholly-owned by Greater Bay Area Fund. Certain eligible employees of the fund manager of Greater Bay Area Fund hold certain class B preferred shares of Poly Platinum, which do not carry any voting power and cannot be exchanged or converted to ordinary shares of Poly Platinum.

## 11. PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers have confirmed that the Reorganisation, share transfers and acquisitions in respect of the PRC companies in our Group described in this section have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, China Securities Regulatory Commission (the "**CSRC**"), the SAIC and the SAFE on 8 August 2006, effective as of 8 September 2006 and amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets, or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Article 11 of the M&A Rules regulates "affiliated mergers", which refers to the circumstance where a domestic company or enterprise or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, and an approval from MOFCOM is required.

Our PRC Legal Advisers are of the opinion that (i) the acquisition of the 1.00% equity interest in Beijing Yongtai by JY Research, as a result of which Beijing Yongtai was converted into a sino-foreign joint venture company, is subject to the M&A Rules and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises ("**Circular 6**") (外商投資企業設立及變更備案管理暫行辦法), and Beijing Yongtai has obtained the record-filing receipt for the incorporation of foreign-invested enterprises (外商投資企業設立備案回執) and the new business licence for the conversion of Beijing Yongtai into a sino-foreign joint venture company pursuant to the M&A Rules and Circular 6, (ii) since the shareholders of Beijing Yongtai, namely Beijing Sainuotai, Tan Xiaoyang, Zhang Junzheng, Ni Gang, Song Aiping, Mr Tan, Ke Shaobin, Ma Xiaoou, Wang Minhui, Wang Yuning, Wang Shuhui, Li Yunhui, Tan Yueyue, Zhang Beini and JY Research transferred their equity interest in Beijing Yongtai to AK Ruihe after Beijing Yongtai was converted into a sino-foreign joint venture company, the M&A Rules are not applicable to these transfers. Instead, the acquisition of such equity interest in Beijing Yongtai shall comply with the Provision for the Alteration of Investors' Equities in Foreign Invested Enterprises (the "**Rules**") (《外商投資企業投資者股權變更的若干規定》) and Circular 6, and Beijing Yongtai has obtained the record-filing receipt for the change of

foreign-invested enterprises (外商投資企業變更備案回執) and the new business licence pursuant to the Rules and Circular 6.

Meanwhile, according to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊) promulgated by MOFCOM on 18 December 2008, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not, or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign invested enterprise from the domestic shareholder to the foreign investor. On the basis that Beijing Yongtai has become a foreign invested enterprise since 20 July 2018, the legal nature of the transfer to AK Ruihe of 100.00% equity interest in Beijing Yongtai was a transfer of equity in a foreign invested enterprise rather than a domestic enterprise as defined in the M&A Rules. Therefore, the acquisition of 100.00% equity interest in Beijing Yongtai did not fall under the M&A Rules and instead falls under the Provision for the Alteration of Investors' Equities in Foreign Invested Enterprises (《外商投資企業投資者股權變更的若干規定》).

## 12. SAFE REGISTRATION

Pursuant to SAFE Circular 37, promulgated by SAFE and which became effective on 4 July 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located. Our PRC Legal Advisers have confirmed that Tan Xiaoyang, Zhang Junzheng, Ni Gang, Song Aiping, Mr Tan, Ke Shaobin, Ma Xiaoou, Wang Minhui, Wang Yuning, Wang Shuhui, Li Yunhui, Tan Yueyue, Zhang Beini had all completed the initial registration on 7 May 2018, under Circular No. 37 and Circular No. 13.

## 1. OVERVIEW

We are a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy for over 13 years. According to the Frost & Sullivan Report, EAL® — our Core Product Candidate — is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only that had been approved for application in a Phase II clinical trial for solid tumour treatment.

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application, and has shown efficacy in the treatment of various types of cancer. Our EAL®-related research began in 2006, and we have improved upon our cell culture system and methods, and developed our proprietary, patented technology platform for the production of EAL® cells. In its history of clinical application, EAL® has shown efficacy in preventing tumour recurrence and maintaining long-term survival of patients, and when used in combination with chemotherapy, has shown better therapeutic efficacy than chemotherapy alone.

We have selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial of EAL®. In China, the number of patients newly diagnosed with liver cancer exceeded 400,000 in 2018, accounting for 44.9% of the global liver cancer incidence. In addition, the five-year survival rate for liver cancer in China is as low as 12.1%, far lower than the overall five-year survival rate of 40.5% for cancer on average. According to the Frost & Sullivan Report, other than surgery and interventional therapy, no medication or other methods are available in China to prevent the recurrence of early-stage liver cancer and prolong the recurrence-free survival and overall survival of early-stage liver cancer patients.

We plan to submit the application for the commercialisation of EAL® in the PRC market after achieving statistically significant result for its clinical trials. According to the Frost & Sullivan Report, the size of China's cellular immunotherapy market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%, and is forecasted to reach RMB58.4 billion in 2030 with a CAGR of 28.3% from 2023 to 2030. In China, the cellular immunotherapy industry saw a major shift in regulatory environment in 2016, when new rules were promulgated requiring all cellular immunotherapy products to go through the NMPA authorisation process just like other pharmaceutical products. Leveraging our understanding of and foresight in the industry developed from our long-term experience in the field, we submitted the IND application for EAL® in 2015 ahead of our competitors, and the IND application was accepted by the CDE for processing. We obtained the IND approval document in October 2017, and enrolled the first patient for the Phase II clinical trial for EAL® in September 2018. As at the Latest Practicable Date, 164 patients had been enrolled in the Phase II clinical trial for EAL®.

Our product pipeline features major classes of cellular immunotherapy products, including both non–genetically-modified and genetically-modified products, as well as both multi-target and single-target products. Other than EAL®, our main product candidates include the CAR-T cell series and the TCR-T cell series.

Our CAR-T-19 injection product candidate was the subject of a researcher-initiated clinical study in which 63 patients were treated from June 2017 to September 2018, and the complete response rate was over 90%. Our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We received the feedback from the CDE in November 2019, which suggested us to supplement some materials relating to pre-clinical studies. We have initiated supplemental research based on the CDE's feedback. We expect to submit supplemental research materials by July 2020 to complete the IND application. If the CDE consents to our submission to be made, we expect to begin the clinical trial of CAR-T-19 product candidate by the end of 2020. Based on the model of our CAR-T-19 injection product candidate used for the treatment of hematologic cancer, we are conducting research into novel CAR-T cell products that aim to overcome the immunosuppressive mechanisms in the tumour microenvironment (eg CAR-T-19-DNR) and products that aim to overcome the high recurrence rate of CAR-T cell therapy (eg aT19). As for our TCR-T cell product pipeline, we have a number of candidates under pre-clinical studies. We have completed the pharmacodynamic studies for our NY-ESO-1 TCR-T cell product candidate. We plan to submit the IND applications for our CAR-T-19-DNR, aT19, and NY-ESO-1 TCR-T product candidates by mid 2021.

Composed of experienced cancer immunologists, our core technology team is equipped with industry foresight and sensitivity. Under their leadership, we completed the pre-clinical study and submitted the IND application for EAL® in 2015 when cellular immunotherapy was still managed as a Class III medical technology in China. As a result, EAL® has gained a significant amount of time for commercialisation as the only cellular immunotherapy product in China approved for application in a Phase II clinical trial for solid tumour treatment as at the Latest Practicable Date. Our R&D organisational structure encompasses early research, pre-clinical studies, clinical studies, and commercialised production and management, allowing for rapid implementation of our product R&D efforts.

We have established technology platforms necessary for the R&D of cellular immunotherapy products, including a serum-free cell culture and expansion technology platform, a gene modification and transduction technology platform, a technology platform for in vitro expansion of antigen-specific T cells, and a production and purification technology platform for plasmids and viral vectors. In addition, we have in place an organisational and management platform for clinical trials, a cell transportation and logistics platform, and a GMP-compliant production quality management platform appropriate for cellular immunotherapy products.

We have a total area of more than 7,500 square metres for R&D and manufacturing in Beijing. Such facilities are capable of supporting our pre-clinical and clinical R&D of cellular immunotherapy product candidates, as well as the early production needs upon marketing approval for our product candidates. All these facilities have been issued clean facility (area) inspection reports by the Beijing Institute for Drug Control. Our Guosheng Laboratory in Beijing has the capacity to handle approximately 40,000 samples per year, and can satisfy the needs from the clinical trials for our product pipeline for two to three years, as well as the early production needs from the commercialisation of EAL®. In addition, we have established a research centre in the Republic of Korea primarily focusing on the development of next generation of cancer immunotherapy products.

In order to expedite our clinical trials and to prepare for future commercialisation roadmap, we are planning to establish R&D and production centres in cities such as Shanghai and Guangzhou, covering major population centres in China in view of the six-hour transportation radius for EAL®.

## 2. COMPETITIVE STRENGTHS

We believe the following strengths have differentiated us from our competitors:

### EAL®'s foreseeable clinical efficacy and commercialisation in the relatively near term

EAL® is a multi-target cellular immunotherapy with more than a decade of track record of clinical application in the treatment of cancer. According to the Frost & Sullivan Report, EAL® is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only that had been approved for application in a Phase II clinical trial for solid tumour treatment.

The efficacy of products activated autologous lymphocytes (AAL) therapy (of which EAL® is an example) has been seen in overseas clinical trials, as disclosed in "Industry Overview — 2. Overview of Cellular Immunotherapy — Activated autologous lymphocytes — Efficacy in randomised controlled clinical trials". As reported in *The Lancet* in 2000, positive results were obtained from clinical trials on the use of AAL products in the prevention of the postsurgical recurrence of liver cancer in Japan. The clinical efficacy of AAL products was further shown when Immuncell-LC™ obtained marketing authorisation in 2014 after passing the Phase III clinical trial in the Republic of Korea. We believe that the risks underlying the technology of EAL® have been reduced by these successful overseas experiences. We began our EAL®-related research in 2006. Since then, we have improved upon the cell culture technology and developed our serum-free cell culture technology platform which can improve product safety. The relevant patent was registered in 2013.

Based on our communications with the CDE, we may apply for marketing approval for EAL® indicated for the prevention of postsurgical recurrence of liver cancer using the interim results of the ongoing clinical trial or the final results at the end of the clinical trial if such results are statistically significant. We may further communicate with the CDE to facilitate the assessment after obtaining clinical trial results that support the efficacy of EAL®.

While we have selected the postsurgical recurrence of liver cancer as the clinical indication of its Phase II clinical trial, EAL® has also shown effectiveness in the treatment of other diseases such as lung cancer, gastric cancer, and acute myeloid leukaemia. The relevant studies which involved the use of EAL® have been reported in three SCI academic journal articles. Hence, we believe that we are in a position to expand the clinical indications for EAL® after obtaining the marketing approval in respect of the ongoing clinical trial.

**Early-mover advantage in the market for cellular immunotherapy used for the treatment of liver cancer**

We have selected the postsurgical recurrence of liver cancer as the clinical indication for the clinical trial of EAL®. We believe there exists a market gap in the field of clinical treatment of liver cancer in China, and that EAL® may seize potential market opportunities.

Liver cancer is one of the most common and deadly forms of cancer in China. According to the Frost & Sullivan Report, in 2018, 400,200 patients were newly diagnosed with liver cancer in China, and 350,800 liver cancer patients died. The numbers of new cases of and deaths from liver cancer in China accounted for 44.9% and 47.6% of the global numbers respectively.

In addition, the recurrence rate of early-stage liver cancer within five years after surgery is as high as 60% to 70%. The five-year survival rate for liver cancer in China is as low as 12.1%, far lower than the overall five-year survival rate of 40.5% for cancer on average. However, according to the Frost & Sullivan Report, other than surgery and interventional therapy, no medication or other methods are available in China to prevent the recurrence of early-stage liver cancer and prolong the recurrence-free survival and overall survival of early-stage liver cancer patients.

According to the Frost & Sullivan Report, EAL® is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only that had been approved for application in a Phase II clinical trial for solid tumour treatment. We believe it will enable us to rapidly establish the market position of EAL® as the only cellular immunotherapy product used for the prevention of the recurrence of liver cancer, either on its own or in combination with other therapies. According to the Frost & Sullivan Report, the size of China's cellular immunotherapy market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%, and is forecasted to reach RMB58.4 billion in 2030 with a CAGR of 28.3% from 2023 to 2030.

**Highly-integrated T cell immunotherapy drugs R&D platform**

With more than a decade of experience of research into and applying T cell immunotherapy technology, we have developed a systematic and highly-integrated T cell immunotherapy drugs R&D platform encompassing early research, research on production process and quality, pre-clinical pharmacological and toxicological studies, and drug clinical trials. The platform enables us to operate a systematic, standardised, and modular process for the R&D of new products, where we can efficiently collect data for the clinical R&D of drugs, thereby establishing a product pipeline in an expedited manner.

We have established sophisticated core technology platforms necessary for the R&D of cellular immunotherapy drugs:

- *Serum-free cell culture and expansion technology platform:* Our technology platform allows immune cells to grow, amplify, and maintain antitumour activities under serum-free in vitro conditions, and can yield similar cell culture efficiency compared to those using serum, and at the same time reduce clinical side effects by minimising xenogeneic responses and contamination risks. This technology platform has become our cornerstone for the development of individualised cellular immunotherapy products.

- *Gene modification and transduction technology platform:* Macromolecular genes may be transduced to and expressed in T cells through optimised vector selection and transduction efficiency. This technology platform has enabled us to produce a variety of genetically-modified cells like CAR-T cells and TCR-T cells.

- *Technology platform for in vitro expansion of antigen-specific T cells:* Used for clinical treatment and screening of the TCR gene to construct TCR-T cells.

- *Production and purification technology platform for plasmids and viral vectors:* We have developed a production and purification technology platform for plasmids and viral vectors which can be used for genetic modifications. Reliable mass production of lentiviral vectors that meet clinical application standards can be achieved for use in the production of various genetically-modified cells including CAR-T and TCR-T cells. We may provide CMC services using this technology platform.

In the area of clinical trials, we have established a clinical trials research team, integrating services provided by external suppliers including CROs, SMOs, clinical image evaluation, clinical trial data inspection and quality assurance and hospitals, so as to ensure the completion of clinical trials in a timely and compliant manner.

- CROs: CROs are primarily responsible for providing services including submission of ethical documents, monitoring, data management, and statistical analysis for clinical trials. We will make payments after fulfilment of certain milestones under the relevant agreements. Our product clinical trial research team is responsible for contacting, coordinating and supervising CROs.

- SMOs: SMOs are primarily responsible for assisting investigators in managing enrolled patients which includes assigning CRCs to research centres. Our product clinical trial research team is responsible for contacting, coordinating and supervising SMOs.

- Clinical image evaluation: The contractor is primarily responsible for providing the image evaluation results for us during the clinical trial for EAL®. Our product clinical trial research team is responsible for contacting, coordinating and supervising the contractor.

- Clinical trial data inspection and quality assurance: The contractor is primarily responsible for the data inspection and quality assurance during clinical trials. Our product clinical trial research team is responsible for contacting, coordinating and supervising the contractor.

- Hospitals: Our product clinical trial research team is responsible for coordinating with hospitals conducting the clinical trial for EAL® and the clinical studies for CAR-T-19.

We believe our sophisticated R&D platform has laid down a solid foundation for the development of our product pipeline and the discovery of new product candidates.

**T cell product pipeline featuring a number of cellular immunotherapy technologies**

Our product pipeline covers solid tumour treatment (such as EAL® and TCR-T cells) and hematologic cancer (CAR-T cells). Based on the model of our CAR-T-19 injection product candidate used for the treatment of hematologic cancer, we are conducting research into novel CAR-T cell products that aim to overcome the immunosuppressive mechanisms in the tumour microenvironment (eg CAR-T-19-DNR) and products that aim to overcome the high recurrence rate of CAR-T cell therapy (eg aT19). As for our TCR-T cell product pipeline, we have a number of candidates under pre-clinical studies.

Two patent applications for the technology underlying for our CAR-T-19-DNR and aT19 product candidates were submitted in 2018.

***T-cell product pipeline for solid tumour treatment***

If approved, we believe EAL® has the potential to be developed as a cellular immunotherapy product that is effective in preventing postsurgical recurrence of solid tumours. The characteristics of EAL® include (1) multiple targets for tumours treatment; (2) suitability for repeated and long-term use; and (3) the efficacy of other AAL products having been validated in randomised controlled clinical trials.

The TCR-T cell product candidates that we are currently developing target antigens such as cancer-testis antigens or cancer-placental antigens such as NY-ESO-1, as well as antigens derived from viruses such as EBV and HPV. Our TCR-T cell product candidates will target solid tumours caused by these viruses, such as nasopharyngeal cancer and cervical cancer. On the basis of our technology platform for in vitro expansion of antigen-specific T cells, we will further identify neoantigen-specific TCRs, and we are expecting to use the TCR-T cell therapy technology targeting multiple targets for the effective treatment of heterogeneous solid tumours through the construction in the future of a gene database for TCRs for a variety of tumour-specific antigens.

***T-cell product pipeline for hematologic cancer treatment***

Pre-clinical studies have been completed for our CAR-T-19 injection product candidate targeting CD19 that we have developed for the treatment of B-cell acute lymphoblastic leukaemia (B-ALL) and B-cell lymphoma. 63 patients were treated in a researcher-initiated clinical trial from June 2017 to September 2018, and the complete response rate was over 90%. Our IND application for the product candidate with B-ALL as the clinical indication was accepted for processing by the CDE in August 2019. We received the feedback from the CDE in November 2019, which suggested us to supplement some materials relating to pre-clinical studies. We have initiated supplemental research based on the CDE's feedback. We expect to submit supplemental research materials by July 2020 to complete the IND application. If the CDE consents to our submission to be made, we expect to begin the clinical trial of CAR-T-19 product candidate by the end of 2020.

***Studies on gene modifications for enhancing T cells' effect in killing tumour cells***

One of the most critical bottlenecks in the treatment of solid tumours and lymphomas is the immunosuppressive molecules in the local microenvironment of the tumour. Our product candidate CAR-T-19-DNR, if approved, will be the first genetically modified immune cell therapy product that we are planning to launch to overcome immunosuppressive molecules. Its indication is $CD19^+$ B cell lymphoma with high expression of TGF-β. We expect such CAR-T cells to be more effective in treating lymphomas with high expression of TGF-β by blocking the immunosuppressive effect of TGF-β on T cells. In addition, the clinical manifestation of the product will also provide a therapeutic reference for the application of such modifications to other genetically-modified T cell immunotherapy.

***Studies on cellular immunotherapy products inducing immune memory***

CAR-T cell products in the treatment of acute lymphoblastic leukaemia shows potential opportunities for immune cell therapy, but obtaining immune cells that can cure tumours has also become one of the challenges in the research and development of products for patients suffering recurrence. Our current studies on aT19 cell products have shown that the use of appropriate immune cells and immune pathways can effectively induce the long-term survival of tumour antigen-specific memory T cells in vivo, thereby resulting in a significant reduction in tumour recurrence rates in mice. The aT19 cell product research and development will also provide a more effective gene modification method for T cell immunotherapy for solid tumours.

**Experienced and visionary R&D and management team**

We have assembled an experienced management team with diverse backgrounds and skillsets.

Our R&D function is led by our CEO and co-CTO, Dr Wang Yu. She has more than 20 years of experience in the field of tumour immunotherapy and cellular medication research, focusing on the R&D of safe and effective immune cell drugs, as well as the standardised and scale production process and quality research in relation to individualised cell products.

Our R&D team consisted of 155 staff members as at 31 December 2019, including a product technology R&D team and a clinical trial research team.

***Product Technology R&D Team***

Our product technology R&D team is led by Dr Wang. The key members are Dr Zhang, Dr Kim, Ms Zhang Lingmin and Mr Sun Lei, all of whom have many years of experience in medical research. The product technology R&D team includes three divisions, namely early product R&D, pre-clinical studies, and quality control. Our pre-clinical studies division consists of researchers dedicated to process development, quality research, pharmacodynamics, and pharmacological toxicology research respectively.

- Our early product R&D division is led jointly by Dr Zhang, our chief scientist, and Dr Kim, our co-CTO. Dr Zhang has many years of experience in the research on immune cell development and cellular immunotherapy, focusing on the research on the development and transformation of new immune cell technologies. Dr Kim is the head of our Korea R&D centre and has a wealth of experience and expertise in the field of products related to antibody and protein engineering, focusing on the development of next-generation anti-cancer cellular immunotherapy products. For the details about Dr Zhang and Dr Kim, see "Directors and Senior Management".

- Our pre-clinical studies division is led by Mr Sun Lei and mainly responsible for the research on the process and quality control concerning the transformation of immune cell technology in its early stage into immune cell drugs as well as druggability-related pharmacodynamics and pharmacological toxicology studies. From July 2010 to March 2013, Mr Sun Lei had been as a research associate in hematology at Chinese PLA No. 307 Hospital (now merged with Chinese PLA No. 302 Hospital to become the Fifth Medical Centre of Chinese PLA General Hospital). From April 2013 to late 2015, Mr Sun Lei served as a technical specialist at Beijing Ivy Stem Cells Technology Institute Co., Ltd. (北京青藤谷禧幹細胞科技研究院有限公司), a company engaged in R&D and applied technology of stem and immune cells. Mr Sun Lei has approximately ten years of experience in research and development, in particular, pharmaceutical process development, quality research, large-scale preparation process exploration, etc. and therefore he is a talent not easily replaceable.

- Our quality management division is led by Ms Zhang Lingmin and mainly responsible for the compliance by our research, development, and production processes with GMP requirements. To ensure that our products are manufactured to a uniform and high standard, we have established detailed operation procedures for each step of our production process. Our standards cover the entire process of quality management including quality control and quality assurance. From February 1995 to April 2019, Ms Zhang Lingmin worked at ZhongKe Biopharm Co., Ltd. (中科生物製藥股份有限公司) ("**ZhongKe Biopharm**"), a high-technology company engaged in R&D and production of vaccines, blood products and chemical medicines. Ms Zhang Lingmin left ZhongKe Biopharm in 2019 when she was "Vice General

Manager in Quality Management" in that company. Ms Zhang Lingmin was in charge of the quality management of rabies vaccine and established a comprehensive set of quality management systems that comply with GMP standards. She has over 25 years of experience in medical production management and quality management and therefore she is a talent not easily replaceable.

***Product Clinical Trial Research Team***

Our product clinical trial research team is mainly responsible for the clinical trial design, organisation and implementation of clinical trials of relevant products developed, clinical trial review, clinical studies-related data management and statistical analysis, clinical studies medical supervision, and integrating services provided by external suppliers including CROs, SMOs, clinical image evaluation, clinical trial data inspection and quality assurance and hospitals, so as to ensure the completion of clinical trials in a timely and compliant manner. Our product clinical trial research team includes two divisions, namely clinical studies and clinical medicine.

- Our clinical studies division is mainly responsible for organising and managing clinical trials, establishing clinical trial operations, management and quality systems and ensuring effective operations and integrating services provided by external suppliers including CROs, SMOs, clinical image evaluation, clinical trial data inspection and quality assurance and hospitals, so as to ensure the completion of clinical trials in a timely and compliant manner. Our clinical studies division is led by Mr Shi Pengyu, who has more than ten years of experience in clinical studies and has served a number of large clinical trial CRO companies in China.

- Our clinical medicine division is mainly responsible for clinical trial design and review, clinical studies-related data management, statistical analysis and clinical studies medical supervision. Our clinical medicine division is led by Mr Li Yingchun, who has more than ten years of experience in clinical trial design and review. Mr Li Yingchun participated a variety of projects in relation to clinical trial design and review and clinical inspection and supervision.

Our commercialisation effort will be led by our chairman, Mr Tan Zheng, who has more than two decades of experience in leading commercialisation efforts or marketing and sales within the pharmaceutical industry in China. Throughout his career, he has developed a good understanding of the market and established effective communication channels with relevant stakeholders, including medical institutions and suppliers, in an effort to build a product commercialisation network in advance.

We also have a regulatory and governmental affairs team which focuses on regulatory and governmental affairs to ensure all of our R&D activities and clinical trials are conducted in compliance with relevant laws and regulations. The regulatory and governmental affairs team is mainly responsible for communicating with the regulatory departments, organising works related to registration and inspection, keeping track of the changes in laws and regulations and introducing relevant

regulatory opinions for our decision-making team. The regulatory and governmental affairs team is led by Mr Tan and Mr Zhang Jian. See "Directors and Senior Management" for more details about Mr Tan and Mr Zhang Jian.

**T cell immunotherapy drugs R&D enterprise with over 13 years of experience**

We have commenced R&D of standardised cellular immunotherapy products since 2006.

EAL® was clinically applied from 2006 to 2016 when cellular immunotherapy was regulated as a Class III medical technology. Data were collected in respect of the application of EAL® involving more than 4,000 patients with a total of more than 20,000 infusions. Studies on the safety and efficacy of EAL® have been published in three SCI academic journal articles as summarised in "— 4. Product Pipeline — EAL® — Published clinical studies on EAL®" below. As at the Latest Practicable Date, we were the owner of five patents for our inventions including in the area of cellular immunotherapy technologies, and had filed another four patent applications.

Our experience in the industry has been recognised by external organisations. For example, our achievement in the R&D of EAL® has received government recognition in different stages of its product development cycle. In 2012, the pre-clinical and clinical studies of EAL® received research funding from the State High-Tech Development Plan (the 863 Programme) dedicated for the research into products and key frontier technology in relation to cellular immunotherapy for the treatment of tumours. In 2015, our "highly effective method for amplifying activated lymphocyte and cultivation system" was awarded the Beijing new technology and new product (service) certificate by several Beijing municipal government authorities. In 2019, the Phase II clinical trial of EAL® received from the Beijing Municipal Science and Technology Commission research funding dedicated to encourage the R&D of innovative pharmaceutical products and the construction of industry support platform.

In 2018, we were invited to share our experiences in an academic exchange event organised by the National Institutes for Food and Drug Control with the theme of CAR-T cell product quality and non-clinical evaluation technology, and participated as one of the core drafters in the development of Key Considerations of CAR-T Cell Therapy Product Quality Control Testing Research and Non-Clinical Research which was published following the event. In addition, through our cooperation with the Zhongguancun Forever Good Clinical Practice Union to develop a quality control and management standard platform for cell therapy in 2018, we participated in the formulation of industry standards in the field. This project has received funding support from the Beijing Municipal Science and Technology Commission. In 2019, we participated in the drafting and formulation of the technical requirements on the production of cellular therapy products (a GMP annex document) led by the CFDI.

## 3. BUSINESS STRATEGIES

We plan to pursue the following business strategies:

**Expedite the clinical trial and prepare for commercialisation of EAL®**

We plan to further increase investment into expanding the geographical regions in which to conduct the ongoing Phase II clinical trial for EAL®, with a view to expediting subject enrolment and data collection, and at the same time preparing for future commercialisation.

Cellular immunotherapy products are subject to diminishing cell activity once taken out of the laboratory. We are planning to establish R&D and production centres in cities such as Shanghai and Guangzhou, covering densely-populated areas in China in view of the six-hour transportation radius for EAL®. After establishing our presence in Shanghai and Guangzhou, we plan to build production centres in other major cities such as Chengdu, Wuhan, Xi'an and Shenyang. As at the Latest Practicable Date, we had started identifying suitable sites in Shanghai, Guangzhou, and a few other major cities.

The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018, and 164 patients had been enrolled as at the Latest Practicable Date. We target to complete the enrolment of all subjects in the second half of 2020, and finish the interim data analysis by the first half of 2021 and submit to the NMPA for conditional marketing approval.

**Expedite the research into the expansion of indications for EAL®**

We intend to initiate clinical research on the expansion of indications for EAL®. Several clinical studies have shown the efficacy of EAL® in the treatment of various types of tumours other than liver cancer. After obtaining the marketing approval for EAL®, we plan to expand its clinical indications to diseases such as lung cancer, gastric cancer, and acute myeloid leukaemia.

According to the clinical application data of Guoqing Zhang et al from Chinese PLA General Hospital (中國人民解放軍總醫院), in respect of 84 patients with stage IIIc-IV gastric cancer consisting of 42 patients who received more than six EAL® infusions and 42 patients with concurrent control, the overall survival (OS) of the EAL®-treated group was 27.0 months, while that of the control group was 13.9 months. In another study by Zhang et al on small cell lung cancer, there were 32 patients consisting of 16 for the EAL®-treated group and 16 for the control group. The patients in the EAL®-treated group were each treated with more than six EAL® infusions, and the OS in the EAL®-treated group was numerically longer than that in the control group. See "— 4. Product Pipeline — EAL® — Published clinical studies on EAL®" for further details.

**Advance the pre-clinical studies for pipeline products, and accelerate their entry into clinical trials**

We plan to continue to invest into our CAR-T and TCR-T cell product pipelines. In particular, pharmacodynamic studies have been completed in respect of our NY-ESO-1 TCR-T, CAR-T-19-DNR, and aT19 product candidates and they are targeted to enter clinical trials by the end of 2021.

In the area of overcoming the immunosuppressive mechanisms of tumours, we intend to continue our research into multiple genetic modification methods aiming to influence the signal pathway for T cells, with a view to increasing the T cells' efficacy in killing tumour cells. We expect that CAR-T-19-DNR, which targets immunosuppressive molecule TGF-β, will be our first product candidate to enter into clinical study. We plan to validate the product candidate's primary safety and efficacy a researcher-initiated clinical study programme and the programme has been granted the ethical approval by the China Ethics Committee of Registering Clinical Trials.

Targeting the prevention of recurrence after cellular immunotherapy, we are conducting R&D on therapeutic strategies adopting different immune mechanisms and different immune cells, with a view to achieving effective induction of tumour antigen-specific immunological memory cells and long-term remission of tumours. Our first product candidate in this category is the aT19 injection.

**Enhance our technology platform and strengthen our product pipeline**

As always, we will be committed to continuing our studies on cellular immunotherapy products appropriate for different tumour types and stages with improved efficacy compared to currently-available products.

In the area of solid tumours caused by oncogenic viruses such as nasopharyngeal cancer (EBV) and cervical cancer (HPV), we are conducting research into TCR-T cell products targeting solid tumour cells expressing virus antigens.

In the area of neoantigens formed from tumour mutations in solid tumours, we intend to identify antigen-specific TCRs suitable for different individuals, with a view to ultimately constructing a gene database for TCRs targeting tumour neoantigens in an effort to conduct research into molecule-specific TCR-T cell products for the treatment of solid tumours.

**Develop viral vector production and early-stage R&D services business**

The viral vector production system we have established meets the pharmaceutical production quality standards under GMP requirements. The viral vectors that we have produced meet the requirements for biological products and can be produced in scale. At present, domestic CAR-T cells companies often order viral vectors from abroad.

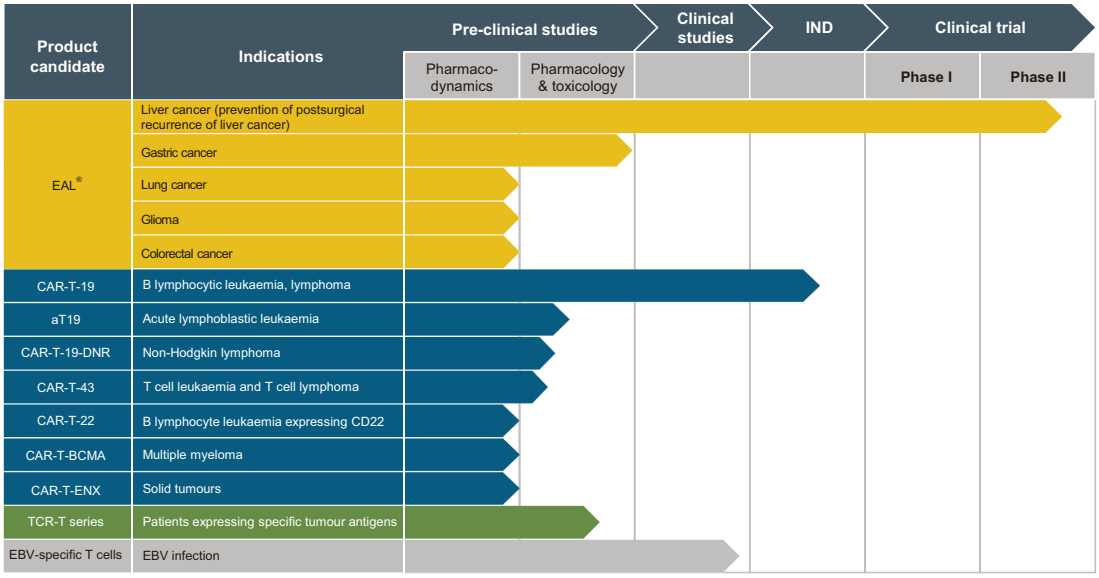
Due to their high degrees of individualisation and their nature as biological active products, cellular immunotherapy products are subject to research and development carried out through a systematic technology platform covering cell preparation, cell quality control, cell potency studies, cell safety studies, etc. In the absence of such platform, the productisation of the cells would be difficult. Through the research on a variety of products, including non–genetically-modified and genetically-modified cellular immunotherapy products, we have established a systematic technology platform for the research and development of cellular immunotherapy products, and we can provide customised services according to customer needs.

**Expand strategic collaboration and explore acquisition opportunities on the basis of organic growth**

As an open and forward-looking immune cell technology R&D company, we intend to expand strategic collaboration and explore acquisition opportunities on the basis of our organic growth, in order to quickly expand our product pipeline covering the treatment of both solid and non-solid tumours. With a view to further enhancing our product pipeline, we intend to continue looking for new potential cellular immunotherapy products by expanding strategic cooperation and identifying potential acquisition targets possessing products with clear professional prospects.

## 4. PRODUCT PIPELINE

The following table sets forth a summary of the products under development as at the Latest Practicable Date:



## Background

Cancer has the characteristics of high incidence, strong concealment, and high mortality. With the continual growth and aging of the global population, cancer has become the second leading cause of death globally. According to the Frost & Sullivan Report, in 2018, the size of the global anti-cancer drug market reached US$128.1 billion, and China's anti-cancer drug market reached RMB157.5 billion. The anti-cancer drug market is an integral part of the pharmaceutical market both in China and abroad, and its growth rate is much higher than the average growth rate of the pharmaceutical market.

According to the Frost & Sullivan Report, China recorded 4.29 million patients newly diagnosed with cancer in 2018; among those incidences, lung cancer, gastric cancer, colorectal cancer, liver cancer, and breast cancer were the top five cancers in terms of the number of new cases. Pancreatic cancer (7.2%), liver cancer (12.1%), lung cancer (19.7%), late-stage leukaemia (25.4%), and brain cancer (26.7%) were the top five cancers with the lowest five-year survival rate.

Cancer immunotherapy was recognised by *Science* as the scientific breakthrough of the year in 2013. After more than a century of repeated attempts, frustrations, and success in empirical medicine, basic research, and clinical study, cancer immunotherapy by intervening in and modifying T cells in tumour patients rather than targeting and attacking tumour cells themselves, has shown the effects of long-term partial response (PR) and complete response (CR) on clinical tumour treatment in randomised controlled clinical trials, eventually prolonging patients' overall survival.

According to the Frost & Sullivan Report, China's cancer immunotherapy market is estimated to have reached RMB1.9 billion in 2018, and is expected to grow to RMB82.4 billion in 2023 and RMB229.1 billion in 2030. Cancer immunotherapy is expected to become one of major cancer therapies in China market.

As a sub-category of cancer immunotherapy, cellular immunotherapy aims to overcome the immunosuppressive mechanism of tumours by significantly increasing the number and antitumour activity of T cells. To achieve this, the T cells as activated and expanded outside of the patient's body are returned to the patient's body. This approach can more effectively activate antitumour T cells, and can also limit the side effects as may be caused by any direct application of T cells activators to the human body.

According to the Frost & Sullivan Report, the size of China's cellular immunotherapy market is expected to increase from RMB1.3 billion to RMB10.2 billion from 2021 to 2023 at a CAGR of 181.5%. With more cellular immunotherapy products being approved, the market is forecasted to reach RMB58.4 billion in 2030, with a CAGR of 28.3% from 2023 to 2030.

## EAL®

EAL® is a multi-target cellular immunotherapy product with more than a decade of track record of clinical application in the treatment of cancer. It is a preparation of activated and expanded T cells originally taken from a patient's autologous peripheral blood and cultured using our patented methods. The main active component of the product is $CD8^+$ cytotoxic T cells, whose surface marker is the CD3 molecule.

The efficacy of activated autologous lymphocytes (AAL) therapy (of which EAL® is an example) in the prevention of postsurgical recurrence of liver cancer has been demonstrated in overseas clinical trials, as disclosed in "Industry Overview — 2. Overview of Cellular Immunotherapy — Activated autologous lymphocytes — Efficacy in randomised controlled clinical trials". Separately, the safety and efficacy of EAL® produced using our patented methods in the treatment of tumours have been reported in three SCI academic journal articles.

Under the current NMPA's regulatory regime for drugs as described in "Regulatory Overview — 2. Drug Regulatory Regime", EAL® is undergoing Phase II clinical trial with the prevention of postsurgical recurrence of liver cancer selected as the clinical indication. According to the Frost & Sullivan Report, EAL® is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only that had been approved for application in a Phase II clinical trial for solid tumour treatment.

Based on our communications with the CDE, we may apply for marketing approval for EAL® indicated for the prevention of postsurgical recurrence of liver cancer using the interim results of the ongoing clinical trial or the final results at the end of the clinical trial if such results are statistically significant. We may further communicate with the CDE to facilitate the assessment after obtaining clinical trial results that support the efficacy of EAL®. See "Regulatory Overview — 2. Drug Regulatory Regime — Reform of Evaluation and Approval System For Drugs" for the background of the relevant regulations.

Separate IND application filings and clinical trials by phases are required if in the future we seek to obtain approval for marketing EAL® indicated for diseases other than liver cancer.

### *Mechanism of action of EAL®*

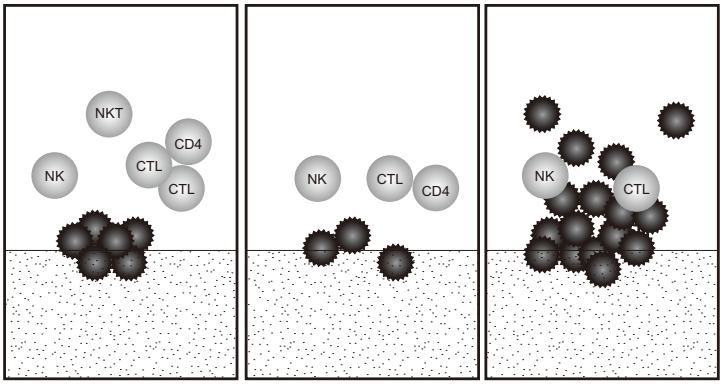
The accumulation of somatic mutations is responsible for the conversion of normal cells into tumour cells. Tumour cells growing in an uncontrolled manner cause clinically visible tumours. Tumour cells may form protein molecules different from those in normal cells, and those molecules may be treated as "non-self" by the immune system to give rise to an immune response. The "Darwin war" between the immune system and tumour cells for their respective survival ultimately determines whether the accumulation of somatic mutations can create a clinically defined tumour. Tumour progression is the result of a dynamic process known as immunoediting which consists of the following three phases:

- *Elimination phase:* the immune system destroys tumour cells during their initial period of development.

- *Equilibrium phase:* the immune system is unable to completely eliminate transformed tumour cells but can control their growth.

- *Escape phase:* tumour cells further transform and escape the control by the immune system.

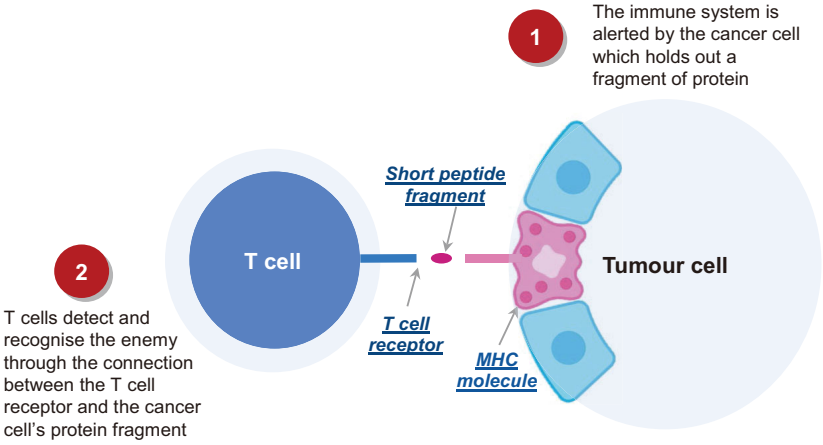
**The three phases of immunoediting**




In the course of tumour occurrence and development, the effects of the three stages of the cancer immunoediting process often coexist. Even in the late stage of tumour development, the elimination of tumours still occurs, but remains weak in the event of a strong immune escape mechanism of the tumour. Once the tumour's immune escape mechanism is put under control, tumour remission can be achieved by activating immune elimination. Under natural conditions, although rare, the self-cure of a tumour patient caused by acute infection with high fever is a natural example of the tumour removal mechanism achieved by majority clonal expansion of T cells.

T cells are a type of key immune cells for the human body to acquire immune response, and also the main immune cells for the human body to fight against viruses and tumours. The existence of T cells with antitumour effects in the bodies of tumour patients has become the consensus of tumour immunologists. This also forms the basis of cancer immunotherapy. In order to achieve the killing of tumour cells, three conditions have to be met: (1) T cells have antitumour activity; (2) there are a sufficient number of these T cells; and (3) the T cells need to be in contact with tumour cells.

The simplified mechanism of action of T cells identifying cancer cells is illustrated in the diagram below:



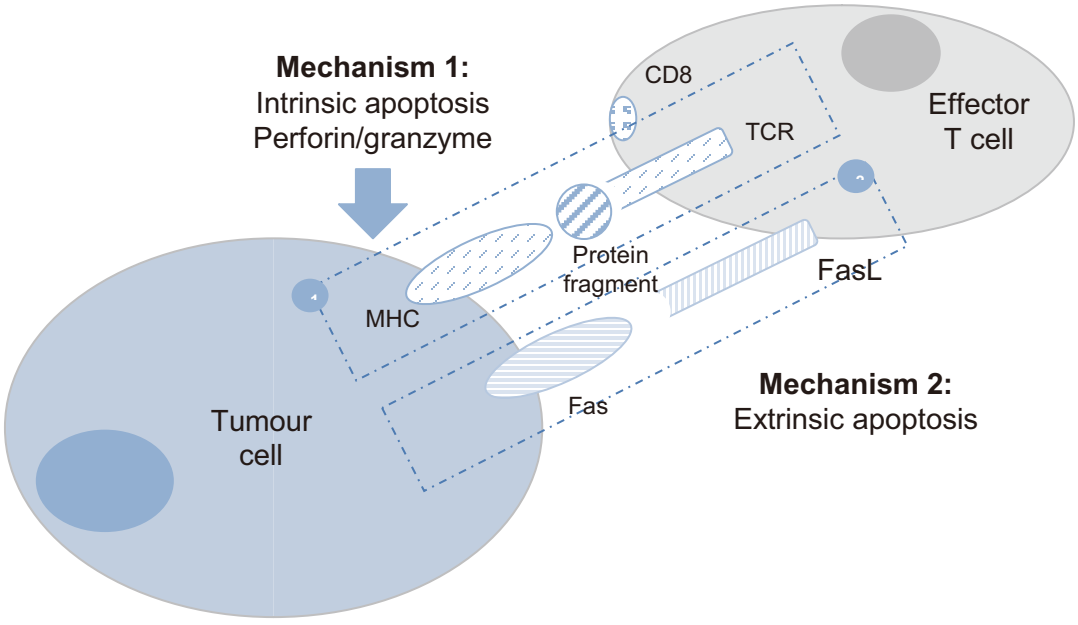

T cells in human bodies have different receptors which may detect even slightly different changes of protein fragments of cancer cells.

In general, the more the T cells infiltrate in tumour tissues, the better the patient's prognosis will be. However, research has also found that there are a variety of immunosuppressive mechanisms for T cells' functions in the tumour microenvironment, including (1) the tumour expression of the ligand (such as PD-L1) that can bind with immune checkpoints of T cells (such as PD-1) may inhibit T cells' killing functions; (2) molecules such as TGF-β and indoleamine 2,3-dioxygenase secreted by tumour tissues may inhibit the activity of T cells; (3) the regulatory T cells (Tregs) in the tumour microenvironment may inhibit the functions of the $CD8^+$ T cells through direct contact; and (4) other tumour microenvironment factors may cause the disability of T cells.

EAL® aims to overcome these immunosuppressive mechanisms through activating and expanding a patient's $CD8^+$ cytotoxic T cells in vitro. T cells from the patient's peripheral blood are activated using anti-CD3 antibodies which can mimic antigens and activate T cells with tumour-killing effect. Such activated T cells are then expanded about 1,000-fold before infusing into the patient's body, thereby significantly increasing the number of effector T cells. The cell culture methods for EAL® may also achieve selective expansion of tumour antigen-specific T cells, resulting in a higher proportion of activated antitumour T cells among all T cells in the patient's body.

The activated and expanded T cells, including effector T cells targeting different tumour antigens, form a multi-target activated T cells population which can directly kill tumour cells by releasing perforin and granzyme, or induce the apoptosis of tumour cells via the apoptosis signal transduction pathway Fas–FasL. In addition, the T cells can also have tumour killing effects by secreting cytokines such as IFN-γ and TNF-α.

The following diagram illustrates the tumour-killing mechanism of an EAL® cell:




Our pharmacokinetic studies indicated that EAL® cells rapidly reached the liver after infusion into mice, and remained in the liver for a relatively long period of time. The percentage of EAL® cells found in the liver was the highest among all organs. These factors are conducive to the direct contact of EAL® cells with tumour cells in the liver, and facilitate the direct killing of tumour cells illustrated in Mechanism 1 in the above figure.

***Chronology of events and R&D activities in respect of EAL®***

The following table sets out a chronology of events and R&D activities in respect of EAL®:

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| September 2005 to December 2006 | On 30 October 2002, the State Drug Administration (the predecessor of the CFDA) published the Drug Registration Measures (trial), which came into effect on 1 December 2002 and was replaced by the Drug Registration Measures on 1 May 2005.<br><br>According to the Drug Registration Measures (trial), human cell therapy and its products to therapeutic biological products and shall be subject the provisions thereof. | The State Drug Administration (the predecessor of CFDA) | Conducted preliminary research for EAL®. | Shao Yi (Head of Research and Technology of Beijing Sainuotai, from October 2005, and Head of Research and Technology of Beijing Yongtai, from November 2006): responsible for conducting research on cell culture method for EAL®;<br><br>Dr Wang (director of Beijing Sainuotai and Beijing Yongtai, commencing work from November 2006): making decisions on and directing the research for EAL®. | Dr Wang established preliminary cell culture method for EAL® in December 2006. |

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| December 2006 to May 2011 | EAL® fell within the drugs regulation regime administered by the CFDA. At the same time, EAL® was able to be marketed commercially as a medical technology. Since 1 May 2009, with the Management Measures for Clinical Application of Medical Technology (醫療技術臨床應用管理辦法) coming into effect, EAL® was regulated by the Ministry of Health as a Class III medical technology. | Ministry of Health and CFDA | Established cell culture method for EAL®;<br><br>Carried out clinical application according to the Management Measures for Clinical Application of Medical Technology (醫療技術臨床應用管理辦法). | Dr Wang (Director, General Manager, Technology Director of Beijing Yongtai; Director of Beijing Sainuotai): responsible for leading and coordinating R&D efforts of our Group, especially in R&D work for EAL®; leading R&D team to establish method and culture system for EAL®; launching clinical applications of EAL®;<br><br>Shao Yi (Head of Research and Technology of both Beijing Yongtai and Beijing Sainuotai): assisted Dr Wang in R&D and led the pre-clinical pharmaceutical process research on EAL®; assisted Dr Wang in establishing method and culture system for and developing clinical applications on EAL®;<br><br>Zhang Yonghua, Zhou Yingnan (Process and Technology Research Manager of Beijing Yongtai): responsible for conducting R&D activities on the production process of EAL®; developing clinical applications on EAL®; supervising and inspecting the implementation of the quality management system in the production process of EAL®;<br><br>Zhang Xiaogang (Quality Research Manager of Beijing Yongtai): responsible for the R&D of EAL® quality control and carried out clinical application of EAL®. | Formulated cell culture method for EAL®;<br><br>Commenced the commercial application of EAL®: during this period, the Group entered into technical services agreements with hospitals to produce EAL® cells for use in treatments of patients by hospital in accordance with the mutually agreed quality requirements. The Group was responsible for cultivating, and providing the hospitals with, the cellular immunotherapy products that implemented the medical technology, and ensuring that the products meet the agreed quality standards. Under such arrangement, the Group was responsible for the quality of the cellular immunotherapy products. According to the then regulations, hospitals were ultimately responsible for administering EAL® as a medical technology. Physicians in the hospitals were therefore responsible for the design of the treatment plan and the diagnosis, treatment, prognosis and follow-up activities of patients. |

| Timeline | Regulatory environment | Relevant authorities | R&D related activities *(Note)* | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| May 2011 to May 2016 | Same as the period from December 2006 to May 2011. | | Continued carrying out clinical application of EAL® according to The First Catalogue of Allowance of Class III Medical Technology for Clinical Applications;<br><br>Launched and carried out pre-clinical studies on EAL® according to Administrative Measures for Drug Registration. | Dr Wang (Director, General Manager, Technology Director of Beijing Yongtai; Director of Beijing Sainuotai): responsible for leading and coordinating R&D efforts of our Group, especially in R&D work for EAL®; leading R&D team on continuing development and optimisation of method and culture system of EAL® as well as clinical applications of EAL®;<br><br>Tang Qiaoying (Technical Advisor for pre-clinical studies of EAL® of Beijing Yongtai): designed and supervised pre-clinical studies protocol of EAL®;<br><br>Shao Yi (Head of Research and Technology of both Beijing Yongtai and Beijing Sainuotai): assisted Dr Wang in continuing development and optimisation of culture system and developing clinical applications on EAL®; | In May 2011, under the leadership of Dr Wang, we commenced the pre-clinical studies on EAL® using funds generated from the commercial sales of cellular immunotherapy products in preparation for an IND submission. Such pre-clinical studies included pharmacy, pharmacodynamics, pharmacology and toxicology research;<br><br>In 2015, the IND application was submitted for EAL® and accepted by the CDE for processing after the pre-clinical studies were completed;<br><br>Obtained the patent ZL200710102854.0 "Highly effective method for amplifying activated lymphocyte and cultivation system" in September 2011 and the patent ZL201310334666.6 "Method for proliferating and activating lymphocytes through serum-free culture" in March 2016. |

*Note:* Since 2011, Beijing Yongtai has continued to focus on R&D activities and pre-clinical and clinical studies on EAL®. Beijing Sainuotai has gradually reduced its engagement in R&D activities and has completely ceased to incur any R&D expenses since 2014.

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| | | | | Sun Lei (Assistant General Manager of Beijing Yongtai): under the leadership of Dr Wang, responsible for the overall management of EAL® pre-clinical research, including but not limited to: EAL® data processing, result analysis, experimental report, etc.; improved EAL® cell culture technology platform;<br><br>Zhang Yonghua, Zhou Yingnan (Process and Technology Research Manager of Beijing Yongtai): responsible for continuing development and optimisation of the production process of EAL®; supervising and inspecting the implementation of the quality assurance system in the production process of EAL®;<br><br>Zhang Xiaogang, Zhang Hailong (Quality Research Manager of Beijing Yongtai): responsible for the R&D of EAL® quality control and carried out the clinical application of EAL®; promoted the pre-clinical research of EAL®;<br><br>Guo Xiaokai, Li Xuejiao (Toxicology Research Manager of Beijing Yongtai): assisted Dr Wang in carrying out efficacy, pharmacology and toxicology research work of EAL®. | |

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| May 2016 to September 2018 | Following the Wei Zexi incident, the relevant government authorities stopped all commercial clinical application of cellular immunotherapy including EAL®. This ended the dual track system for the regulation of cellular immunotherapy under which cellular immunotherapy was able to be marketed commercially as a medical technology regulated by the Ministry of Health, and at the same time it remained within the CFDA drugs regulation regime. Cellular immunotherapy thereafter would be treated as a drug for regulatory purposes. The application of cellular immunotherapy for clinical studies continued to be permitted. The cooperation agreements between our Group and the hospitals were terminated. Meanwhile, we continued to communicate with the CDE on the issues relating to the clinical trial for EAL®, and supplemented the pre-clinical data as required by the CDE. We continued our research into cellular immunotherapy technologies using funds generated from the commercial application. | CFDA | According to the requirements of CDE, we conducted supplementary EAL® pre-clinical studies. | Dr Wang (Director, General Manager, Technology Director of Beijing Yongtai): responsible for leading R&D work on EAL®;<br><br>Zhang Yonghua, Zhou Yingnan (Process and Technology Research Manager of Beijing Yongtai): assisted Dr Wang in continuing development and optimisation of the production process of EAL®; applying new plans, new processes and new equipment to improve the production efficiency and quality of EAL®;<br><br>Zhang Hailong, Cao Chunhui, Li Shufen (Quality Research Manager of Beijing Yongtai): established quality management system documentation related to EAL® production according to GMP standards;<br><br>Li Xuejiao (Toxicology Research Manager of Beijing Yongtai): assisted Dr Wang in improving the efficacy, pharmacology and toxicology research work of EAL®;<br><br>Chen Liang (Clinical Research Director of Beijing Yongtai): assisted Dr Wang in improving clinical trial protocol for EAL®. | In October 2017, obtained the IND approval document;<br><br>In July 2018, following our submission of the draft clinical trial protocol and several rounds of communication with the CDE, the clinical trial protocol was finalised;<br><br>By September 2018, entered into clinical trial agreements with Chinese PLA General Hospital (中國人民解放軍總醫院) and Beijing Youan Hospital, Capital Medical University (首都醫科大學附屬北京佑安醫院) and commenced clinical trial for EAL®. |

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| September 2018 to the Latest Practicable Date | Same as the period from May 2016 to September 2018. | | Commencing clinical trials for EAL® | Dr Wang (Director, General Manager, Technology Director of Beijing Yongtai): responsible for leading R&D work and clinical trials for EAL®;<br><br>Zhang Lingmin (Deputy General Manager of Beijing Yongtai): leading the quality management division to develop a comprehensive quality control system covering the entire process of quality control (QC) and quality assurance (QA);<br><br>Yang Xiaobing (Deputy General Manager of Beijing Yongtai): responsible for research and development, establishment and optimisation of production process technology transformation, basic engineering construction and the organisation and implementation of design work; participating in the establishment and upgrade of the production information automation system and LIMS system, and responsible for future operations; supervising and managing the GMP training of employees; | Enrolled our first patient in the Phase II clinical trial for EAL® in September 2018;<br><br>As at the Latest Practicable Date, 164 patients had been enrolled in the Phase II clinical trial for EAL® (targeted enrolment of 272 subjects);<br><br>By March 2020, obtained the ethical committees' approval from 14 medical institutions for the clinical trial for EAL®. |

| Timeline | Regulatory environment | Relevant authorities | R&D related activities | Major personnel and their roles and responsibilities | Milestones and events |
|---|---|---|---|---|---|
| | | | | Zhang Yonghua (Process and Technology Research Manager of Beijing Yongtai): assisted Dr Wang in continuing development and optimisation of the production process of EAL®; applying new plans, new processes and new equipment to improve the production efficiency and quality of EAL®; conducting cell preparation for EAL® clinical trial;<br><br>Guo Jianhai, Cao Chunhui, Li Shufen (Quality Research Manager of Beijing Yongtai): assisted Zhang Lingmin in establishing quality management system documentation related to EAL® production;<br><br>Shi Pengyu (Clinical Trial Director of Beijing Yongtai): lead the clinical trial team and implemented EAL® clinical trial. | |

***Preliminary research for EAL®***

Shao Yi conducted the preliminary research for EAL®, mainly literature study and early experiments on cell culture method for EAL®, after joining Beijing Sainuotai.

Dr Wang joined Beijing Yongtai in November 2006 and led the R&D team of Beijing Yongtai to establish the preliminary research on cell culture method for EAL® in December 2006. She put forward the concept of serum-free cell culture system research and possible research ideas. She also provided technical guidance to R&D team in their research work. The R&D team mainly include Dr Wang and Shao Yi. The expected objective of such preliminary research is to find out whether T cells in vitro activation and expansion could be researched and developed. As the study was at an early stage, it did not address any indications.

Shao Yi graduated from the Department of Basic Medicine, Peking University Health Science Centre in July 2003. She joined Beijing Sainuotai in October 2005 and Beijing Yongtai in November 2006.

A patent application was derived from such preliminary research for EAL®. On 9 May 2007, the prototype of the patent "highly effective method for amplifying activated lymphocyte and cultivation system" was completed and a patent application was submitted by Dr Wang. Please see "— 8. Intellectual Property" below for details.

***Early R&D and clinical application (2006-16)***

Before May 2016, cellular immunotherapy including EAL® was able to be marketed commercially as a medical technology. We began the R&D and marketing of EAL® in 2006. EAL® was conducted at Guanglian Laboratory. According to our PRC Legal Advisers, as EAL® was clinically applied as a medical technology before May 2016, no production license was required in accordance with PRC laws.

The preparation of EAL® and other AAL products has been based on the principles first reported by Japanese scientists in 1993, as disclosed in more detail in "Industry Overview — 2. Overview of Cellular Immunotherapy — Activated autologous lymphocytes — Efficacy in randomised controlled clinical trials". Although using serum-based technology is not absolutely prohibited under the PRC laws and regulations, it has to comply with the relevant regulatory restrictions, which make the adoption of such technology almost impracticable. We considered that a serum-free cell culture system for T cells culture in vitro should be developed because the culture system based on serum-based environment requires the use of serum but during the research it was discovered that it was difficult to remove the residues from the bovine serum for cell culture in order to comply with the relevant regulatory requirements. At first, we produced EAL® cells using technology we independently developed based on the published studies. The focus of our early R&D efforts was to obtain antitumour lymphocytes with the targeted quantity, activity, and functions by using different combinations of cell culture media, cytokine concentrations, and antibody concentrations. Accordingly, the underlying technology for the early production of EAL® was different from that used in the production of similar products in Japan and Korea. The relevant patent for our technology was registered in 2007. Since then, we have improved upon the cell culture technology and developed our serum-free cell culture technology platform which can improve product safety. The relevant patent was registered in 2013.

Our early R&D on EAL® also covered the mass producibility and standardisation of EAL®, as disclosed in "— Advantages of EAL® — Large-scale producibility and standardisation" below. We also commenced the pre-clinical studies on EAL® in preparation for the IND application when EAL® was still permitted to be marketed as a medical technology. See "— Pre-clinical efficacy studies on EAL® cells" below for a summary of our pre-clinical efficacy studies.

Between November 2006 and April 2016, data were collected in respect of the application of EAL® involving a total of more than 4,000 patients (including more than 500 liver cancer patients) from dozens of hospitals, with a total of more than 20,000 infusions.

Among the patients on whom the data were collected, the diseases mainly involved were (in descending order of the number of cases) lung cancer, liver cancer, intestinal cancer, gastric cancer, leukaemia, breast cancer, ovarian cancer, uterine cancer, kidney-related cancer, oesophageal cancer, lymphoma, and melanoma, the majority of which were solid tumours.

The following table sets forth a breakdown of the number of cases and infusions of major different tumour indications in which EAL® has been clinically applied and commercialised before and during the Dual Track System:

| Indications | Number of cases | Number of infusions |
|---|---|---|
| **Solid tumour indications** | | |
| Lung cancer | >650 | >3,630 |
| Liver cancer | >530 | >2,960 |
| Intestinal cancer | >320 | >1,690 |
| Gastric cancer | >270 | >1,350 |
| Breast cancer | >160 | >930 |
| Ovarian cancer | >120 | >800 |
| Uterine cancer | >100 | >620 |
| Kidney-related cancer | >90 | >380 |
| Oesophageal cancer | >90 | >400 |
| Melanoma | >20 | >50 |
| Other solid tumour indications | >760 | >3,800 |
| **Hematologic cancer indications** | | |
| Leukaemia | >220 | >1,100 |
| Lymphoma | >60 | >160 |
| Other hematologic cancer | >130 | >1,030 |
| **Other indications(1)** | >240 | >1,120 |
| **Health care(2)** | >180 | >910 |

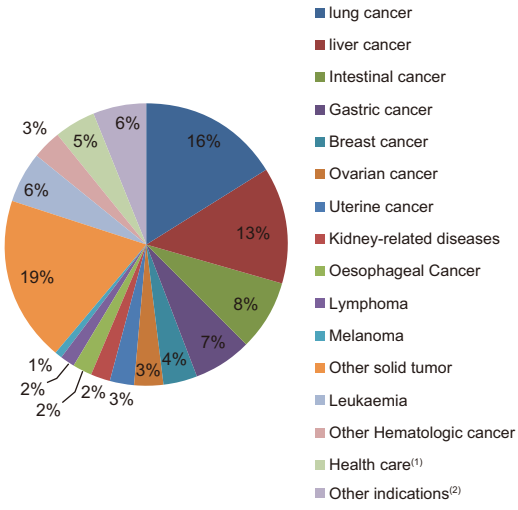
*Notes:*

(1) Other indications are non-tumour diseases, mainly include cirrhosis, hepatitis B, hypertension and various types of inflammation.

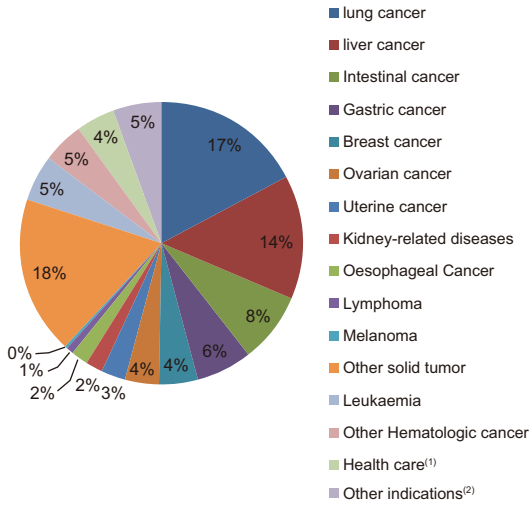
(2) Health care is mainly for the purpose of enhancing immunity and postoperative physical recovery.

The following diagrams set forth further the number of cases and the number of infusions for the various tumour indications in which EAL® has been clinically applied and commercialized before and during the Dual Track System:

**Number of Cases**




**Number of Infusions**




*Notes:*

(1) Health care is mainly for the purpose of enhancing immunity and postoperative physical recovery.

(2) Other indications are non-tumour diseases, mainly include cirrhosis, hepatitis B, hypertension and various types of inflammation.

According to the data we have collected, more than a third of the patients received six or more infusions, with the median of eight infusions. The median length of period covered for a patient was approximately four months.

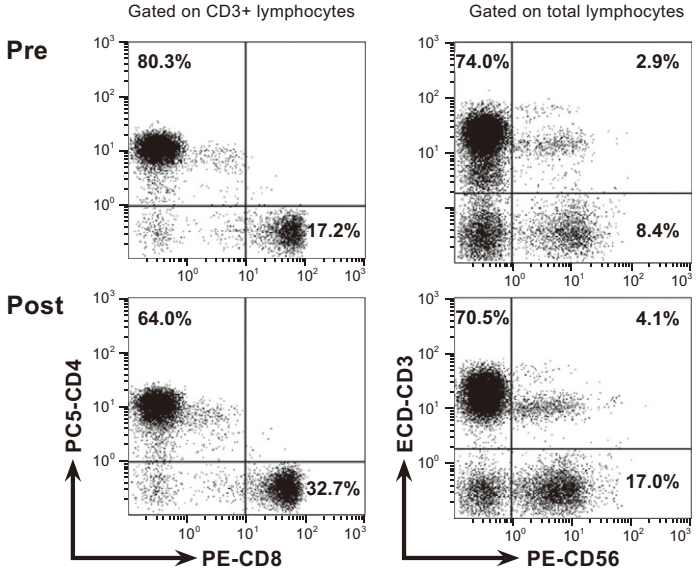
***Published clinical studies on EAL®***

As disclosed above, EAL® was clinically applied in dozens of hospitals for the treatment of more than 4,000 patients between November 2006 and April 2016. However, due to the hospitals' confidentiality restrictions regarding the patients' information, we have been unable to obtain detailed clinical data for EAL® during this period. Some of the clinical results of EAL® have been summarised by the responsible physicians, and reported in the literature below. EAL® was referred to as "expanded autologous activated lymphocytes" in the studies.

*Clinical results from Peking Union Medical College Hospital, Chinese Academy of Medical Sciences (中國醫學科學院北京協和醫院)*

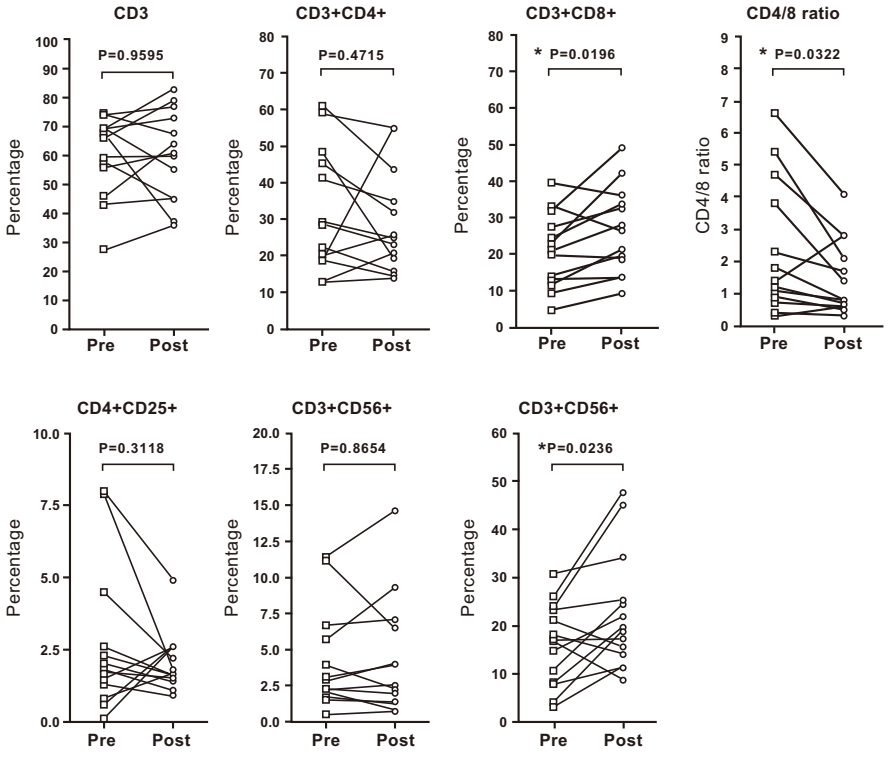
Zhao Sun et al[4] from Peking Union Medical College Hospital, Chinese Academy of Medical Sciences (中國醫學科學院北京協和醫院) reported a clinical study involving 19 patients with advanced malignant tumours who suffered metastases receiving EAL® infusion. Two to four weeks after the administration of EAL® cells, the proportions of $CD3^+CD8^+$ (i.e., $CD8^+$ cytotoxic T cells) and $CD3^-CD56^+$ (i.e., natural killer cells) subpopulations in the peripheral blood of the patients increased. In addition, it was reported that the number of IFN-γ secreting cells significantly increased after EAL® infusion. The p values of the counts of $CD3^+$IFN-$\gamma^+$ and $CD3^-$IFN-$\gamma^+$ lymphocytes were reported to be 0.006 and 0.015 respectively. Further results showed that the proportions of IFN-γ secreting cells in both $CD3^+CD8^+$ and $CD3^-$ cell subpopulations significantly increased after EAL® infusion, indicating that EAL® has the ability to increase the number of antitumour cytotoxic lymphocytes in peripheral blood and has the effect of enhancing antitumour immunity.

In the study, peripheral blood mononuclear cells from 13 patients were available and analysed, and the cell phenotypic changes in one of the patients before and after administering EAL® are illustrated as follows:




[4] Zhao Sun, Liang Shi, Huagang Zhang, Yi Shao, Yu Wang, Yi Lin, Xiao Li, Chunmei Bai. Immune modulation and safety profile of adoptive immunotherapy using expanded autologous activated lymphocytes against advanced cancer. Clinical Immunology 2011; 138(1): 23-32.

The detailed results from these 13 patients and the statistical differences between pre- and post-treatments were analysed with paired t tests, and are illustrated as follows:



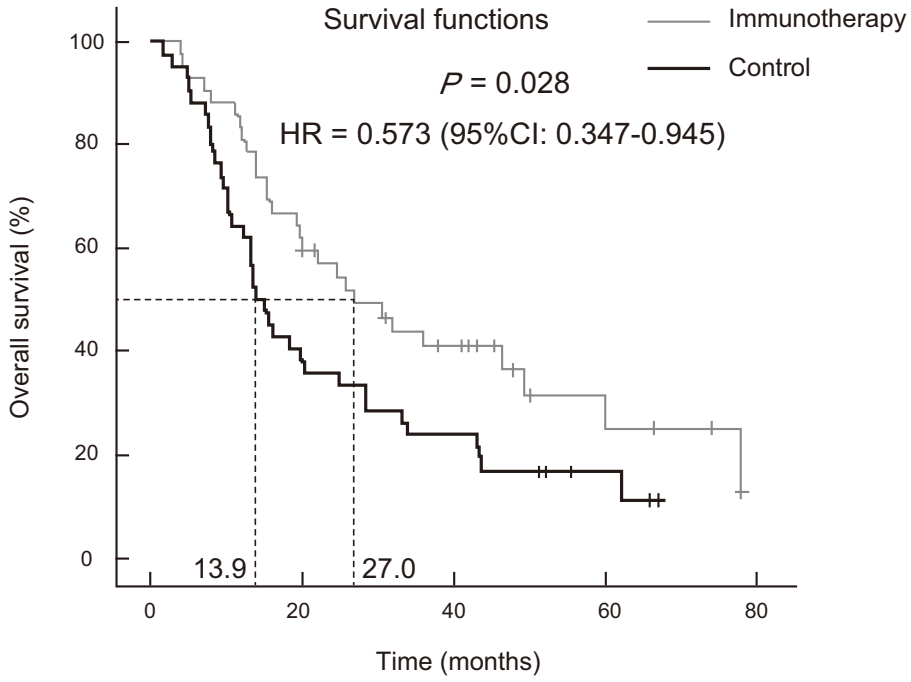

No serious toxic reaction of grade II or above was observed in the course of the infusions. Of all the 19 patients (including six whose cells phenotypic changes were not analysed), seven patients suffered grade I toxicity. These adverse events were self-limiting, with fever and dizziness persisting no more than 48 hours, diarrhoea no more than 12 hours, and chills no more than three hours. No special treatment was required, and no serious adverse reaction was observed, in each case during or after infusion.

*Clinical results from Chinese PLA General Hospital (中國人民解放軍總醫院) (gastric cancer)*

According to the clinical application data collected by Guoqing Zhang et al[5] from Chinese PLA General Hospital (中國人民解放軍總醫院), in respect of 84 patients with stage IIIc-IV gastric cancer consisting of 42 patients who received more than six EAL® infusions and 42 patients with concurrent control, the overall survival (OS) of the EAL®-treated group was 27.0 months, while that of the control group was 13.9 months. The EAL® immunotherapy reduced the risk of death by 42.7% (p = 0.028). Furthermore, the multivariate COX regression analysis showed that the EAL® immunotherapy was one of the independent prognostic risk factors for prolonged overall survival of patients with advanced gastric cancer.

[5] Guo-Qing Zhang, Hong Zhao, Jian-Yu Wu, Jin-Yu Li, Xiang Yan, Gang Wang, Liang-Liang Wu, Xiao-Gang Zhang, Yi Shao, Yu Wang, Shun-Chang Jiao. Prolonged overall survival in gastric cancer patients after adoptive immunotherapy. World Journal of Gastroenterology 2015; 21(9): 2777.

The overall survival of the subjects is illustrated in the chart below:



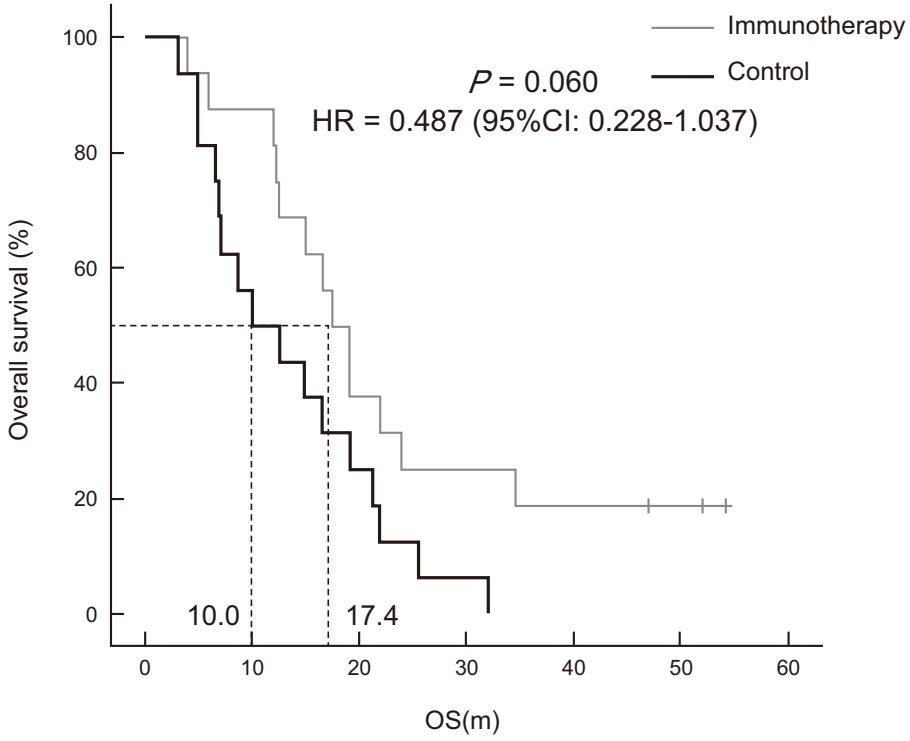

The most common adverse reactions were fever and chill. All the adverse reactions were of grade 1 or 2 and self-limiting.

*Clinical results from Chinese PLA General Hospital (中國人民解放軍總醫院) (small cell lung cancer)*

In another study on the application of EAL® in the treatment of small cell lung cancer, Zhang et al[6] analysed data collected from 32 patients consisting of 16 patients for the EAL®-treated group and 16 patients for the control group. The patients in the EAL®-treated group were each treated with more than six EAL® infusions, and the OS in the EAL®-treated group was numerically longer than that in the control group, but the difference between the two was not statistically significant (p = 0.060, HR = 0.487, 95% confidence interval 0.228-1.037). The one to three year survival rate of the patients in the EAL®-treated group was also numerically better than that in the control group, but the difference between the two was not statistically significant either (p > 0.05). However, the multivariate COX regression analysis showed that the EAL® immunotherapy was one of the independent prognostic risk factors for prolonged overall survival of patients with small cell lung cancer. The subgroup analysis showed that the OS of female patients with small cell lung cancer who received six or less cycles of chemotherapy was prolonged after the EAL® immunotherapy (p < 0.05).

[6] Guoqing Zhang, Fang Li, Shenjie Sun, Yi Hu, Gang Wang, Yu Wang, XiaoxiaCui, Shunchang Jiao. Adoptive Immunotherapy for Small Cell Lung Cancer by Expanded Activated Autologous Lymphocytes: a Retrospective Clinical Analysis. Asian Pacific Journal of Cancer Prevention 2015; 16(4): 1487-1494.

The overall survival of the subjects is illustrated in the chart below:




The most common adverse reactions were fever and itching. All the adverse reactions were of grade 1 or 2 and self-limiting.

*Clinical results from Peking University People's Hospital (北京大學人民醫院)*

Researchers from Peking University People's Hospital (北京大學人民醫院) analysed the case histories and follow-up records on 65 children with acute myeloid leukaemia (AML) who were admitted to the hospital during a 3.5-year period from January 2010 to June 2013[7]. The study compared 41 patients with acute myeloid leukaemia who were treated with EAL® immunotherapy combined with chemotherapy and 24 patients with acute myeloid leukaemia who were treated with chemotherapy only. After EAL® immunotherapy, the responses of the patients as a whole and with different genetic backgrounds and different number of courses and different timing of the EAL® immunotherapy were evaluated and analysed.

The preliminary conclusion was that EAL® combined with chemotherapy was more effective than chemotherapy alone in the treatment of children with AML, especially in clearing minimal residual disease (MRD), and in significantly prolonging the duration of MRD-negative status and event-free survival of the patients. Administering EAL® within ten months of chemotherapy increased the efficacy. The curative effect was related to the number of courses of the EAL® immunotherapy. The efficacy in MRD clearance was positively correlated with the number of courses of EAL® infusion.

[7] Guanhua Hu. The Application of EAAL in Eradicating the Minimal Residual Disease of Pediatric Acute Myeloblastic Leukemia, 2014.

***Pre-clinical efficacy studies on EAL® cells***

*Background*

From December 2006 to May 2016 we carried out the EAL® clinical applications and pre-clinical efficacy studies on EAL® under the Dual Track System, under which cellular immunotherapy was able to be marketed commercially as a medical technology regulated by the Ministry of Health (the "**Medical Technology System**"), and at the same time it remained within the CFDA drugs regulation regime (the "**Drug Regulation System**"):

- Under the dual track system in the past, substantially all companies developing cellular immunotherapy chose to work on clinical applications only because under the Medical Technology System, the cellular immunotherapy can be directly applied with hospitals' agreement and promptly commercialised without devoting significant capital investments, time and resources on pre-clinical studies and clinical trials which would be otherwise required under the Drug Regulation System. From December 2006 to May 2016, we carried out clinical applications on EAL® under the Medical Technology System.

- However, from May 2011 to August 2015, we in the meantime also carried out our own pre-clinical studies on EAL® under the Drug Regulation System. It is primarily because we anticipated that, considering the standardised quality of products and the sustainable growth of the cellular immunotherapy, it would be treated as a drug and subject to sole regulation by the CFDA in light of the divergent quality standards adopted by different companies developing cellular immunotherapy and their cooperating hospitals, which might result in lower entry barriers, increasing population of substandard products and as a result potential medical disputes and sales decline.

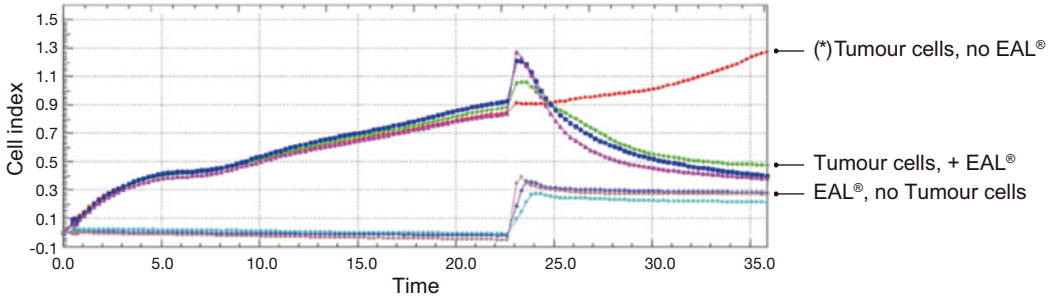
- From May 2016, as a result of the Wei Zexi incident, the relevant government authorities ceased all commercial clinical application of cellular immunotherapy including EAL®. This ended the dual track system for the regulation of cellular immunotherapy, which would be only regulated under the Drug Regulation System.

*In vitro pharmacodynamic experiment*

In preparation for the IND application, we conducted both in vitro and in vivo pharmacodynamic experiments on EAL®. In the in vitro killing experiment, a sample human EAL® cell was used as the effector cell and a human hepatoma cell line was selected as the target cell to examine the death of the target cell and the effector cell's secretion of cytokines after coming into contact with and being stimulated by tumour cells. In the in vivo killing experiment, a tumour-bearing immunodeficient mouse model was established to carry human hepatoma cells, and treatment was conducted by applying EAL® preparations to observe the killing effect on tumours.

The results of in vitro killing experiments showed that EAL® had a clear in vitro killing effect on hepatoma cell lines, and the percentage of cytotoxicity with respect to hepatoma cell lines increased with the increase of the effector-to-target ratio and the prolongation of the co-incubation time and the results were statistically significant ($p < 0.05$). In a short period of time (12h), EAL®'s average percentage of killing on liver hepatocellular cells (HepG2) at effector-to-target ratios of 10:1, 20:1, 40:1, and 80:1 was 6.01%, 12.76%, 25.81%, and 47.64% respectively.

The chart below illustrates the results of one of the killing experiments using EAL® cells. The lines in the chart represents the change in the number of tumour cells within the culture medium over time. HepG2 cells are cultured and EAL® cells are added at the 20-25th hour to observe the growth and death of the tumour cells. The line labelled with (*) represents the growth of the tumour cells under the control experiments with no EAL® cells added. The lines at the bottom of the charts represent control experiments with only EAL® cells added. The other four lines represent the number of tumour cells with the addition of EAL® cells using effector-to-target ratios of 10:1, 20:1, 40:1, and 80:1 respectively.




The results of cytokine secretion experiments showed that EAL®, while killing tumour cells, secretes tumour killing cytokines IL-2, IFN-γ, and TNF-α, and secretes no or only a small amount of immunosuppressive cytokines IL-4 and IL-10.

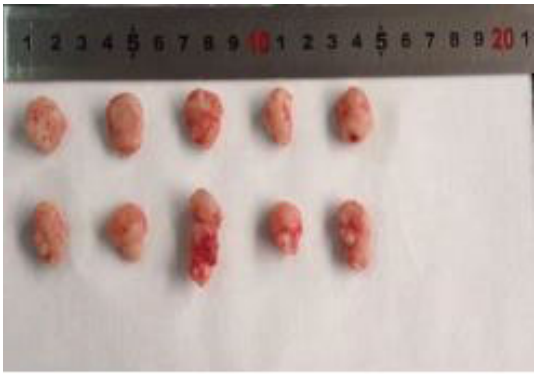
*In vivo pharmacodynamic experiments*

In the in vivo killing experiments, we used immunodeficient mice NOD/SCID as experimental subjects, and inoculated the human hepatoma cell line SMMC-7721 into the armpit of the mice to establish a subcutaneous tumour formation model. Low, medium, and high doses of human EAL® cells were used for subcutaneous treatment to evaluate the in vivo antitumour effect of EAL® cells.

The results showed that the inhibition rates on tumour volume increase in the low, medium, and high doses of cell treatment groups were 10.6%, 46.1%, and 88.5%, respectively. Compared with the negative control group, the tumour volume in the medium and high dose group treated with EAL® cells was smaller and the results were statistically significant ($p < 0.05$). The inhibition rates on tumour weight growth in the low, medium, and high dose treatment groups were 20.9%, 46.6%, and 83.4% respectively. Compared with the negative control group, the tumour weight of the mice in all EAL® cell treatment groups was significantly reduced ($p < 0.05$).

The following photographs illustrate the tumour volume for (1) the negative control group; (2) the group treated with low-dose EAL®; (3) the group treated with medium-dose EAL®; and (4) the group treated with high-dose EAL®.

(1)



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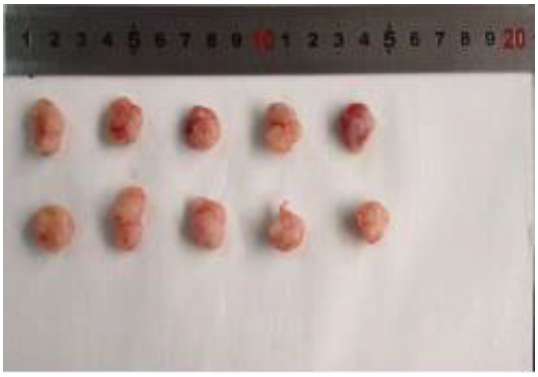
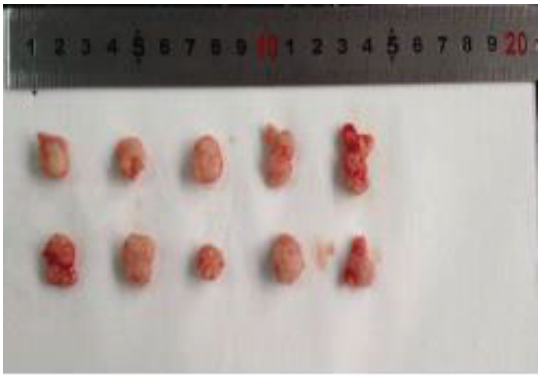


(3)



(4)

In the in vivo pharmacodynamic experiments, none of the mice in all experimental group injected with EAL® cells showed abnormal changes in general symptoms and body weight. Compared with the negative control, the injection of low, medium, and high doses of EAL® cells all achieved antitumour effects, with best effects in the high-dose group.

The results of in vivo and in vitro experiments show that EAL® has positive killing effects on tumour target cells, demonstrating EAL® cells' potential for killing tumour target cells.

***Differences between EAL® in commercialisation from EAL® as core product to commercialisation***

The following table sets forth the key differences between (1) EAL® in Commercialisation (referring to EAL commercially applied from 2006 to 2016 under technical services agreements with certain hospitals), and (2) EAL® as the Group's Core Product to commercialisation currently:

| | | EAL® in Commercialisation | EAL® as the Group's Core Product to commercialisation |
|---|---|---|---|
| (a) | Technology and construction | | |
| | 1. Technical principle and product composition | Identical | Identical |
| | 2. Production process and raw materials for production | Identical | Identical |
| | 3. Quality inspection and project approval | No specific legal requirements. Quality inspection and approval were conducted in accordance with the Group's internal quality management system established with reference to ISO9001. | Quality inspection and approval must comply with the provisions of the Good Manufacturing Practices (GMP) for Pharmaceutical Products. On 28 November 2019, the CFDI promulgated a draft GMP appendix on the regulation of cellular immunotherapy products. |
| | 4. Pre-clinical pharmacodynamics, pharmacology, and toxicology studies | No specific legal requirements under the Category III medical technology regulatory system. | Prior to conducting clinical trials, pre-clinical studies on new drugs must be carried out strictly in accordance with relevant regulations. |
| | 5. Clinical trial | No specific legal requirements under the Category III medical technology regulatory system. | Prior to the marketing (commercialisation) of EAL®, the Phase II clinical trial must be carried out strictly in accordance with relevant new drugs regulations. This clinical trial of EAL® is currently underway. |

| | | EAL® in Commercialisation | EAL® as the Group's Core Product to commercialisation |
|---|---|---|---|
| | 6. GMP production quality management requirements | No specific legal requirements. The Group produced EAL® in accordance with its internal quality management system established with reference to ISO9001. | The production quality management must comply with the provisions of the GMP for Pharmaceutical Products. Prior to launch, EAL® products need to pass the GMP inspection (including GMP facilities and management system) by the NMPA in accordance with the Law on the Administration of Drugs and the Measures for the Supervision over and Administration of Pharmaceutical Production. |
| (b) | Addressable target patients and specific disease indication(s) | Under the Category III medical technology regulatory system, EAL® was applied for the treatment of cancer patients according to the agreements entered into with hospitals. The patients and indications were not clearly defined, and the judgment of the hospital and doctor shall prevail. EAL® was used to treat a variety of tumours such as lung cancer, gastric cancer, colorectal cancer, and liver cancer. | (1) Current indication for the Phase II clinical trial: prevention of recurrence after radical resection of primary hepatocellular carcinoma with high risk of recurrence. (2) Proposed expansion of indications: cancer types with a large number of patients, such as gastric cancer, lung cancer, and colorectal cancer. |
| (c) | Safety | Prior to clinical application, no systematic safety evaluation was required; during the clinical application, no serious adverse reactions were observed, and the side effect was self-limiting influenza-like symptoms; retrospective studies confirmed the safety of EAL®. | Prior to clinical trials, the safety of EAL® was approved by the CFDA and approval was obtained for the Phase II clinical trial. During the current Phase II clinical trial, no serious adverse reactions had been observed, and the side effect was self-limiting influenza-like symptoms. The ongoing Phase II clinical trial will further clarify the safety of EAL® treatment. |

| | EAL® in Commercialisation | EAL® as the Group's Core Product to commercialisation |
|---|---|---|
| (d) Efficacy | Prior to clinical application, no systematic efficacy evaluation was required and performed; retrospective studies have shown that the combination with conventional treatment can effectively prolong the overall survival of patients with gastric cancer, small cell lung cancer, and childhood acute myeloid leukaemia. | The results of the ongoing Phase II clinical trial will provide a scientific and systematic evaluation of the efficacy of EAL®. |

As illustrated above, before May 2016, the national regulatory system for Class III medical technology did not contain detailed provisions in respect of cellular immunotherapy. Under such a regulatory system, EAL® in Commercialisation or other cellular immunotherapies (such as NK cells) as a medical technology were not subject to strict pre-clinical studies and clinical trials before being applied to the treatment of tumour patients in hospitals. In addition, indications were not strictly defined, and the use and extent of cellular immunotherapy were based on the hospital's diagnosis and treatment plan.

We are fully responsible for ensuring the quality standards, inspections, compliance and control of EAL®. After conducting research on the process and quality characteristics of EAL®, we determined the quality testing items and relevant quality standards of EAL®. Specific quality testing items include total number of viable cells, cell viability, sterility check, mycoplasma check, etc. We formulated and researched on these quality testing items in accordance with the Drug Administration Law, the Administrative Measures for Drug Registration, the Guidelines for Research on Human Cell Therapy and Quality Control of Preparations (《人體細胞治療研究和製劑質量控制技術指導原則》) and other guiding principles. Each batch of EAL® prepared by us must be tested for all quality inspections approved by the CDE in the IND application and meet the quality standards approved by the CDE.

During pre-clinical studies, we were primarily responsible for the research and testing work. We carried out in vitro and in vivo pharmacodynamic studies in accordance with the Administrative Measures for Drug Registration. As a primary responsible party and designer, we also engaged third parties to work on part of the research and testing work under our close supervision and guidance. According to the agreements we entered into with the third-party research entities, we would be provided with a research report for the testing results of EAL® pre-clinical pharmacy and pharmacodynamic indicators to the experimental samples we provided.

In accordance with the Drug Administration Law and the Administrative Measures for Drug Registration, we engaged NIFDC, a GLP organisation, to conduct pre-clinical safety and efficacy studies on EAL® in vivo pharmacodynamics, pharmacology, and toxicology. In these studies, we prepared qualified test products according to the agreed quality standards, and the NIFDC used the test products to conduct relevant tests under the GLP system and issued reports. According to the agreement we entered into with the NIFDC, it agreed to conduct certain pre-clinical safety evaluation of EAL® under GLP conditions for the purpose of IND filing.

After the IND application for EAL® was accepted by the CDE for processing, we sent three batches of EAL® samples to the NMPA for quality review in accordance with its requirements. The quality review report shows that the three batches of EAL® samples submitted for inspection meet the quality standards set out in the IND application.

The continuing development of EAL® will rely on our R&D capabilities. We have a strong R&D team consisting of 155 personnel as of 31 December 2019 led by Dr Wang, Dr Kim and Dr Zhang, all of whom have over 25 years of experience in medical research. We have also continued to increase R&D expenses from RMB31.2 million in 2018 to RMB62.0 million in 2019. Leveraging our R&D capability, we also possess certain relevant IPs. See "— 8. Intellectual Property" for further details of the resultant patent applications and approvals we received. According to Frost & Sullivan, the R&D capabilities of the Group are in line with competitive or comparable players in the market, such as Hrain Biotech (上海恒潤達生生物科技有限公司), Carsgen Therapeutics (科濟製藥), Legend Biotech (傳奇生物), etc. with respect to the development of cellular immunotherapy and EAL® as a biotech product.

***Phase II clinical trial***

We submitted the IND application in respect of EAL® to the CFDA in 2015. The application materials covered (1) an overview of the product and an outline of the existing research; (2) details of pharmaceutical study results; (3) pharmacological and toxicological study results; and (4) the proposed clinical trial protocol. See "— Pre-clinical efficacy studies on EAL® cells" for a summary of the results of our pre-clinical efficacy studies submitted as part of our IND application.

In October 2017, we obtained the drug clinical trial approval document in respect of EAL®. We believe the acceptance of our submission of the IND application and our ability to obtain the drug clinical trial approval document were indicative of the ability of EAL® to satisfy the then requisites of an IND application.

EAL® is the first cellular immunotherapy product to be approved for Phase II clinical trials in China after a rigorous pre-clinical study (lasting for four years) and application approval process (lasting for two years). The first patient for the Phase II clinical trial for EAL® was enrolled in September 2018. As at the Latest Practicable Date, 164 patients had been enrolled in the Phase II clinical trial for EAL®. We target to complete the enrolment of all subjects in the second half of 2020, and finish the interim data analysis by the first half of 2021 and submit to the NMPA for conditional marketing approval. We target to launch EAL® by the end of 2021.

We have submitted the 12-month summary report in September 2019 in respect of the clinical trial to the CDE in accordance with the relevant requirements, setting out a summary of the updated safety information about EAL®. We reported, among other things, that based on the data from the administration of a total of 102 batches of EAL® for 17 patients in the clinical trial, there were no serious adverse effects. We concluded that there have been no changes to our assessment of the efficacy and safety of EAL® and no new risks have been discovered based on the available data.

*Clinical indication and subjects enrolment*

We selected the prevention of postsurgical recurrence of liver cancer as the clinical indication for the clinical trial for EAL® because (1) liver cancer has a high incidence rate in China; (2) randomised controlled clinical trials have shown the efficacy of other AAL products in the prevention of postsurgical recurrence of liver cancer; (3) the high recurrence rate of liver cancer after radical surgery enables us to obtain statistically significant clinical trial results in a relatively short period of time; and (4) the market demand is considerable given the limited therapeutic options for liver cancer.

The clinical trial is a multi-centre, randomised, open-label trial, whose purpose is to verify the efficacy and safety of EAL® infusion in the prevention of recurrence of primary hepatocellular carcinoma with high risk of recurrence after radical resection (HCC). Eligible subjects are stage Ib to stage IIIa HCC patients* aged between 18 and 75 having received radical resection and with a high risk of recurrence and an expected survival of more than six months. The following patients are considered to have a high risk of recurrence: (1) patients with one tumour with a diameter of at least 5 cm; (2) patients with one tumour with a diameter of less than 5 cm but with one of four specified prognostic factors; and (3) patients with more than one tumour.

Patient enrolment should follow the guidelines set out in the Quality Management Measures for Clinical Trial of Drugs issued by the State Administration for Market Regulation. The principal investigator is responsible for the enrolment of subjects and obtaining the informed consent from subjects by providing them with the necessary information and requesting them to sign consent forms in the form agreed with the relevant ethical committees. Subsequently, the subjects must be informed of any further material information related to the clinical trial. We have engaged CROs to monitor the enrolment of subjects in accordance with the clinical trial protocol and relevant laws and regulations, including whether subjects' interests are protected.

*Clinical trial protocol*

Clinical manifestations need to be verified by clinical trials. The Company's current Phase II clinical trial is to prove that the cells produced under the technical conditions of EAL® culture can effectively prevent the postsurgical recurrence of liver cancer. This clinical trial uses a 1:1 parallel control between the trial group and the control group. Subjects in the trial group receive radical surgery, TACE (one month after surgery), and EAL® immunotherapy, while subjects in the control group receive radical surgery and TACE (one month after surgery) only. EAL® immunotherapy involves administering 20 doses of EAL® over 55 weeks starting from the third week

* According to Frost & Sullivan, HCC at stage IIIb and IV is unresectable.

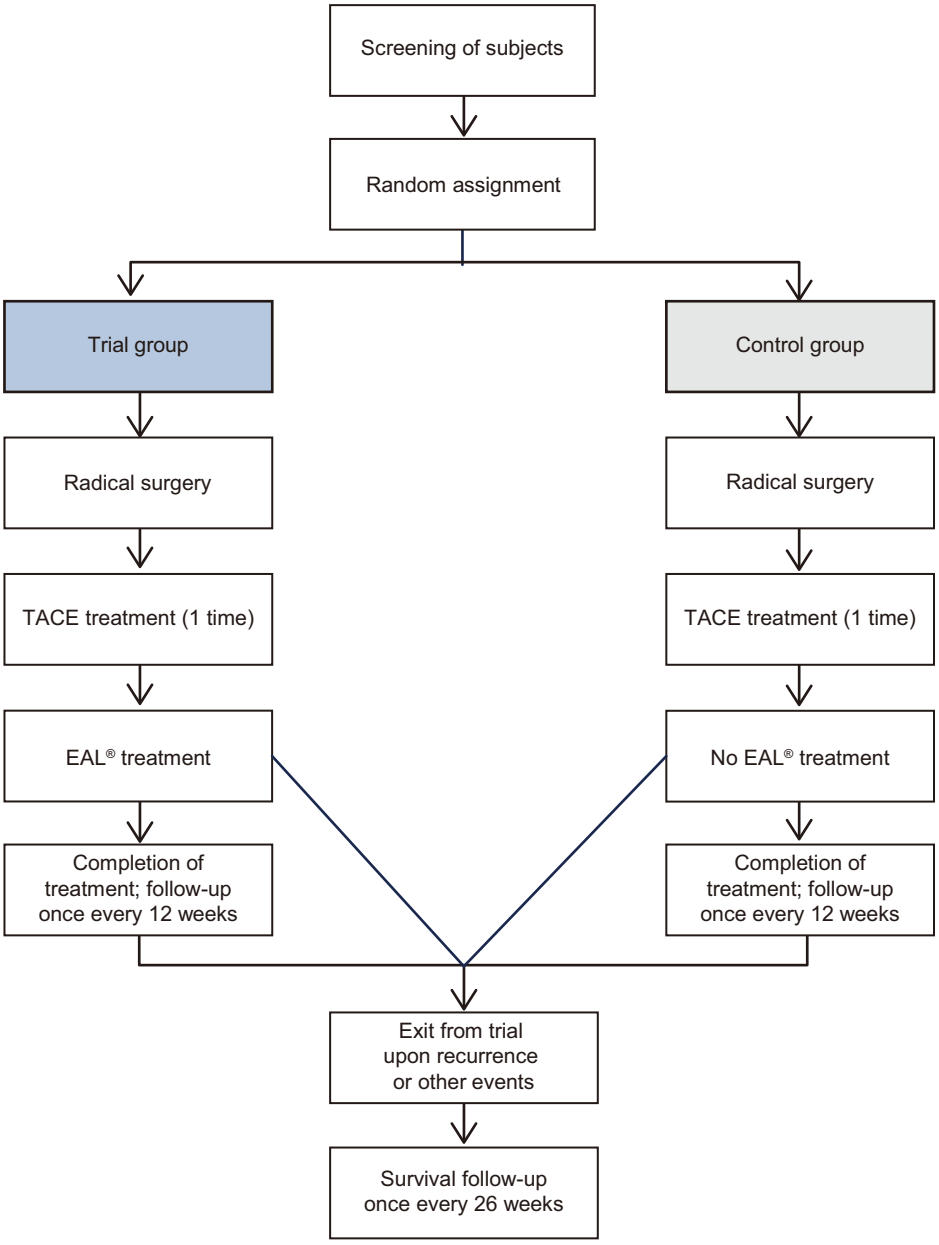
after surgery. The frequency of infusion decreases from once every week at the beginning of the treatment to once every four weeks near the end of the course of treatment. TACE treatment involves administering epirubicin hydrochloride injection (10 mg), fluorouracil injection (500 mg), and iodinated oil injection (3-5 mL).

The primary efficacy endpoint of the clinical trial is the recurrence-free survival (RFS), whereas the secondary efficacy endpoints are the overall survival (OS) and cancer-specific survival (CSS). The difference in RFS for the trial group and the control group would be considered statistically significant if $p < 0.05$. The statistical significance of safety data is not a necessary condition for the clinical trial.

We expect to enrol 272 patients for the clinical trial, with 136 patients for each of the trial group and the control group. About 3,000 batches of EAL® will be produced during the clinical trial period. An interactive web response system (IWRS) is used to screen qualified subjects who are to be randomly assigned to the trial group or the control group.

Subjects will undergo an abdominal enhanced magnetic resonance imaging or enhanced CT examination every three months after the surgery. The imaging examination will be performed by centralised independent reading to objectively evaluate whether the patient has relapsed. The recurrent subjects are subject to the observation of survival follow-up. Adverse events and the safety in laboratory tests and other aspects in the two groups will be examined during the trial.

The following flowchart illustrates the design of the Phase II clinical trial for EAL®:




After receiving the clinical trial approval document in October 2017, we have formulated a clinical trial plan and modified our clinical trial protocol following the CDE's guidance on the design of the clinical trial set out in the clinical trial approval document including the subject eligibility criteria, dosage regimen, and approval criteria. Following our submission of the draft clinical trial protocol and several rounds of communication with the CDE, we and the principal investigators for EAL® attended a meeting with the CDE in June 2018 to discuss specific questions concerning our protocol and pathway for market approval.

Consistent with the design of the clinical trials for AAL products in Japan and Korea, no placebo is used in the control group during the clinical trials for EAL® because peripheral blood has to be collected from patients during the preparation process. If the placebo were used in the control group, the peripheral blood would

need to be collected from the patients in the control group and reinfused to the patients without cell activation, expansion or harvesting. It would be harmful to the patients in the control group, and would be contrary to ethical principles. Therefore, the clinical trial for EAL® was designed without placebo and was an open-label trial in which information is not withheld from trial participants. The peripheral blood is not collected from the patients in the control group. In addition, the CDE has approved our open-label trial design without using placebo.

The clinical trial has been designed on the basis that EAL® is not required to undergo Phase I clinical trial. In the IND application materials, we submitted that conducting Phase I clinical trial is unnecessary for EAL® given that (1) the safety of EAL® has been observed in the history of clinical applications of the product, being that no serious adverse reactions were observed, the side effect was self-limiting influenza-like symptoms as well as retrospective studies confirmed the safety of EAL® (see "— Early R&D and clinical application (2006-16)" above); (2) the safety and efficacy of other AAL products have been seen in randomised clinical trials (see "Industry Overview — 2. Overview of Cellular Immunotherapy — Activated autologous lymphocytes"); and (3) a similar product in Korea directly entered into Phase III clinical trial based on the research conducted in Japan. After reviewing the application materials and the overall clinical trial plan for EAL®, and after several rounds of verbal communication with us, the CDE agreed that Phase I clinical trial for EAL® on postsurgical recurrence of liver cancer is not required and we may proceed with the Phase II clinical trial for EAL®. According to our PRC Legal Advisers, the fact that the CDE did not require us to conduct Phase I clinical trial for EAL® and its consent for the initiation of the Phase II clinical trial can be taken as its agreement that EAL® has reached a standard equivalent to a product having completed Phase I clinical trial.

*Monitoring of data collected from the clinical trial*

As disclosed in "— Research and Development — R&D management platform" below, we have an internal R&D management team responsible for liaison with institutions participating in the clinical trial. We have engaged external organisations to monitor, validate, and review the data collected by the participating medical institutions.

In addition, we have established an independent data and safety monitoring board to oversee the analysis and review of the data from the clinical trial for EAL®. The board is made up of experienced oncologists with experience in relevant clinical trials. The monitoring board will provide professional advice to our Group in order to protect the subjects' interest and assess the efficacy and safety of the product. The monitoring board will conduct a meeting once 70 endpoint events have occurred to review the interim report prepared by independent statisticians and make a recommendation to our Group as to whether to proceed with the clinical trial. Based on the monitoring board's recommendation, we will make the ultimate decision in accordance with GCP, the Declaration of Helsinki, and relevant laws and regulations.

A support group consisting of independent statisticians and support staff including secretaries will be formed to support the work of the data and safety monitoring board, including liaison with our Group as the sponsor of the clinical trial.

*Participating medical institutions*

As at the Latest Practicable Date, ethical committee approval had been obtained from 14 medical institutions for the clinical trial for EAL®. These institutions are located in Beijing, Tianjin, and Zhengzhou, and are set out as follows:

- Chinese PLA General Hospital (中國人民解放軍總醫院)
- Peking University People's Hospital (北京大學人民醫院)
- Peking Union Medical College Hospital, Chinese Academy of Medical Sciences (中國醫學科學院北京協和醫院)
- Cancer Hospital, Chinese Academy of Medical Sciences (中國醫學科學院腫瘤醫院)
- Beijing Youan Hospital, Capital Medical University (首都醫科大學附屬北京佑安醫院)
- Beijing Cancer Hospital (北京腫瘤醫院)
- The Sixth Medical Centre of Chinese PLA General Hospital (中國人民解放軍總醫院第六醫學中心)
- The Fifth Medical Centre of Chinese PLA General Hospital (中國人民解放軍總醫院第五醫學中心)
- Tianjin Medical University Cancer Institute & Hospital (天津市腫瘤醫院)
- Beijing Tiantan Hospital, Capital Medical University (首都醫科大學附屬北京天壇醫院)
- Henan Cancer Hospital (河南省腫瘤醫院)
- The First Hospital of Hebei Medical University (河北醫科大學第一醫院)
- The Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院)
- The First Affiliated Hospital of Zhengzhou University (鄭州大學第一附屬醫院)

***Limitation of existing treatments and market opportunities***

We are the first enterprise approved to carry out a Phase II clinical trial for a cellular immunotherapy product in China, according to the Frost & Sullivan Report. We believe that EAL® is expected to seize potential market opportunities after its launch because of the gap in the market for treatments for the postsurgical recurrence of liver cancer, which we have selected as the clinical indication for our ongoing clinical trials.

Liver cancer is one of the most common and deadly forms of cancer in China. In 2018, 400,200 patients were newly diagnosed with liver cancer in China, and 350,800 liver cancer patients died. The numbers of new cases of and deaths from liver cancer in China accounted for more than half of the total numbers of new cases of and deaths from liver cancer in the world. This is mainly due to the huge number of hepatitis B virus carriers in China and the extremely high risk of conversion of advanced hepatitis B virus carriers into liver cancer patients.

In addition, the recurrence rate of liver cancer for five years after surgery is as high as 60% to 70%. However, according to the Frost & Sullivan Report, other than surgery and interventional therapy, no medication or other methods are available in China to prevent recurrence of early-stage liver cancer and prolong the overall survival of early-stage liver cancer patients. Sorafenib, which is used for the treatment of advanced liver cancer, is currently the main molecular targeted therapy. However, as far as Sorafenib is concerned, the objective response rate is lower than 5%, and the median survival time is less than one year, suggesting that the efficacy is limited.

See "Industry Overview — 3. Liver Cancer" for further information about the market size and opportunities of the liver cancer treatment market.

***Advantages of EAL®***

*Therapeutic efficacy*

Compared with surgery, radiotherapy, and chemotherapy, EAL® has the following major advantages:

- *High activity and quantity of T cells:* The efficacy of antitumour T cells as activated and expanded in vitro is enhanced so as to achieve antitumour effects, and compared with radiotherapy and chemotherapy, its toxic and side effects are almost negligible, therefore, it can be used in treatment intended to prevent recurrence after surgery or other treatment.

- *Multi-target killing of tumour cells:* Through in vitro activation and expansion, T cells targeting multiple tumour antigen targets are activated and expanded, and can selectively and specifically kill tumour cells without affecting normal cells.

- *Wide range of effects:* After entering the human body, EAL® can rely on the secretion of cytokines to proactively stimulate systemic antitumour effects by means of immune response, thereby having a wide range of effects. Several clinical studies have shown the efficacy of AAL products in the treatment of various types of tumours.

- *Restoration of normal immune functions:* The activation and expansion of a patient's T cells may remove residual lesions that cannot be completely removed by surgery, prevent recurrence and metastasis, and repair damages caused to related tissues and organs by radiotherapy and chemotherapy.

*Track record of clinical application*

When cellular immunotherapy products were treated as a Class III medical technology, EAL® was clinically applied for nearly ten years in Class III Grade A hospitals in China. See "— Early R&D and clinical application (2006-16)" above for details.

*Large-scale producibility and standardisation*

We have developed stringent quality standards on the safety and efficacy of EAL®. These quality standards help ensure that EAL® can be produced in large quantities with uniform product quality. See "— Quality control" below for details.

The standardised preparation process removes inconsistencies in operational procedures of the product preparation process, and also makes it feasible to implement quality management system for individualised cell preparation, and to form a pipeline operation for multi-batch product quality control and inspection. The uniform standard and fixed process are used to ensure the safety, effectiveness, and controllable and traceable quality of the product. We believe that standardised preparation process for EAL® has laid down the foundation for the future automation in cell production.

*Reduced side effects*

As documented in prior publications, the side effects of EAL® are mainly flu-like self-limiting symptoms of grade II or below. In contrast, other cancer immunotherapy products may cause more serious side effects.

For example, the tumour-infiltrating lymphocyte (TIL) therapy, which also involves the collection of T cells from a patient's tumour, requires the removal of existing lymphocytes in the patient's body with cyclophosphamide chemotherapy or systemic high-dose radiotherapy. Because this type of chemotherapy or radiotherapy is ineffective on tumours, patients towards whom the TIL therapy is ineffective may be exposed to the consequences of rapid tumour growth due to the removal of lymphocytes from their bodies and other side effects of high-dose chemotherapy or radiotherapy. In contrast, no pretreatment with high-dose chemotherapy or radiotherapy is required during the course of therapy using EAL®.

*Preparation of the product only requires a small amount of peripheral blood*

As described in "— Preparation of EAL® cells" below, only 20-100 mL of autologous peripheral blood has to be taken from a patient in order to culture one dose of EAL® cells. Because the amount of lymphocytes removed from the patient is limited, our culture methods can minimise the damage to the patient's immune system.

*Relatively long preservation life allowing for long-range transportation*

Following harvesting, the EAL® cells can be preserved for a period of about 12 hours before infusion into a patient's body. This allows for a relatively long range of transportation. For example, while our laboratories are located in Beijing, EAL® was historically applied in hospitals in Tangshan, Hebei province.

*Potential to be used in combination with other cancer therapies*

Due to the heterogeneity and variability of tumours, the treatment of tumours requires a combination of multiple different approaches, including a combination of surgery, radiotherapy, chemotherapy, molecular targeted therapy, and immunotherapy so as to combat tumour cells through multiple channels. As a new cancer treatment product, EAL® has the potential to effectively attack residual cancer cells that cannot be completely removed by surgery and chemotherapy, and effectively control the risk of postsurgical tumour recurrence and metastasis. In addition, when combined with chemotherapy, EAL® may also enhance the antitumour effects and reduce the side effects of chemotherapy.

The combination of multiple immunotherapies can also play an important role in the treatment of tumours. For example, antitumour therapies using immune checkpoint inhibitor antibodies such as anti-CTLA-4 mAb and anti-PD-1 mAb to activate T cells by non-specifically deactivating T cell immunosuppressive signals has been approved by the US FDA for use in the treatment of melanoma and non-small cell lung cancer. However, an immune checkpoint inhibitor anti-T-cell antibody only targets a single immunological checkpoint molecule.

EAL® cells are activated autologous T cells of the patient. The activated T cell molecules are not limited to a certain molecular target. The target of EAL® may overlap with the target of immune checkpoint-blocking antibodies, and they are more likely to compensate each other. At present, clinical trials are attempting the combined use of multiple immune checkpoint inhibitor antibodies. We believe that the combination of EAL® immunotherapy with immune checkpoint inhibitor antibodies may produce good therapeutic effects in the treatment of tumours.

***Comparison between EAL® and other AAL products***

The technology for obtaining antitumour lymphocytes is critical to the development of EAL®. The Group is able to use a small amount of peripheral blood lymphocytes as the starting material to obtain antitumour lymphocytes with the target number, activity, and functionality through in vitro culture. During the R&D process, the Group tried many different combinations of cell culture media, cytokine concentrations, and antibody concentrations, and finally developed a proprietary method used to produce EAL®.

The optimisation of cell culture media, cytokine concentrations, and antibody concentrations constitutes is the only material advancements and developments resulting to a cell culture system for in vitro expansion of activated lymphocytes that commenced in 2005. The aforementioned optimisation processes had been carried out during the period from 2013 to 2015, which formed part of our efforts on carrying

out clinical application of EAL® according to The First Catalogue of Allowance of Class III Medical Technology for Clinical Applications launching and carrying out pre-clinical studies on EAL® according to the Administrative Measures for Drug Registration during the period from May 2011 to May 2016. Before the aforementioned optimisation processes, we had during the period from December 2006 to May 2011 established cell culture method for EAL® and carried out clinical application according to the Management Measures for Clinical Application of Medical Technology (醫療技術臨床應用管理辦法).

The Japanese AAL product is used in clinical application as a medical technology and the Korean AAL product, Immuncell-LC™, is the only marketed AAL product as a drug. EAL® mainly differs from the two comparable products in the following aspects: (i) different cell culture media; (ii) different cytokine concentrations; (iii) different antibody concentrations; (iv) studies on the production process. Based on the Group's independent research and development, two invention patents have been successfully registered in respect of the cell culture methods for EAL®.

The research and development work conducted by the Group on each of the above four areas is summarised as follows.

*Different cell culture media*

According to the requirements of the Guidelines for Research on Human Cell Therapy and Quality Control of Preparations (《人體細胞治療研究和製劑質量控制技術指導原則》) published by the State Food and Drug Administration in 2003, the use of allogeneic, heterogeneous serum or plasma should be avoided in the preparation of therapeutic cells. The Group determined at the very beginning of the design of the EAL® preparation process that no allogeneic, heterogeneous serum or plasma should be added throughout the entire EAL® cell culture process. Therefore, the Group has focused on studying the use of serum-free cell culture media to support lymphocyte growth. In order to verify the advantages and disadvantages of serum-free cell culture media, the Group used the commonly used cell culture media as reported in the literature plus a 10% fetal calf serum as the control group and compared the effects of various domestic and foreign commonly used serum-free cell culture media on EAL® cell preparation.

In the experiment, with the informed consent of the subjects, peripheral blood mononuclear cells ("PBMC") were collected from healthy volunteers on a simulative basis. The PBMC were aliquoted and resuspended in the selected serum-free culture media and control culture media respectively, and seeded in cell culture flasks coated with activated antibodies for culture. Cell counting and phenotypic testing were performed and corresponding cell culture media supplemented every 4 to 6 days. After 14 days, the culture was terminated and cell counting and phenotypic testing were performed.

*Different cytokine concentrations*

Adding cytokine recombinant human interleukin 2 ("IL-2") to the culture system can effectively promote in vitro lymphocyte proliferation, but both the IL-2 brands and the corresponding concentrations used in the literature are different (ranging from 350IU/ml to 700IU/ml). The Group found that although there are many types of medicinal IL-2 for clinical use at home and abroad, and they are mostly used for the treatment of malignant tumours such as renal cancer and melanoma, or for the control of cancerous pleural ascites, but the potency of using them for in vitro lymphocyte culture remains unclear. The Group has conducted comparative research on the supporting effects of various domestic and foreign lymphocyte activation and expansion cytokines on lymphocyte culture.

With the informed consent of the subjects, the peripheral blood of healthy volunteers was collected on a simulative basis, and the PBMCs were separated and counted. Various serum-free cell culture media containing the same concentration of different cytokine products were used to resuspend the same amount of the PBMCs. The PBMCs were then seeded in cell culture container with activated antibodies for activation and expansion. Samples were taken for cell counting and the corresponding serum-free cell culture media containing cytokines supplemented every 4 to 6 days. Cell counting and phenotypic testing were performed after 14 days of culture. Through the experiment, the Group identified cytokine products that are more advantageous in supporting cell expansion in the EAL® culture system.

In addition, in order to optimise the culture conditions, the Group further researched the concentrations of the selected cytokine products. With the informed consent of the subjects, the peripheral blood of healthy volunteers was collected on a simulative basis, and the PBMCs were separated and counted. Different concentrations of lymphocyte activation and expansion cytokines ("AEC") were added to serum-free cell culture media. The PBMCs with the same number of cells were suspended and then seeded in cell culture flasks coated with activated antibodies. Samples were taken for cell counting and certain serum-free cell culture media supplemented every 2 to 4 days. Cell counting and phenotypic testing were performed after 14 days of culture. Through the experiment, the Group identified the optimal concentration of cytokines for use in the EAL® culture system.

*Different antibody concentrations*

Fixing the anti-human CD3 antibody onto the culture surface (also known as "antibody coating") can effectively activate and expand human lymphocytes. The Group selected anti-human CD3 antibodies (sterile and water-soluble) to study the activation of cells.

The Group designed and performed the following experiment to compare the pros and cons of the activation performance of various anti-human CD3 antibodies. In the experiment, with the informed consent of the subjects, the peripheral blood of healthy volunteers was collected on a simulative basis, and the PBMCs were separated and counted. The PBMCs with the same number of cells were suspended by serum-free cell culture media and then seeded in cell culture flasks not coated with antibodies and cell culture flasks coated with various anti-human CD3 antibodies respectively.

Samples were taken for cell counting and phenotypic testing after 5 days of culture. Through the experiment, the Group identified the antibody products for use in the EAL® culture system.

In addition, in terms of optimizing antibody concentration, the Group designed the following experiment: using different concentrations of anti-human CD3 antibodies respectively, and coating cell culture flasks in the same manner. With the informed consent of the subjects, the peripheral blood of healthy volunteers was collected on a simulative basis, and the PBMCs were separated and counted. The PBMCs with the same number of cells were suspended by using serum-free cell culture media and then seeded in cell culture flasks coated with activated antibodies. Samples were taken for cell counting and certain serum-free cell culture media supplemented every 2 to 4 days. Cell counting and phenotypic testing were performed after 14 days of culture. Through the experiment, the Group identified the optimal concentration of antibodies for use in the EAL® culture system.

*Studies on the production process*

Based on research on the initial seeding density, growth curve, and passage timing of the cells, the Group identified the following process of directly culturing and preparing EAL® cells after separating the PBMCs from peripheral blood:

(1) Separation of the PBMCs;

(2) Selective activation of T cells;

(3) Further activation of T cells;

(4) Initial expansion of T cells;

(5) Massive expansion of T cells;

(6) Purification, concentration by centrifugation and collection of T cells to make cell products.

According to the above process, the Group conducted the pilot and trial production of 69 batches of EAL® products in total. The total number of cells prepared was $8.99 \pm 2.11 \times 10^9$ (maximum $13.68 \times 10^9$ and minimum $4.44 \times 10^9$), the cell viability was 96.1 ± 1.6% (maximum 98.7% and minimum 91.5%), and the number of CD3 + CD8 + cells was $4.70 \pm 1.47 \times 10^9$ (maximum $9.28 \times 10^9$ and minimum $2.08 \times 10^9$), all conformed to the requirements of the original EAL® research and design.

The following table sets forth the clinical trial data of the only marketed AAL product, Immuncell-LC™:

| | |
|---|---|
| **Product Name** | Immuncell-LC™ |
| **Manufacturer** | Green Cross Cell Corporation |
| **Clinical Trial Name** | IIC-I01 |
| **Indication** | Hepatocellular Carcinoma |
| **Trial Size** | 230 |
| **ALL Products Treated Patients** | 114 |
| **Clinical Trial Registration Number** | NCT00699816 |
| **Jurisdiction of Commercialization** | Korea (approved to the market in 2014) |
| **Price Per Regimen**[1] | USD80,000 |
| **Clinical Results** | |
| **Baseline Demographics and Disease Characteristics** | |
| Tumour Number | |
| ≥3 | 2 |
| <3 | 112 |
| Tumour Size, cm | |
| Median | 1.8 |
| Treatment Modality | |
| Percutaneous Ethanol Injection | 13 |
| Radiofrequency Ablation | 69 |
| Surgical Resection | 32 |
| **Efficacy and Safety** | |
| Recurrence-free Survival Rate[2] | |
| 12 months | 79.9% |
| 24 months | 72.5% |
| 36 months | 60.9% |
| 48 months | 49.6% |
| Recurrence-free Survival (month)[3] | |
| Median | 44.0 |
| Overall Survival Rate[4] | |
| 12 months | 100.0% |
| 24 months | 100.0% |
| 36 months | 97.5% |
| 48 months | 95.9% |
| All adverse events[5] | |
| Any Grade | 62.0% |
| Serious Adverse Events[6] | 7.8% |

*Source:* the Frost & Sullivan Report

*Notes:*

(1) Each regimen includes 16 infusions (USD5,000 per infusion).

(2) Recurrence-free survival rate equals the number of recurrence-free survival patients divided by the total number of patients in the sample.

(3) Recurrence-free survival (month) means the period of patient not having had recurrence.

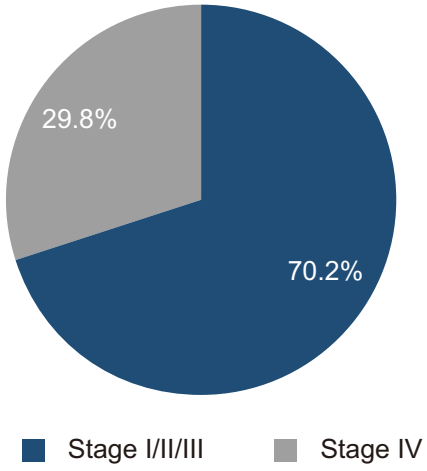
(4) Overall survival rate equals the number of overall survival patients divided by the total number of patients in the sample.

(5) Adverse event means any undesirable experience associated with the use of a medical product in a patient.

(6) Serious Adverse event means any adverse drug event (experience) occurring at any dose that in the opinion of either the investigator or sponsor results in any of the following outcomes: death, life-threatening adverse drug experience, inpatient hospitalisation or prolongation of existing hospitalisation (for more than 24 hours), etc.

EAL® product targets at HCC patients who can receive the liver resection. These patients are at Stage I/II/III, accounting for 70.2% of total HCC patients. Therefore, the addressable HCC patients for EAL® is considered to be 70.2% of the total HCC patients in the Chinese market.

**EAL Product Addressable HCC Patients --- Stage I/II/III HCC Patients**




***Preparation of EAL® cells***

EAL® cells are prepared from mononuclear cells in a patient's autologous peripheral blood using our proprietary serum-free cell culture technology platform. We have been granted an invention patent for the corresponding cell culture methods. See "— Early R&D and clinical application (2006-16)" above for the origin of our cell culture technology.

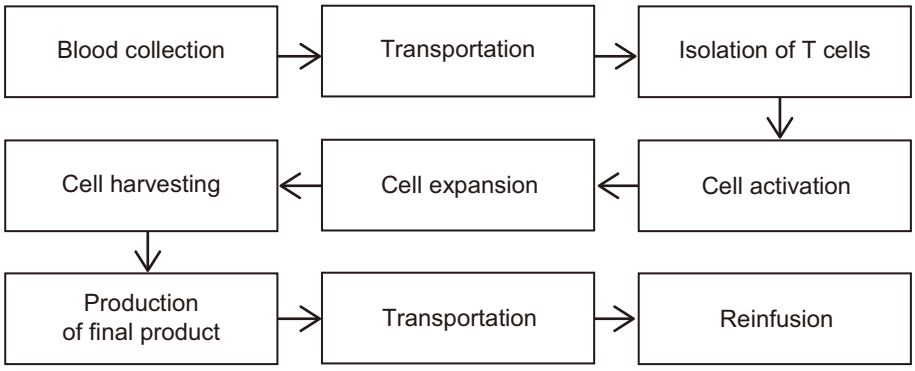
The preparation process of EAL® cells is summarised as follows:

1. *Cell activation*: 20-100mL of the patient's autologous peripheral blood is taken and lymphocytes in the blood are extracted. The lymphocytes are cultured in a flask coated with anti-CD3 antibodies.

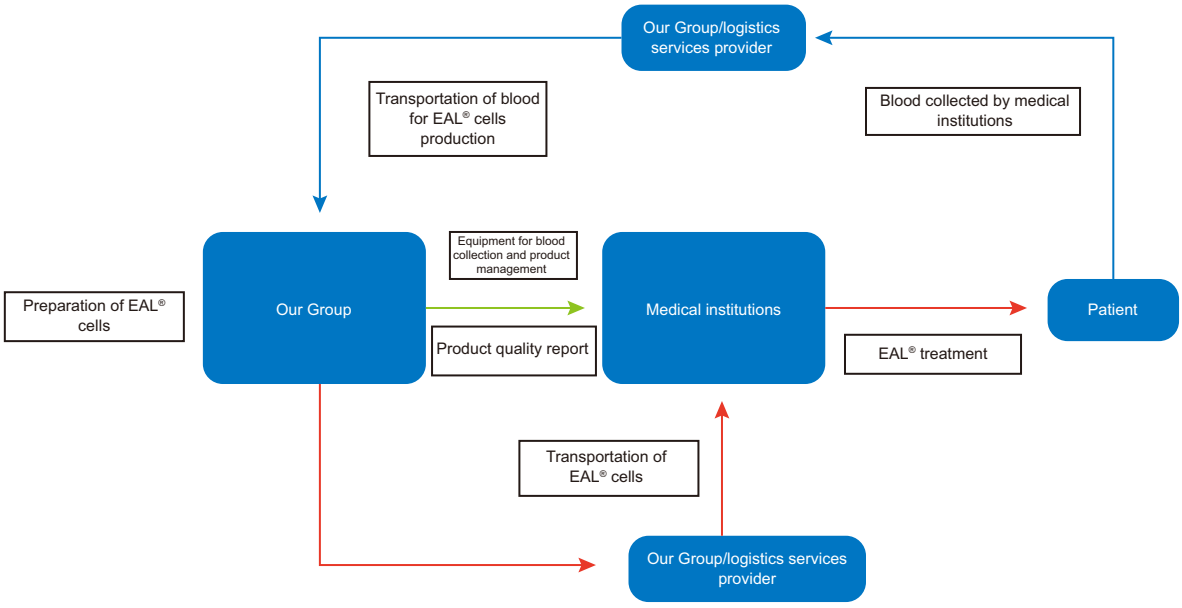
2. *Cell expansion*: The lymphocytes are cultured using a culture medium containing IL-2, a type of cytokine which can activate the activation and expansion of $CD8^+$ T cells. The number of T cells can be expanded about 1,000-fold following 12-17 days of culture.

3. *Cell harvesting and production of the final product*: After activation and expansion, the EAL® cells are harvested and then re-suspended in a 1% saline solution of human serum albumin before infusion into the patient's bloodstream.

The following diagram sets forth the simplified production steps for EAL®:




The following diagram illustrates the end-to-end process of cellular immunotherapy using EAL®:




***Quality control***

Throughout the years during which EAL® was clinically applied and in the course of the pre-clinical studies on EAL®, we have developed quality standards for EAL® encompassing safety quality standards such as sterility, endotoxin and mycoplasma examination, and efficacy quality standards such as quantity, viability, and cell phenotype examination.

In order to ensure product safety, we have established a strict quality control system for the raw materials and production process of EAL®. Within the two weeks of cell culture, six sterility tests are conducted. The final product is released only if it

passes the first five sterility tests, as well as a toxicity test conducted on the final day. The attending physician is subsequently informed of the results of the final sterility test.

We have also developed standards in respect of the quantity, activity, composition, and other quality properties of the production process so as to minimise the likelihood of the effectiveness being affected by the product quality. Consequently, objective therapeutic effectiveness evaluations become achievable.

We prepared 69 batches of EAL® during its pre-clinical studies. The total number of cells prepared was $8.99 \pm 2.11 \times 10^9$ (maximum $13.68 \times 10^9$ and minimum $4.44 \times 10^9$). The cell viability was 96.1 ± 1.6% (maximum 98.7% and minimum 91.5%). The number of $CD3^+CD8^+$ cells was $4.70 \pm 1.47 \times 10^9$ (maximum $9.28 \times 10^9$ and minimum $2.08 \times 10^9$). We have accumulated solid experience and know-how in the preparation of EAL® cells with consistent quality, having produced more than 20,000 batches of EAL® when it was clinically applied between 2006 and 2016. As at the Latest Practicable Date, we had produced 499 batches of EAL® for its Phase II clinical trial.

**CAR-T cell product pipeline**

In general, CAR-T cells are not restricted by MHC. The antigen and antibody specific recognition mechanism is capable of killing tumour cells with antigen specificity more effectively. CAR-T cell has clearer therapeutic targets than common non-genetically modified cellular immunotherapy products and high specificity for identifying tumour surface antigens, thus delivering expressive clinical therapeutic effects. CAR-T cell therapy is basically a one-time treatment and the in vitro culture cycle is short, which reduces the patient's time cost substantially. The CAR structure can recognise not only peptide antigens, but also carbohydrates and glycolipid antigens, which expands the range of tumour antigen targets, recognises antigens in multiple dimensions, and possesses a broad spectrum of reproducibility. Since certain receptor sites are expressed in a variety of tumour cells, the CAR gene for this antigen can be widely utilised once it has been constructed. In some patients, CAR-T cells can keep the immunological memory function and can survive in the body for a long time, which is significant for preventing tumour recurrence.

However, according to the Frost & Sullivan Report, CAR-T cell therapy has the following pain points:

- *CAR failure:* When a T cell product is successfully manufactured, infused, and effectively mediates a cytotoxic response, complete remission may be achieved. However, CAR failure may be caused by any of the following factors: (1) CAR-T cells do not expand in vitro or in vivo; (2) an insufficient number of T cells harvested; and (3) limited CAR-T cell persistence in vivo.

- *CAR-T cell-related toxicity:* Toxicity is a major concern for CAR-T cell therapy, and can lead to respiratory failure, liver failure, brain oedema, and other life-threatening conditions. The two most common side effects are cytokine release syndrome (CRS) and neurotoxicity. In addition, data on the impact of CRS treatment interventions on the persistence of CAR remission remain unknown.

- *Disease relapses:* Disease relapse following anti-CD19 or anti-CD22 CAR-T cell therapy can occur in up to 50% of patients with B cell ALL by 12 months after infusion. The relapse of antigen-positive leukaemia is associated with the rapid depletion of CAR-T cells and the inability to form immune memory. The relapse of antigen-negative leukaemia is associated with antigen loss or modulation.

- *Limited indications:* Certain barriers exist when the use of CAR-T cells is extended to cancer patients beyond ALL. Complete remission rate is relatively low for the adults with lymphoma. Treatment on paediatric patients with lymphoma and children patients with central nervous system (CNS) remain an area of ongoing investigation. CAR-T cell therapy also has limited efficacy in patients with solid tumours.

The CAR-T-19 series forms the core of our CAR-T cell product pipeline. Our CAR-T-19 injection product candidate has shown efficacy in clinical study, and our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We have initiated supplemental pre-clinical studies based on feedback from the CDE in November 2019, and expect to submit supplemental materials by July 2020. Subject to the CDE's consent, we expect to begin the clinical trial of the product candidate by the end of 2020.

Based on the model of our CAR-T-19 injection product candidate used for the treatment of hematologic cancer, we are conducting research into novel T cell products that aim to overcome the immunosuppressive mechanisms in the tumour microenvironment (eg CAR-T-19-DNR) and products that aim to overcome the high recurrence rate of CAR-T cell therapy (eg aT19). As for our TCR-T cell product pipeline, we have a number of candidates under pre-clinical studies. We have completed the pharmacodynamic studies for our NY-ESO-1 TCR-T cell product candidate. We plan to submit the IND applications for our CAR-T-19-DNR, aT19, and NY-ESO-1 TCR-T product candidates by mid 2021.

***Mechanism of action of the CAR-T-19 injection***

The functional components of the CAR-T-19 injection are T cells that are genetically modified to express anti-CD19 chimeric antigen receptors. CD19 is widely expressed on the surface of B cells throughout most stages; meanwhile, expression of CD19 is also observed in many tumour cells, especially in diseases caused by mutation of B cells and their precursor cells, such as acute B lymphocytic leukaemia and B cell lymphoma. Therefore, CD19 serves as one of the targets to treat these tumours. By linking the anti-CD19 single-chain antibody, protein transmembrane domain, and co-stimulatory molecule domain, the technology of chimeric antigen receptors enables the engineered T cells to directly recognise CD19 molecule and to kill the cells carrying the target, while avoiding issues including the failure of autoimmune cells to recognise human CD19 protein, the inhibition of tumour cells on immune cells, and insufficient second messenger signalling pathway.

Once the single-chain antibody variable region of the extracellular domain of aCD19CAR protein recognises CD19 antigen on the membranes of target cells, the intracellular CD3 Zeta domain will provide immunoreceptor tyrosine-based activation motifs (ITAMs). When a large amount of aCD19CAR proteins assemble together, ITAMs are phosphorylated by tyrosine kinase and recruit Syk or ZAP70 to further phosphorylate downstream proteins to transmit activation signals, which will activate and proliferate T cells and induce T cells to secrete cytokines such as interleukins, thereby killing target cells. The intracellular domain of 4-1BB as the second signalling protein can interact with signalling pathways such as TRAF2 and further enhance the activation, proliferation, and killing ability of CAR-T cells through the MAPK8/JNK pathway and NF-κB pathway.

Activated CAR-T-19 cells can recognise and directly kill tumour cells expressing CD19 molecules. The mechanism to directly kill tumour cells consists of: (1) recognising CD19-positive tumour cells through chimeric antigen receptors, and then releasing perforin and granzyme B to directly destroy tumour cells; (2) interacting with apoptotic signalling pathways such as Fas–FasL to achieve tumour-killing effect; (3) secreting a variety of cytokines such as IFN-γ or TNF-α to achieve antitumour effect. The results of in vitro cytotoxicity evaluation and animal model studies showed that CAR-T-19 has tumour-killing effect. In addition, CAR-T-19 cells can further proliferate and may produce immune memory cells after being stimulated and activated by the recognition of tumour cells in vivo, and thus maintaining the surveillance and killing effect on CD19-positive cells for a long time.

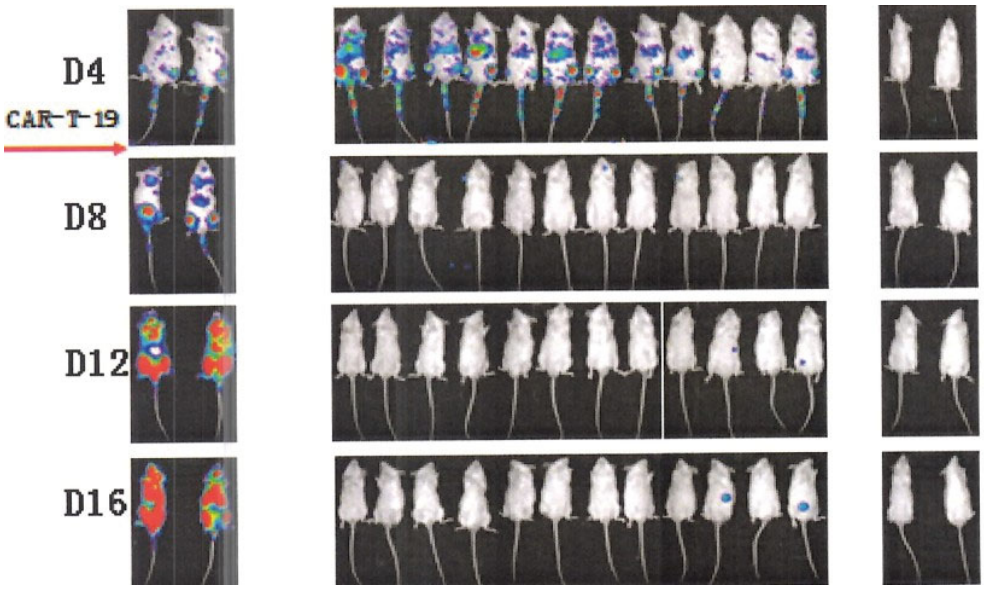
***Development status and data for the CAR-T-19 injection***

The CAR-T-19 injection is the first product candidate in our CAR-T cell product pipeline. Our IND application for the product candidate with B-cell acute lymphoblastic leukaemia (B-ALL) as the clinical indication was accepted for processing by the CDE in August 2019. We received the feedback from the CDE in November 2019, which suggested us to supplement some materials relating to pre-clinical studies. We have initiated supplemental research based on the CDE's feedback. We expect to submit supplemental research materials by July 2020 to complete the IND application. If the CDE consents to our submission to be made, we expect to begin the clinical trial of CAR-T-19 product candidate by the end of 2020. In 2015, about 12,000 patients were newly diagnosed with B-cell acute lymphoblastic leukaemia (B-ALL) in China, 30% of whom were refractory and relapsed cases. See "Industry Overview — 4. Leukaemia" for further information about the market size and opportunities of the leukaemia treatment market.

*In vivo pharmacodynamic experiments*

Data from our in vivo pharmacodynamics experiments showed that high-dose CAR-T-19 cells could effectively remove tumour cells in mice. Following CAR-T-19 cells injection, a statistically-significant decrease in luminance level (indicating tumour activity) ($p < 0.001$) and increase in survival ($p = 0.001$) were observed.

The experiment results are illustrated as follows. The two mice on the left were control experiments with tumour cells transplanted. The 12 mice in the centre were transplanted with tumour cells and treated with high-dose CAR-T-19 cells. The two mice on the right were control experiments with only CAR-T-19 cells injected.




*Clinical study results*

Chinese PLA General Hospital (中國人民解放軍總醫院) has conducted a clinical study on our CAR-T-19 injection product. The study was designed as a single-centre, single-arm, open-label, dose escalation study which investigated the safety and preliminary clinical efficacy of our product in the treatment of relapsed/refractory B-cell leukaemia/lymphoma.

From June 2017 to September 2018, a total of 63 subjects were enrolled, and four of the 63 subjects received haematopoietic stem cell transplantation (HSCT) before the enrolment. CAR-T-19 cells were derived from autologous cells in 59 cases and from allogeneic cells of lineal kin in four cases. 56 subjects who were eligible for tumour evaluation were evaluated for the efficacy of the product. 53 subjects obtained CR (94.64%), two subjects obtained CRi (3.57%), and one subject (1.79%) had no response (NR) after the infusion. The objective response rate (ORR) was 98.21%.

35 of the 56 eligible subjects (62.50%) received HSCT after they received CAR-T-19 treatment, with 34 CR subjects (60.71%) and one CRi subject (1.79%). The other 21 eligible subjects (37.50%) did not receive HSCT, among which there are 19 CR subjects (33.93%), one CRi subject (1.79%) and one NR subject (1.79%). As at 3 January 2019, the median survival time of 56 subjects was 217 days (98-555 days), the median survival time of 35 subjects who received HSCT was 231 days (98-555 days), and the median survival time of 21 subjects who did not receive HSCT was 185 days (106-386 days). The median survival time of 12 subjects without recurrence was 235.5 days (106-386 days). Cytokine release syndrome (CRS) is the most common and most serious adverse reaction with an incidence rate of 73.02% and most of the reactions being mild or minor. Nine subjects experienced grade three CRS with an incidence rate of 14.29%. CAR-T-19 product has good performances in response rate and disease-free survival with an objective response rate of 98.21%. It also produces good safety data with minor CRS responses.

*Comparison between CAR-T products and other peer product on market*

Kymriah® is the only CAR-T marketed product of which the indication is the same as that of CAR-T-19. The following table sets forth the efficacy, safety and market value data for Kymriah® compared to that of CAR-T-19:

| Product (candidate) | Target | Indication | Efficacy | Safety | Market Value | Target Market(s) |
|---|---|---|---|---|---|---|
| CAR-T-19 | CD19 | R/R B-cell ALL | 12-month Overall Survival Rate: >80% | Cytokine Release Syndrome: 76.5% | Not available since it has not been marketed | To be marketed in China |
| Kymriah® | CD19 | R/R B-cell ALL | 12-month Overall Survival Rate: 76% | Cytokine Release Syndrome: 77% | 2019 Global Sales[1]: USD278 million | U.S., Canada, Japan, etc.[2] |

*Source: the Frost & Sullivan Report and the data of the Group*

*Note:*

(1) The global sales of Kymriah® in 2017 and 2018 was US$6 million and US$76 million, respectively.

(2) Kymriah® has not been marketed in China.

(3) The cost of lentiviral vectors in producing CAR-T cell products accounts for around one-third of the total production cost. The lentiviral vectors for Kymriah® is bought from its suppliers. We constructed the lentiviral vectors for CAR-T-19 product candidate ourselves, which reduced our cost in production of CAR-T-19 product candidate.

The following table sets forth the other CAR-T products undergoing clinical trials in China with overlapped indication with our CAR-T-19:

| Product candidate | Company | Target | Clinical Status | Indication | Initial Public Date | Target Market |
|---|---|---|---|---|---|---|
| CAR-T | Hrain Biotech | CD19 | Phase I | R/R B-cell ALL | 4 January 2019 | To be marketed in China |
| CAR-T | Precision Biotech | CD19 | Phase I | R/R B-cell ALL | 25 November 2019 | To be marketed in China |

*Source: the Frost & Sullivan Report*

***Potential candidate for the treatment of solid tumours: CAR-T-19-DNR injection***

CAR-T cells are remarkably effective in the treatment of patients with relapsed and refractory lymphoma. Despite this, CAR-T cells' therapeutic effect on a certain proportion of patients is still very poor partly because of mechanisms in lymphomas to evade attack by the immune system, as is the case of most other malignant solid tumor. For example, tumour cells may produce immunosuppressive cytokines such as TGF-β to suppress the antitumour effect of T cells.

A number of studies have shown that CAR-T cells have a poor therapeutic effect on solid tumours. In view of the above-mentioned immunosuppressive effect of TGF-β in the tumour microenvironment, it can be reasonably speculated that if additional DNRII is forcedly expressed in common CAR-T cells, it is highly likely that the therapeutic effect of CAR-T cells would be enhanced.

The functional components of our CAR-T-19-DNR injection are T cells that are genetically modified to express an anti-CD19 chimeric antigen receptor and a dominant-negative mutant type II TGF-β receptor. CD19 is widely expressed on the surface of B cells during all phases of B cell development. Furthermore, the vast majority of tumour cells from diseases caused by the mutation of B cells and their precursor cells such as B cell lymphoma and acute B lymphocytic leukaemia also express CD19, making CD19 one of the targets for the treatment of these tumours. By linking the anti-CD19 single-chain antibody, protein transmembrane domain, and co-stimulatory molecular domain, our technology may avoid issues such as the failure of autoimmune cells to recognise human CD19 protein, the inhibition of tumour cells on immune cells, the insufficient second messenger signalling pathway. This may enable the modified T cells to directly recognise the CD19 molecule and kill the cells carrying the target, thereby achieving the purpose of treating the tumour. In addition, the synchronisation of transcription and translation of DNRII receptors expressed on the surface of CAR-T-19-DNR cells has the potential to inhibit the immunosuppressive effect caused by TGF-β in the tumour microenvironment, and prevent the weakening and depletion of CAR-T-19-DNR cells' immune killing ability, thereby further improving the therapeutic effect.

Relevant pre-clinical study for our CAR-T-19-DNR injection is currently underway. We target to submit the IND application for the product candidate by mid 2021.

***Prevention of tumour recurrence and increasing the persistence of CAR-T cells: aT19 injection***

CAR-T cells treat tumours by avoiding the failure of immune cells to recognise human CD19 protein, the inhibition of tumour cells on immune cells, and insufficient second messenger signalling pathway. Although CAR-T medication targeting CD19 shows extremely high response rates and remission rates, more than 50% of patients relapsed within 12 months after the infusion of CAR-T cell products during previous clinical trials and medical applications.

The main types of recurrence of tumours included CD19-negative recurrence and CD19-positive recurrence. CD19-positive recurrence is caused by the re-proliferation of the trace amounts of eventually residual CD19-positive tumour cells as a result of several factors working together. These factors include the depletion of CAR-T cells, the gradual reduction in CD19 antigen expressing cells leading to the absence of full stimulation for and thus reduced proliferative activity of CAR-T cells, and the scarce number of CAR-T cells having immunological memory.

Therefore, the use of artificially-constructed antigen-presenting cells expressing the CD19 antigen is also one of the solutions. When the number of tumour cells decreases and accordingly the number of CAR-T cells decreases as well in vivo after the patient receives a clinical response through CAR-T cells, the reinfusion of

artificially constructed antigen-presenting cells expressing the CD19 antigen can reactivate CAR-T cells and restart the proliferation of CAR-T cells, thereby increasing the probability of killing trace amounts of residual CD19-positive tumour cells. Multiple stimulations from CD19 antigen can increase the number of CAR-T cells with immune memory function, thereby extending the immune surveillance duration of CAR-T cells and reducing the probability of recurrence of CD19-positive tumours.

The active component of our aT19 injection product candidate is autologous T cells genetically modified to express CD19. The gene introduced therein is an encoded gene structure that can express human CD19 protein. The reinfusion of the aT19 injection after the administration of the CAR-T-19 injection has the potential to reactivate CAR-T cells, restart the proliferation of CAR-T cells, and induce more immune memory cells, thereby increasing the chance of killing trace amounts of residual CD19-positive tumour cells and of preventing recurrence. Through multiple stimulations from CD19 antigen, the number of CAR-T cells with immune memory function may also increase, thereby prolonging the immune surveillance duration of CAR-T cells and reducing the probability of recurrence of CD19-positive tumours.

Our aT19 injection product candidate has certain commonality with our CAR-T-19 injection product candidate (both of them are products based on the genetic modification by T cells via lentiviral vectors), so the previous process can be applied in the pharmaceutical process development, thereby shortening the product development period. Currently our aT19 injection product candidate is undergoing in vitro pharmacodynamic experiments, and we expect to conduct in vivo test based on animal models, pharmacological toxicology test, IND application, and clinical trial sequentially.

We target to submit the IND application by mid 2021.

***Other CAR-T cell product candidates***

Our CAR-T cell product pipeline also features the following product candidates:

| Product candidate | Indications | Current stage |
|---|---|---|
| **CAR-T-22** *(CD22 antigen-targeting CAR-T cells)* | B lymphocyte leukaemia expressing CD22 molecule | In vitro pharmacodynamics studies completed |
| **CAR-T-BCMA** *(BCMA antigen-targeting CAR-T cells)* | Multiple myeloma | In vitro pharmacodynamics studies completed |
| **CAR-T-43** *(CD43 antigen-targeting CAR-T cells)* | T-cell leukaemia/lymphoma | Under research |

| Product candidate | Indications | Current stage |
|---|---|---|
| **CAR-T-ENX** *(ENX-1 antigen-targeting CAR-T cells)* | Solid tumours | Under research |

**TCR-T cell product pipeline**

TCR-T cell therapy is an immunotherapy based on the reinfusion of tumour antigen-specific T cells. Essentially, TCR-T and CAR-T cells are similar in that they both aim to enable T cells to acquire the ability to specifically kill tumours by expressing receptors that recognise tumour antigens in T cells. The difference is that CAR-T cells use chimeric antigen receptors to identify tumour cell surface molecules mainly by means of antibodies, and its target selection is thus greatly limited. TCR-T cells directly use classical T cell receptors targeting tumour cells. In theory, all peptides degraded by tumour antigens may form complexes with MHC molecules which are presented on the cell surface and recognised by TCR. Therefore, the target selection range for TCR-T cells is greater than that for CAR-T cells.

We use our established single-cell sequencing-based technology platform to obtain different HLA-restricted T cell receptor (TCR) coding sequences for specific antigens. Subsequently, the TCR genes are inserted into our self-constructed lentiviral vector for transduction into T cells, and then the killing effect on tumour cells is confirmed by an in vitro and in vivo model. In this way, we hope to finally prepare a gene database for TCRs for cancer immunotherapy where different antigenic specificities presented by common HLA can be recognised, with a view to preparing TCR-T cells for patients' different tumour targets.

The basic process of the treatment strategy is as follows:

- analysis of the patient's HLA type and tumour antigen expression profile
- selection of appropriate TCR expression vectors
- acquisition, activation, transfection, and expansion of the TCR-T cells
- infusion of the T cells expressing the exogenous TCR (TCR-T) into the patient to exert an antitumour effect

We have a number of TCR-T cell product candidates under pre-clinical study, with the relevant target antigens including (1) cancer-testis antigens or cancer-placental antigens such as NY-ESO-1, and (2) antigens derived from viruses such as EBV and HPV. The former class of antigens are highly expressed in a variety of tumour tissues, but the expression in normal tissues is limited to reproductive tissues such as testis and placenta, and therefore these antigens are considered to be with better selectivity. The latter class of antigens are specifically expressed in tissues of certain tumours associated with viral infections, such as nasopharyngeal carcinoma and cervical cancer. Preliminary clinical trial results suggest that TCR-T targeting such antigens has good safety and treatment effects. Pharmacodynamic studies have been completed in respect of our NY-ESO-1 TCR-T product and we expect to submit the IND application by mid 2021.

The large-scale application of TCR-T cells faces some technical problems, such as how to effectively relocate reinfused T cells to tumour tissues and after the relocation, how to overcome the numerous immunosuppressive factors in the microenvironment to exert its antitumour effect. Previous studies have shown that a variety of chemokines and cytokines are involved in the regulation of the above process. For example, CXCL9/10-mediated signals promote the accumulation of reinfused T cells towards tumour tissues, IL-12 enhances the antitumour effect of reinfused T cells, and the dominant negative receptor (DNR) of TGF-β antagonises the inhibitory effect of TGF-β in tumour tissues. We have constructed expression vectors that co-express TCR and CXCR3, IL-12, or TGF-β DNR, and we plan to use transplanted tumour models to investigate their effects on the therapeutic effect of TCR-T cells, thereby laying the foundation for the development of the next generation of TCR-T cell products for the treatment of solid tumours.

**EBV-specific T cells**

EBV is a herpes simplex DNA virus that is widely infected in the human population. In individuals with a healthy immune system, T cell-mediated immune responses are effective in controlling viral replication without significant damage to health. However, when the immune function is inhibited, the EBV that is lurking in the lymphoid tissue of the human body is activated and massively replicated, thereby causing serious infection. This is common in patients with organ transplantations, especially in patients after bone marrow transplantation. In order to prevent transplant rejection, such patients take immunosuppressive drugs for a long time, and some of the patients may therefore have uncontrollable systemic infections.

In view of this, we have collaborated with Peking University People's Hospital (北京大學人民醫院) to carry out a clinical study on the infusion of EBV-specific T cells. The study is a single-arm, open-label, multicentre clinical study which investigates the safety and efficacy of our product candidate in the prevention and treatment of EPV infection after allogeneic haematopoietic stem cell transplantation. We expect to enrol no less than 30 subjects for this study.

In this study, mononuclear cells will be isolated from the peripheral blood of bone marrow transplant donors or HLA-matched healthy individuals for culture in vitro, and artificially synthesised EBV latent membrane protein-derived overlapping peptides will be added to selectively expand EBV-specific T cells. The T cells are infused into the patient after expansion. This approach has shown positive results in clinical trials and has received wide attention.

Chronic infection of EBV is closely related to the occurrence of tumours such as nasopharyngeal carcinoma and lymphoma. Such tumour cells often continually express some viral antigen components, such as latent membrane proteins. Therefore, the use of EBV-specific T cells in the treatment of tumours has also been attracting the attention in the industry. By the in vitro stimulation of synthetic peptides, we effectively collected EBV antigen-specific T cells from different human sources. With the aid of single-cell sequencing, we obtained information on multiple paired TCR sequences. Taking transcriptome analysis into consideration, we further identified some possible candidate sequences. Currently, we are systematically testing their ability to recognise EBV antigen peptides. Ultimately, we expect to be

able to identify TCRs with appropriate affinity to lay the foundation for the next phase of research and development of TCR-T for EBV-associated tumours.

## 5. RESEARCH AND DEVELOPMENT

Within our R&D function, different tasks are performed by sub-teams with specialised expertise. We have a product technology R&D team and a product clinical trial research team. The product technology R&D team includes three divisions namely early product R&D, pre-clinical studies, and quality management. Our pre-clinical studies team has researchers dedicated to process development, quality research, pharmacodynamics, and pharmacological toxicology research respectively. See "— 2. Competitive Strengths — Experienced and visionary R&D and management team" for the strengths of our R&D team.

This division of labour allows for modular operations of our R&D activities. With such team structure we aim to shorten our product development cycle and expedite our product candidates' entry into clinical trial.

### R&D production process platform

Our R&D efforts are supported by a number of production process platforms we developed over the years, including the following:

- *Serum-free cell culture and expansion technology platform*: Immune cells can grow, amplify, and maintain antitumour activities under serum-free in vitro conditions. Our serum-free technology platform can yield similar cell culture efficiency compared to those using serum, and can reduce clinical side effects by minimising xenogeneic responses and contamination risks. This technology platform has become our cornerstone for the development of individualised cellular immunotherapy products.

- *Gene modification and transduction technology platform:* Macromolecular genes may be transduced to and expressed in T cells through optimised vector selection and transduction efficiency. This technology platform has enabled us to produce a variety of CAR-T cells and TCR-T cells.

- *Technology platform for in vitro expansion of antigen-specific T cells:* Used for clinical treatment and screening of the TCR gene to construct TCR-T cells.

- *Production and purification technology platform for plasmids and viral vectors:* We have developed a production and purification technology platform for plasmids and viral vectors which can be used for genetic modifications. Reliable mass production of lentiviral vectors that meet clinical application standards can be achieved for use in the production of various genetically-modified cells including CAR-T and TCR-T cells. We may provide CMC services using this technology platform.

**R&D management platform**

To achieve systematic management of our R&D process and to ensure compliance with GMP and other applicable laws and regulations, we have established a comprehensive quality management system. Our standards cover the entire process of quality management including quality control and quality assurance.

The head of our quality department reports directly to our CEO. There are three sub-teams within the quality department responsible for quality assurance, quality control, and R&D quality management respectively. As at 31 December 2019, we had 46 staff members in our quality department.

***Quality management measures***

We have formulated our quality management documentation in accordance with GMP, covering production process procedures, product quality standards, equipment and facilities operation procedures, inspection procedures, sample retention and sampling management procedures, personnel training, environmental monitoring, verification and confirmation, deviation inspection, and quality risk control management procedures. We have standardised the selection, purchase, inspection, release, production process, inspection process, product storage, and transportation of the materials used in the products to ensure full compliance with relevant laws and regulations and GMP requirements. Under our quality management procedures, final products can be released only after quality inspection in order to ensure that the products meet the relevant standards and intended use.

In particular, the production of EAL® has achieved standardisation, and we have developed comprehensive standards in relation to the production process in order to ensure that the product is of consistent quality. See "— 4. Product Pipeline — EAL® — Quality control" for more information.

To ensure that our final products meet quality standards, all quality issues during the production process are documented, escalated to, and reviewed by senior management. We also conduct a formal risk assessment and justification in accordance with the standards and procedures under our quality management system and policies. As of the Latest Practicable Date, we had not been subject to any regulatory investigation related to, or experienced, any material adverse issues regarding chemistry, manufacturing, and controls (CMC), data integrity and safety or efficacy validation, or quality control management in respect of our products.

The head of our quality department reports directly to our CEO. There are three sub-teams within the quality department responsible for quality assurance, quality control, and R&D quality management respectively. As at 31 December 2019, we had 46 staff members in our quality department.

***Quality management in clinical trials***

In the ongoing clinical trial for EAL® and our future clinical trials, we adopt rigorous measures to ensure the integrity of data collected from the clinical trials.

We engage professional clinical research coordinators (CRC) to assist researchers in various research centres or hospitals to conduct clinical trials in accordance with the established clinical trial protocols, and to ensure that GCP would be strictly followed in the operations, data collection, and data entry for clinical trials. We also engage CROs to monitor and manage clinical trials to ensure the compliance of clinical trials and the authenticity, integrity, and reliability of data. In addition, CRAs would be appointed by CROs to check the test operation process, data accuracy, and consistency of each research centre.

Data generated from all tests would only be included in a statistical analysis after being cleaned up and the following review by external statisticians to ensure the truthfulness, completeness, accuracy, and consistency thereof. In addition, we have also commissioned an independent third-party inspection company to supervise and inspect the operations and quality of the research centres and partners. In terms of product technology, while medical institutions make clinical judgment for in applying our products clinically, we have engaged an independent evaluation unit to examine the key therapeutic indicators and evaluate the product's efficacy.

**R&D services platform**

We have an internal R&D support team responsible for the transportation of blood sample for clinical trials, work relating to the reinfusion of our product candidates, and providing logistic support. Specifically, they are responsible for the formulation of procedural documents and the delivery of training in respect of blood sample collection and reinfusion. They maintain active communication with personnel involved in carrying out the clinical trials. They are also responsible for record keeping, arrangement of vehicles, and liaison with logistic service providers.

**R&D facilities**

Our R&D and manufacturing space in China covers a total area of more than 7,500 square metres, including more than 6,000 square metres for our Guosheng Laboratory and more than 1,500 square metres for our Guanglian Laboratory. We have obtained clean facility (area) inspection reports by the Beijing Institute for Drug Control.

In addition, we have established a research liaison office in the Republic of Korea primarily focused on the discovery of new product candidates.

***R&D facilities in China***

*Guosheng Laboratory*

Our Guosheng Laboratory has strictly followed the latest GMP, Clean Room Construction and Design Specifications, and other laws and regulations. A total of six areas have been set up in the facility, namely the cell preparation rooms and areas for quality control, sampling, public system, storage area, and auxiliary system. Independent purifying air-conditioning systems have been installed for each test area and each purification level. Each test area is equipped with different flow channels for personnel, materials, waste, and products to prevent cross-contamination. We obtained the drug production license for Guosheng Laboratory on 19 December 2019, which is valid until 18 December 2024. According to our PRC Legal Advisers, for other production centres in Shanghai and Guangzhou, we need to apply for drug production license respectively in accordance with PRC laws.

The quality control area covers an area of more than 1,000 square meters, including six separate clean areas, controlled by six independent air conditioning systems. The clean area in the facility occupies more than 50% of the total R&D purification area. There are independent air-conditioning rooms, power distribution rooms, carbon dioxide cylinder rooms, air compressor rooms, waste sterilisation rooms, and other public systems. The air conditioning automatic control system operates on a 24-hour basis to maintain constant temperature and humidity control, real-time data recording, remote monitoring, and remote troubleshooting for each clean area. Carbon dioxide cylinders are centrally controlled for multiple laboratories and multiple gas paths in the entire facility and there is efficient remote control of the supply of carbon dioxide gas to each workshop to avoid cross-contamination. All emissions (solids, liquids, and gases) generated in the facility are discharged following harmless treatment through the waste sterilisation system, and are recycled and disposed of by the compliant agencies.

The storage area is equipped with various functional areas such as 2-8°C refrigeration storages, normal temperature storages, cool storages, and low temperature storages to meet a full range of temperature and storage requirements of materials needed for various types of R&D and to adequately provide for continuous experiments.

The water supply room prepares and transports purified water and water for injection for the clean area of the entire facility. Purified water is mainly used for cleaning in the Class C clean area. Water for injection is mainly used as raw material for the preparation of disinfectors in the Class B aseptic area and for the cleansing of key equipment. The entire water system is managed according to GMP. The injection water is circulated and kept at 70°C or above. The purified water is recycled on a 24-hour basis to ensure that the pipeline does not breed microorganisms. The system is complete with a real-time water quality monitoring system. This allows immediate discharge of any off-specification water through solenoid valve monitoring, ensuring that the quality of water used meets GMP requirements.

*Guanglian Laboratory*

Our Guanglian Laboratory has a complete cell preparation and quality control system. Each cell preparation area consists of a clean area and a non-clean area. The clean area includes a cell preparation area, a plasmid preparation area, a virus preparation area, and a quality control area. These areas are independent from each other, thereby avoiding cross-contamination while improving the preparation efficiency.

The non-clean area includes material storage rooms, gas storage rooms, and data archives.

*Production capacity*

Before the establishment of new production facilities, we intend to produce our cellular immunotherapy products primarily in our Guosheng Laboratory and use our Guanglian Laboratory primarily for R&D.

Our Guosheng Laboratory has 24 cell preparation rooms, each of which may be used for processing one patient's blood sample at a time. The time required for processing one sample is approximately two hours, and a laboratory technician may process three samples per shift. Assuming two shifts per day and 280 working days per year, our Guosheng Laboratory is estimated to have the capacity to process approximately 40,000 samples per year.

***Korea research centre***

In February 2019, we established a research centre in Techno Valley Korea, a leading Korean research base focusing on life engineering. The research centre is led by Dr Kim, our co-CTO. We established the research centre in order to support the development of the next generation of cancer immunotherapy products and discover specific new candidates that act on a variety of cancer cells.

The key areas of focus of our Korean research centre include excavating specific antibodies from cancer cells through phage display technology and the R&D of CAR-T technology through recombinant protein design engineering. Specifically, through the phage display antibody library, we can discover antibodies that respond to specific antigens of various blood cancers and solid tumours and then bridged with the next-generation CAR-T cell candidate substances derived from protein engineering. Our product technology R&D team coordinates with our Korean research centre. Our Korean team is responsible for conducting the early research in laboratory and developing a protocol form of production and quality control related technology for CAR-T pipelines. Our product technology R&D team is responsible for conducting further R&D to productise such technology, filing IND applications, performing clinical trials, manufacturing and selling the product candidates based on a production form of such technology in China.

***R&D equipment***

Our laboratories in China are equipped with state-of-the-art production equipment, including biological safety cabinets, centrifuges, incubators, inverted microscopes, and heat sealing machines used in the preparation of cellular immunotherapy products. We also possess bioreactors and purification devices for the production of high-quality viral vectors. Our quality control equipment includes detection equipment such as automatic cell counters, multi-laser flow cytometers, cell biological activity detectors, and qPCR instruments, for use in immune cell related quality control and inspection.

*Incubators for cell culture*

*Centrifuges for cell isolation*

**Research and development process**

We have established a product R&D process focused on addressing clinical demand. The seven stages of our R&D process are set forth as follows:

- *Product planning:* A project is initiated by our senior technical staff proposing a product plan based on the clinical problems to be addressed, the basic immunological principles, and the available research results in the industry. The proposal is then submitted to the product design team for technical feasibility study and design.

- *Product design:* A technical feasibility study is carried out pursuant to the product plan. Based on the results of the technical feasibility study, the product's structure is designed, and its molecular sequence and cell type are determined.

- *Early research and verification:* Laboratory technology is developed for the realisation of the product on the basis of the product structure and cell type design, and the effectiveness of the product is preliminarily verified in vitro and in vivo.

- *Pharmaceutical studies:* Pre-clinical process and quality studies are carried out based on the early research results. Measures are taken to ensure the normativeness, standardisation, stability, and sustainability of the production process and to ensure the quality and stability of the product candidate.

- *Pharmacology and toxicology studies:* On the basis of initial effectiveness, a GLP organisation is commissioned to conduct pre-clinical safety and efficacy studies on the product candidate in vivo pharmacodynamics, pharmacology, and toxicology.

- *Clinical trial and testing stage:* After the conclusion of pharmacology and toxicology studies, a summary of data from the pre-clinical studies is drawn up and submitted to the NMPA for clinical trial application. Subject to obtaining clinical trial approval, CROs, SMOs, third-party imaging and audit institutions, and an independent data evaluation committee are organised to initiate clinical trials for the product candidate. Upon the completion of the clinical trials, a summary report is formed and an application is filed to the NMPA for product launch.

- *Product launch and continuous improvement:* Subject to the NMPA's approval of the product launch, we will keep improving the production and quality of the product in accordance with the requirements of laws and regulations.

**Cooperation in research and development**

As summarised below, we have entered into a number of cooperation relationships with external parties concerning technical service and research and development. To the best of our Directors' knowledge, save as disclosed in this prospectus, none of the parties mentioned below (including their respective shareholders, directors, and senior management) has, to the extent material to the operations of our Group, any past or present relationship, transaction, agreement, arrangement, or understanding with our Group, our substantial shareholders, directors, senior management, or any of their respective associates.

***R&D and quality evaluation services***

We have engaged the National Institutes for Food and Drug Control (the "**NIFDC**") to provide us with certain R&D and quality evaluation services. The NIFDC is a statutory body directly affiliated to the NMPA and the highest technology arbitration institution for the quality of medical products. For example, in 2014, we engaged the NIFDC to conduct certain pre-clinical safety evaluation of EAL® under GLP conditions for the purpose of IND filing for RMB0.8 million. In 2018, we engaged the NIFDC to conduct certain pre-clinical safety evaluation of the CAR-T-19 product for RMB1.8 million.

In May 2018, we entered into an agreement with the Institute of Process Engineering, Chinese Academy of Sciences. Pursuant to the agreement, we engaged the Institute to research and develop certain lentivirus quality monitoring technologies and separation and purification methods. We agreed to pay a total of RMB2.8 million for R&D expenses and remuneration in instalments, and would be entitled to all relevant intellectual property rights arising from the project. Both parties are entitled to make subsequent improvements to the development results after the completion of the project, and each party maintains ownership of the new technological achievements created solely by such party resulting from the substantive or creative technological progress. We have a pre-emptive right if the Institute chooses to transfer or license new technological achievements to any third party.

***CROs, SMOs, and other institutions***

We engage reputable CROs and SMOs to manage and support our clinical trial and pre-clinical studies. CROs and SMOs provide us with an array of products and services necessary for complex clinical trials. We select CROs and SMOs by reviewing various factors, including their professional qualifications, research experience, and industry reputation. We place emphasis on CROs' ability to facilitate and optimise the selection of clinical trial institutes, to timely recruit patients, and to conduct complex clinical trials efficiently. We have selected CROs and SMOs that have experience serving large international pharmaceutical companies. In order to protect integrity and authenticity of the data from our trials and studies, we closely supervise our CROs and SMOs to ensure that they perform their obligations in a manner that complies with our protocols and applicable laws.

Our agreements with CROs provide that CROs are responsible for providing services including submission of ethical documents, daily inspections, data management, and statistical analysis for clinical trials. We will make payments after fulfilment of certain milestones under the relevant agreements. Our agreements with SMOs provide that SMOs are primarily responsible for assisting investigators in managing enrolled patients which includes assigning CRCs to research centres. The total contract amount comprises CRC visit fees and fixed fees. CRC visit fees is determined based on the targeted enrolment of 272 subjects for EAL®, and will be settled according to the actual number of CRC visits occurred for each subject. We are required to make payments to SMOs in accordance with the payment schedule agreed by the parties.

We also engage independent audit institutions and third-party imaging companies to support our clinical trial. Our agreements with independent audit institutions provide that auditing institutions are responsible for audits of clinical trial institutions and providing formal audit reports. The total amount will be paid in instalments according to the audit plan. If there is any adjustment to the audit plan, extra negotiations in respect of payment will be needed. Our agreements with third-party imaging companies provide that imaging companies are responsible for providing professional imaging technology services for the clinical trial. The total amount is determined based on the clinical trial protocol subject to further adjustment agreed by both parties. We are required to make payments in instalments as specified in the agreements.

***Collaborations and transactions with the affiliated companies of Mr Jung***

During the Track Record Period, we collaborated or entered into a number of R&D or technical services agreements with affiliated companies of Mr Jung, namely, Pharos Vaccine, Beijing Sainuotai, and Nosong Life Science. Please refer to "Directors and Senior Management — Collaborations and Transactions between our Group and the affiliated companies of Mr Jung" for further details.

***Agreements with medical institutions***

*Technical services agreements (2006-16)*

From December 2006 to May 2016, EAL® was regulated as a medical technology by the Ministry of Health. We entered into technical services agreements in substantially similar forms with 19 Class III Grade A hospitals to produce EAL® cells for commercial use. Pursuant to these collaboration agreements, we were responsible for manufacturing the required EAL® cells in accordance with the mutually agreed quality requirements and using clean laboratories and necessary equipment conforming to national standards; providing technical services including identification of EAL® cell phenotypes; ensuring that the quality of EAL® cells shall meet the agreed standards. The hospitals were ultimately responsible for administering EAL® as a medical technology. We entered into technical services agreements with hospitals, and charged cell culture fees as our revenue from the hospitals with the median price of RMB9,000 per infusion of EAL® between October 2009 and May 2016. Based on (i) their review of the technical services agreements and other related documents provided by the Company, (ii) their search of administrative penalty information on the official website of Beijing Medical Products Administration (北京市藥品監督管理局), the official website of National Medical Products Administration (國家藥品監督管理局) and the National Enterprise Credit Information Publicity (國家企業信用信息公示系統), (iii) the confirmation letters obtained from Beijing Food and Drug Administration Economic-Technological Development Zone Branch (北京市食品藥品監督管理局經濟技術開發區分局) and Beijing Haidian District Administration for Market Regulation (北京市海淀區市場監督管理局), and (iv) the confirmation from the Company and the Directors that the Company and its PRC subsidiaries have never been punished for entering into the technical services agreements, our PRC legal advisers are of the opinion that there is no violation of PRC laws and regulations in relation to the Group's revenue derived from its technical services agreements with hospitals. Following regulatory changes in 2016, the commercial use of EAL® was terminated.

*Clinical trial agreements*

In respect of the ongoing Phase II clinical trial for EAL®, we have entered into clinical trial agreements in substantially similar forms with the participating medical institutions. Pursuant to these agreements, we as the sponsor of the clinical trial are responsible for the following matters, among other things:

- sponsor, apply for, organise, and supervise the clinical trial and obtain the consent from the relevant ethics committees before the launch of the clinical trial;

- jointly formulate the clinical trial protocol with hospitals and the principal investigator in accordance with PRC laws and regulations, and finalise the clinical trial plan for submission;

- provide the drugs for the clinical trial and ensure that quality standards are met;

- purchase insurance to the enrolled patients and bear any medical expense and economic compensation (if any) arising from adverse events resulting from the clinical trial;

- assist hospitals in organising the necessary meeting and bear the expenses incurred; and

- provide GCP training and appoint monitoring organisations.

The medical institutions are responsible for the following matters, among other things:

- acquire and maintain the qualification of conducting clinical trial;

- comply with the GCP, relevant laws and regulations, as well as clinical trial protocol, and cooperate with monitors to assure the clinical trial quality;

- obtain the approval from the competent authority, and ensure sufficient time, qualified place and personnel and eligible patients to complete the clinical trial within the stipulated term; and

- adopt necessary measures to protect enrolled patients' safety.

## 6. COMMERCIALISATION

Cellular immunotherapy products are subject to diminishing cell activity once taken out of the laboratory. As part of our commercialisation strategy for EAL®, we are planning to establish R&D and production centres in cities such as Shanghai and Guangzhou, covering major population centres in China in view of the six-hour transportation radius for EAL®. After establishing our presence in Shanghai and Guangzhou, we plan to build production centres in other major cities such as Chengdu, Wuhan, Xi'an and Shenyang. As at the Latest Practicable Date, we had started identifying suitable sites in Shanghai and Guangzhou as well as in a few other major cities.

We have also maintained contact with key connections such as major pharmaceutical companies, distributors, and private hospitals with a view to quickly establishing a distribution network for our product candidates upon approval.

We plan to build up our own commercialisation team in China. We plan to begin recruiting team leaders and sales and marketing personnel with extensive industry knowledge and biopharmaceutical marketing skills, in particular in oncology. We also plan to expand our team to support market research and patient analysis and brand building. We plan to expand our commercialisation team to cover major population centres in China. We intend to continue to expand our team in the coming years in anticipation of our expected product launches.

## 7. SUPPLIERS

During the Track Record Period, our suppliers primarily included (1) suppliers of our equipment and raw materials; and (2) CROs, SMOs, and other R&D and quality evaluation services providers which we engaged to conduct clinical and pre-clinical studies on our product candidates. See "— 5. Research and Development — Cooperation in research and development" for details.

We purchase reagents and laboratory apparatus for use in product R&D and quality control. We source from reputable suppliers both in China and overseas. We have designated areas for inventory storage at our Guosheng Laboratory and Guanglian Laboratory. We have established an inventory management system to monitor each stage of the storage process. Raw materials are separately stored in different areas according to their storage condition requirement.

For the years ended 31 December 2018 and 2019, our purchases from our five largest suppliers in the aggregate accounted for 48.8% and 42.5% of our total purchases, respectively, and purchases from our largest supplier alone accounted for 18.2% and 14.1% of our total purchases, respectively. Nosong Life Science was among our five largest suppliers for the year ended 31 December 2018.

The table below sets out details of our five largest suppliers in terms of purchase amount for the years ended 31 December 2018 and 2019:

| Supplier | Description | Type of purchase | Registered capital | Purchase amount for the year ended 31 December | |
|---|---|---|---|---|---|
| | | | | 2018 | 2019 |
| | | | | *RMB'000* | *RMB'000* |
| Supplier A | A fitting out service provider | Fitting out services | N/A | 14,638 | 2,465 |
| Supplier B | A subsidiary of an American biotechnology product development company | Raw materials and equipment | US$8,000,000 | 9,014 | – *(note)* |
| Supplier C | PRC-based manufacturer of experiment equipment | Equipment | RMB5,000,000 | 8,760 | – *(note)* |
| Supplier D | PRC-based import agent | Experiment consumables | RMB3,000,000 | 3,405 | – *(note)* |
| Nosong Life Science | See "Directors and Senior Management — Directors — Executive Directors — Delineation of business between our Group and the affiliated companies of Mr Jung — Nosong Life Science" for details | Technical services | KRW100,000,000 | 3,378 | – *(note)* |
| Beijing Sainuotai | See "Directors and Senior Management — Directors — Executive Directors — Delineation of business between our Group and the affiliated companies of Mr Jung — Beijing Sainuotai" for details | Transfer of patent rights | US$3,000,000 | – *(note)* | 7,130 |

| Supplier | Description | Type of purchase | Registered capital | Purchase amount for the year ended 31 December | |
|---|---|---|---|---|---|
| | | | | 2018 | 2019 |
| | | | | *RMB'000* | *RMB'000* |
| Supplier E | landlord of our Guosheng Laboratory | Rents | RMB20,000,000 | – *(note)* | 7,816 |
| Supplier F | A hospital which provided clinical trial services for EAL® | Clinical trial services | N/A | – *(note)* | 3,640 |
| Supplier G | SMO which we engaged to support the clinical trial for EAL® | Clinical trial services | US$2,000,000 | – *(note)* | 2,538 |

*Note:* Not one of the five largest suppliers for the year.

Other than Mr Jung Hyun Chul's relationship with Nosong Life Science and Beijing Sainuotai, none of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

## 8. INTELLECTUAL PROPERTY

As a biopharmaceutical company focusing on research and development, we are keenly aware of the importance of establishing and protecting our intellectual property rights. We rely on a combination of patents, trademarks, trade secrets as well as employees and third-party confidentiality agreements to protect our intellectual property.

We own a number of national invention patents, most of which are key technology and invention patents for cellular immunotherapy. We are actively developing new products and vigorously promoting the transformation of scientific research results into clinical applications and drugs.

As at the Latest Practicable Date, we owned the following issued patents registered in the PRC which we consider material to our business:

| Patent name | Patent holder | Patent number | Application date | Expiry date | Relevant product candidate | Jurisdiction |
|---|---|---|---|---|---|---|
| Highly effective method for amplifying activated lymphocyte and cultivation system[(1)] | Beijing Yongtai | ZL200710102854.0 | 9 May 2007 | 9 May 2027 | EAL® | PRC |
| Melan-A epitope peptide and application thereof in preventing and/or treating tumours | Yongtai Ruike | ZL201110235044.9 | 11 August 2011 | 11 August 2031 | N/A | PRC |
| Cell cryopreservation solution | Beijing Yongtai | ZL201310526658.1 | 31 October 2013 | 31 October 2033 | N/A | PRC |
| Blood preservation solution | Beijing Yongtai | ZL201510033381.8 | 23 January 2015 | 23 January 2035 | N/A | PRC |
| Method for proliferating and activating lymphocytes through serum-free culture[(2)] | Beijing Yongtai | ZL201310334666.6 | 2 August 2013 | 2 August 2033 | EAL® | PRC |

(1) Dr Wang was initial applicant and inventor of the patent with the said patent name in the PRC. In 2015, Dr Wang transferred to Beijing Yongtai such PRC patent which we consider material to our business.

(2) Beijing Saninuotai and its employee were the initial applicant and inventor of two patents with the said patent name in the PRC and Hong Kong respectively. In July 2019, Beijing Yongtai and Beijing Sainuotai entered into a patent transfer agreement, where Beijing Sainuotai transferred to Beijing Yongtai such PRC patent which we consider material to our business. For further information about this PRC patent, please refer to "Directors and Senior Management — Collaborations and Transactions between our Group and the affiliated companies of Mr Jung" for further details.

As at the Latest Practicable Date, we had filed the following patent applications in the PRC:

| Patent name | Applicants | Application number | Application date | Expected expiry date if granted | Relevant product candidate | Jurisdiction |
|---|---|---|---|---|---|---|
| Improved lentiviral vector[(1)] | Pharos Vaccine, Yongtai Ruike | 201910350460.X | 28 April 2019 | 28 April 2039 | CAR-T and TCR-T product candidates | PRC |
| Improved therapeutic T cells[(2)] | Yongtai Ruike, Pharos Vaccine | 201910350044.X | 28 April 2019 | 28 April 2039 | CAR-T-19-DNR | PRC |

| Patent name | Applicants | Application number | Application date | Expected expiry date if granted | Relevant product candidate | Jurisdiction |
|---|---|---|---|---|---|---|
| Improved T cell therapeutic methods[3] | Yongtai Ruike, Pharos Vaccine, National Institutes for Food and Drug Control, Beijing Sainuotai | 201910349471.6 | 28 April 2019 | 28 April 2039 | aT19 | PRC |
| Immune response cells against hepatitis B virus[4] | Beijing Yongtai, Pharos Vaccine | 201610113446.4 | 29 February 2016 | 29 February 2036 | CAR-T | PRC |

(1) We collaborated with Pharos Vaccine in the development of the technology underlying this patent, being a type of lentiviral vector for the production of CAR-T and TCR-T cells.

(2) We collaborated with Pharos Vaccine in the development of our CAR-T-19-DNR product candidate which applies the technology underlying this patent.

(3) We collaborated with Pharos Vaccine in the development of our aT19 product candidate which applies the technology underlying this patent.

(4) Beijing Sainuotai and Pharos Vaccine were the co-applicants of this patent. It is intended that once registered, Beijing Sainuotai's right in the patent will be arranged to be formally transferred to our Group, subject to approval and valuation of this patent, further negotiation among the parties and the requirements under Chapter 14A of the Listing Rules (if applicable). In anticipation of such potential transfer, as agreed between Beijing Yongtai and Beijing Sainuotai, Beijing Yongtai replaced Beijing Sainuotai as a co-applicant in October 2019.

(5) Under the aforesaid collaborations, the parties contributed resources and efforts and shared knowledge and expertise for the development of the underlying technologies. With respect to our collaboration with Pharos Vaccine, having considered that its principal business is only conducted in Korea and our business is conducted in the PRC, Pharos Vaccine has acknowledged that we have all the rights in the PRC derived from the above patent applications, and has undertaken (1) to waive all such rights in the PRC; and (2) that if we so request, it will promptly assign its rights in the PRC derived from the joint patent applications to us or as we may direct. For further information about the background of these patent applications, including the material terms of the potential patent transfer mentioned in note (4) above, please refer to "Directors and Senior Management — Collaborations and Transactions between our Group and the affiliated companies by Mr Jung".

As at the Latest Practicable Date, we had 32 registered trademarks in the PRC and one in Hong Kong. We are also the registered owner of three domain names.

We also rely on trade secrets, proprietary know-how, and continuing technological innovation to develop and maintain a competitive position for our products. We generally impose obligations on our key management and key technical staff to keep our trade secrets confidential. We have entered into confidentiality agreements with non-competition terms with our senior management and key technical staff.

As at the Latest Practicable Date, we had not been involved in any significant intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights in the PRC. As of the Latest Practicable Date, the Directors confirmed that there was no incident of infringement of other third parties' patents or intellectual property rights by the Group.

The invention underlying our registered patents in relation to EAL® was created in China and the relevant patents were registered in China. Despite the existence of other AAL products in Japan and Korea, we have been advised that patent rights are jurisdictional, and the implementation of the technology protected by two registered patents in relation to the production of EAL® involves no risk of infringement of third-party intellectual property rights based on the fact that (1) the implementation of such technology takes place in mainland China, and not Japan or Korea; and (2) no prior patented technology similar to that protected our two patents has been discovered from the PRC patent novelty search initiated by our Company. We do not intend to engage in businesses that involve using the technology underlying the relevant patents outside of China in the foreseeable future.

## 9. EMPLOYEES

As at 31 December 2019, we had a total of 176 employees in the PRC and 9 employees in the Republic of Korea.

The following table sets forth the number of our employees for each function as at 31 December 2018 and 2019:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| General management and administration | 18 | 30 |
| Research and development: | | |
| Senior management | 4 | 6 |
| Product and technology R&D | 26 | 29 |
| Production, purification, equipment, and safety | 28 | 55 |
| Quality | 28 | 46 |
| Clinical support and business development | 9 | 19 |
| | 113 | 185 |

As of 31 December 2015, 2016 and 2017, we had 54, 25 and 32 R&D personnel and 27, 9 and 9 non R&D personnel. Currently, most of our employees are engaged in R&D. The size of our R&D workforce grew from approximately 20 staff members in 2010 to approximately 70 by the first quarter of 2016. As of 31 March 2016, we had 57 R&D personnel primarily in charge of the clinical application of EAL®, seven R&D personnel primarily in charge of the clinical research of EAL® and four R&D personnel primarily in charge of pre-clinical studies of the other pipeline products. Primarily due to the uncertainty in the regulatory environment in 2016 for example, NHC stopped all clinical application of cellular immunotherapy, and announced that cellular immunotherapy technology should be regulated under the scope of clinical research, we scaled down our R&D workforce and the number of our R&D employees decreased to approximately 20 by the end of the same year. The R&D personnel then focused on the clinical research of EAL® and conducted the early R&D on CAR-T cell product pipeline. Because we no longer conducted the clinical application of EAL® and the core R&D team led by Dr Wang still remained with us, the reduction of our R&D staff did not significantly affect our continuing R&D on the clinical research of EAL® and the

early R&D on CAR-T cell product pipeline. As we continued to prepare for the clinical trial for EAL®, we resumed recruitment of R&D staff, with the number increasing to 95 and 155 as at 31 December 2018 and 2019 respectively.

We have designed an evaluation system to assess the performance of our employees periodically. Such system forms the basis of our determinations of whether an employee should receive a salary raise, bonus, or promotion. We believe the salaries and bonuses our employees receive are competitive with market rates.

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge. We design and offer different training programmes for our employees in various positions.

We recruit our employees primarily through placing advertisements on recruitment websites, internal referrals, and employment agencies.

See "Directors and Senior Management — Key Terms of Employment Contract" for details of the salient terms of the service agreements between our Group and our key management and technical staff.

**Employee social welfare schemes**

During the Track Record Period and up to the Latest Practicable Date, our Group had made contributions to the social insurance and housing provident fund for all our employees in the PRC. However, the salary basis on which our PRC subsidiaries made such contributions did not fully comply with the legal requirements due to the staff who were in charge of these matters being unfamiliar with the relevant regulatory requirements. See "Risk Factors — 3. Risks Relating to our Operations — Our non-compliance with certain laws and regulations regarding certain employee social welfare schemes in the PRC could lead to the imposition of fines and penalties" for the relevant risks. The aggregate unpaid amounts by our Group to the social insurance authority as at 31 December 2018 and 2019 were approximately RMB0.9 million and RMB1.1 million respectively, and the aggregate unpaid amounts by our Group to the housing provident fund management centre as at 31 December 2018 and 2019 were approximately RMB0.4 million and RMB0.4 million respectively.

According to the certifying letters issued by social insurance and housing provident fund authorities in Beijing, during the Track Record Period, such authorities did not impose penalty on any of our PRC domestic subsidiaries for failure to make social insurance or housing provident fund contributions. According to our PRC Legal Advisers, such authorities are the competent authorities for issuing the relevant confirmations. Our Directors are of the view that our non-compliance with social insurance and housing provident fund laws and regulations do not have a material impact of our business and operations.

Since July 2019, we have amended the salary basis on which to make contributions to the social insurance and housing provident fund in accordance with the legal requirements. Our Directors have undertaken to use their best endeavours to comply with the applicable laws and regulations. Our Controlling Shareholders have undertaken to indemnify any liabilities or losses arising from this non-compliance incident.

## 10. INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain insurance coverage against claims arising from our clinical trials. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. See "Risk Factors — 3. Risks Relating to Our Operations — We may not have adequate insurance coverage". Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC.

## 11. PROPERTIES

As at the Latest Practicable Date, we leased a total of nine properties in the PRC from independent third parties and one property in Korea from Pharos Vaccine as our R&D facilities and offices. These properties are located in Beijing, Shanghai, and Seoul with a total gross floor area of 8,132.44 square metres. The leased areas of each property ranged from 20 square metres to 3,837.27 square metres. The leased term of each property ranged from one year to ten years.

As at the Latest Practicable Date, we occupied two premises for free with a total gross floor area of 160 square metres. We obtained written confirmations to confirm that we have the right to occupy and use such premises for free. The two premises are mainly used for daily office use for our two subsidiaries, Guangzhou Yongrui and Beijing Weixiao.

In April 2020, We won the bid for a parcel of land situated at Lot N5M4, Lunan District, Beijing Economic and Technological Development Zone, Beijing, PRC with a total area of approximately 34,996 squares metres, for purpose of establishing a sizeable production centre as part of our growth plans. We entered into definitive purchase agreement with the local government in May 2020 and are in the process of obtaining the title of the parcel of land.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. As at 31 December 2019, no single property interest had a carrying value exceeding 15% of our total assets.

## 12. ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention, and accident reporting. We conduct safety inspections regularly for our laboratories.

Our environmental, health, and safety (EHS) department is responsible for monitoring our productions and operations, as well as employees' occupational health. Our senior management is ultimately responsible for the implementation of our environmental management measures.

At the time of designing our R&D facilities, we conducted comprehensive analysis on the environmental issues, such as occupational health protection, environmental protection, and production safety. We have retained a third-party service provider to conduct risk assessment for occupational health that may be involved in the production processes. We require our employees who may be exposed to hazardous waste to do occupational health examination. We entered into a long-term agreement with a qualified third party to perform disposal of all hazardous waste. We also provide training to our employees to enhance their awareness of our work safety guidelines.

We have established a coordination mechanism with local environment and safety government bodies, which keeps us abreast of the latest national and local regulations so that we can implement them in a timely manner.

## 13. AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions as at the Latest Practicable Date:

| Year | Awards / recognitions | Issuing entities |
|---|---|---|
| 2019 | Beijing Yongtai was recognised as a Pilot Project of Expanding the Service Industry in Beijing | Office of Comprehensive Pilot Projects of Expending Beijing Service Industry |
| 2019 | Beijing Yongtai was granted Zhongguancun High-tech Enterprise | Management Committee of Zhongguancun Science Park |
| 2019 | We were granted China Science and Technology Innovation Enterprise | People's Daily and International Finance News |
| 2019 | Beijing Yongtai renewed its status as a national High and New Technology Enterprise | Several Beijing municipal government authorities |
| 2019 | We were granted government research funding for the Phase II clinical trial of EAL® | Beijing Municipal Science and Technology Committee |
| 2019 | Beijing Yongtai was granted Zhongguancun High and New Technology Enterprise | Zhongguancun Science Park |
| 2018 | We were granted government research funding for the R&D of our CAR-T-19-DNR product | Beijing Municipal Science and Technology Committee |
| 2018 | We were granted government research funding for our "cellular therapy quality control and management standard platform" project | Beijing Municipal Science and Technology Committee |
| 2017 | We were granted government research funding for our CAR-T-19 pre-clinical studies project | Beijing Municipal Science and Technology Committee |

| Year | Awards / recognitions | Issuing entities |
|---|---|---|
| 2016 | We were granted promotion of special post-subsidy for science and technology services in Beijing | Beijing Municipal Science and Technology Committee |
| 2016 | We were granted government funding for international cooperation projects in science and technology | Beijing Municipal Science and Technology Committee |
| 2015 | Our "highly effective method for amplifying activated lymphocyte and cultivation system" was awarded the Beijing new technology and new product (service) certificate | Several Beijing municipal government authorities |
| 2012 | The pre-clinical studies of EAL® received research funding from the State High-Tech Development Plan (the 863 Programme) dedicated for research into products and key frontier technology in relation to adoptive cellular immunotherapy for the treatment of tumours | Institute of Basic Medical Sciences, Chinese Academy of Medical Sciences |
| 2011 | We were granted technological innovation fund for small and medium-sized enterprises for the project "application of AAIC in immunotherapy of malignant tumours" | Technological Innovation Fund Management Centre for Small and Medium-sized Enterprises, Ministry of Science |

## 14. LEGAL COMPLIANCE, LICENCES, AND PERMITS

As a PRC-based company engaged in developing, manufacturing, and commercialisation of pharmaceutical products, we are subject to regular inspections, examinations, and audits, and are required to maintain or renew the necessary permits, licences, and certifications for our business. Our PRC Legal Advisers have advised us that, as at the Latest Practicable Date, we had obtained all requisite licences, approvals, and permits from the relevant government authorities that are material for our business operations in the PRC.

During the Track Record Period and as at the Latest Practicable Date, none of us or our Directors was involved in any litigation, arbitration, or administrative proceedings (including legal claims or proceedings in relation to research and development) which could have a material adverse impact on our business, financial condition, research and development for our Core Product Candidate, or results of operations. As at the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration, or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition, or results of operations.

As advised by our PRC Legal Advisers, during the Track Record Period and as at the Latest Practicable Date, except for our non-compliance with certain laws and regulations regarding certain employee social welfare schemes, we had complied with the relevant PRC laws and regulations in all material respects.

*You should read the following discussion in conjunction with the consolidated financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.*

*Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking Statements" and "Risk Factors".*

## 1. OVERVIEW

We are a leading cellular immunotherapy biopharmaceutical company in China with a focus on the research, development, and commercialisation of T cell immunotherapy for over 13 years. According to the Frost & Sullivan Report, EAL® — our Core Product Candidate — is the first cellular immunotherapy product in China approved for entry into a Phase II clinical trial, and, as at the Latest Practicable Date, the only cellular immunotherapy product that had been approved for application in a Phase II clinical trial for solid tumour treatment.

During the Track Record Period, we did not generate any revenue from product sales, and our losses were primarily attributable to our research and development, administrative expenses and listing expenses.

## 2. BASIS OF PRESENTATION

Prior to the Reorganisation, our operations were mainly carried out by Beijing Yongtai and its subsidiary in the PRC. Upon completion of the Reorganisation, our Company has become the holding company of the companies now comprising our Group by interspersing the Company, Hamiyang, JY Research, and AK Ruihe between the then shareholders of the Group and Beijing Yongtai. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the financial information in the Accountants' Report included in Appendix I to this prospectus has been prepared as if our Company had always been the holding company of our Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows of the Group for the Track Record Period and the consolidated statements of financial position as at 31 December 2018 and 2019 were prepared using the then carrying amounts in the financial statements of the companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period.

The consolidated financial statements of our Group for the Track Record Period have been prepared in accordance with the accounting policies which conform with the IFRS and were audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

**Contractual Arrangements**

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by a subsidiary of the Group, namely Yongtai Ruike, Beijing Yongtai entered into the Contractual Arrangements with Yongtai Ruike and its equity holders on 10 September 2018. See "Regulatory Overview" for details on such regulatory restrictions.

Our Group does not have any equity interest in Yongtai Ruike. However, as a result of the Contractual Arrangements, the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike and is considered to have control over Yongtai Ruike.

Consequently, our Company regards Yongtai Ruike as an indirect subsidiary for accounting purpose. Our Company consolidates the assets, liabilities, income, and expenses of Yongtai Ruike upon the execution of the Contractual Arrangements.

## 3. KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

**Successful clinical trial of our product candidates**

Our business and results of operations depend on our ability to successfully develop our product candidates. Our Core Product Candidate, namely EAL®, is undergoing Phase II clinical trial. We target to complete the enrolment of all subjects in the second half of 2020, and finish the interim data analysis in the first half of 2021 and submit to the NMPA for conditional marketing approval.

As at the Latest Practicable Date, we have submitted the IND application for our CAR-T-19 product candidate. In addition, we intend to submit the IND applications for our CAR-T-19-DNR, aT19, and NY-ESO-1 TCR-T product candidates in the coming years. Although we currently have no products approved for commercial sale and did not generate any revenue from product sales during the Track Record Period, we expect to commercialise one or more of our product candidates over the coming years as they move toward the final stages of development. See "Business — 4. Product Pipeline" for more information on the development status of our various product candidates.

**Commercialisation of our product candidates**

Our business and results of operations depend on our ability to commercialise our product candidates. Even if our product candidates, including our Core Product Candidate, namely EAL®, is approved, we will face competitions with other cancer treatments such as chemotherapy and radiotherapy or other novel treatment methods. See "Risk Factors — 1. Risks Relating to Our Business and Industry — Even if approved, our product candidates may fail to achieve the degree of market

acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success" for the relevant risks.

**Cost structure**

During the Track Record Period, our costs were mostly in relation to research and development and general administration. We expect our cost structure to evolve as we develop our business.

For the years ended 31 December 2018 and 2019, we incurred research and development expenses of RMB31.2 million and RMB62.0 million respectively. We expect our research and development expenses to increase significantly in the foreseeable future, as we move our product candidates into clinical trials, and as we continue to support the clinical trials of our product candidates as treatments for additional indications.

For the years ended 31 December 2018 and 2019, we incurred administrative expenses of RMB11.7 million and RMB27.8 million respectively. We expect our administrative expenses to increase in future periods to support our business development efforts and support any commercialisation activities with respect to our product candidates, if approved. These cost increases will likely be due to increased headcount, increased employee salaries and benefits, expanded infrastructure, and increased costs for insurance.

As we target to launch EAL® in 2021 and other product candidates afterwards, we expect to incur additional costs in relation to business development. Therefore, our cost structure will evolve as we prepare for the commercialisation of our product candidates.

**Funding for our operations**

During the Track Record Period, we funded our operations primarily through equity financing. Going forward, in the event of a successful commercialisation of one or more of our product candidates, we expect to fund our operations in part with revenue generated from sale of our commercialised drug products. However, with the continuing expansion of our business we may require further funding through public or private offerings, debt financing, bank borrowings, or other sources. Any fluctuation in our ability to fund our operations will impact our cash flow and results of operations.

## 4. CRITICAL ACCOUNTING POLICIES

**Application of IFRSs**

For the purpose of preparing and presenting the historical financial information for the Track Record Period, the Group has consistently applied the accounting policies which conform the IFRSs, the amendments to IFRSs and interpretations, which are effective for the accounting period beginning on 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases,* throughout the Track Record Period.

Save as disclosed below, our Directors consider that the adoption of IFRS 9, IFRS 15 and IFRS 16 has no significant impact on our financial position and performance when compared to that of IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 18 *Revenue* and IAS 17 *Leases*, respectively.

***Application on IFRS 15***

Our Directors are of the view that the application of IFRS 15 has resulted in recognition of "contract costs" in the consolidated statements of financial position and related amortisation of contract costs recognised in "other expenses" in the consolidated statements of profit or loss and other comprehensive income associated to the provision of cell cryopreservation services as set out in the Accountants' Report in Appendix I, which might not be recognised as assets under IAS 18.

***Application on IFRS 16***

Our Group has elected to early apply IFRS 16 and has consistently applied IFRS 16 throughout the Track Record Period. Under IFRS 16, at the commencement date of the lease, right-of-use assets are recognised at cost while the corresponding lease liabilities are recognised at the present value of lease payments to be made over the lease term. The right-of-use assets of our Group are depreciated on a straight-line basis over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Our Directors consider that the adoption of IFRS 16, as compared to the requirements of IAS 17, would increase our consolidated assets and consolidated liabilities, but would not result in a significant impact to our consolidated performance, including key liquidity ratios. The table below illustrates the impacts on current ratio, quick ratio, financial position (net assets) and performance (net loss) under IFRS 16 and IAS 17 during the Track Record Period as a result of the early adoption of IFRS 16:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| Current ratio[(1)] – under IAS 17 | 11.07 | 1.52 |
| Current ratio[(1)] – under IFRS 16 | 9.76 | 1.49 |
| Quick ratio[(2)] – under IAS 17 | 10.93 | 1.49 |
| Quick ratio[(2)] – under IFRS 16 | 9.64 | 1.47 |

*Notes:*

(1) Current ratio equals current assets divided by current liabilities as at the end of the period.

(2) Quick ratio equals (a) current assets less inventories divided by (b) current liabilities as at the end of the period.

| | Year ended/as at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| **Impacts on financial position by applying IFRS 16** | | |
| Increase (decrease) on net assets | 302 | (1,686) |
| **Impact on financial performance by applying IFRS 16** | | |
| (Decrease) increase on net loss | (378) | 1,988 |

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. See Note 4 to the Accountants' Report included in Appendix I to this prospectus for details of these accounting policies.

**Research and development expenditure**

Expenditure on research activities is recognised 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 recognised 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 recognised 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 recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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.

**Impairment on property, plant and equipment (including right-of-use assets), contract costs and intangible assets (other than goodwill)**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets), intangible assets with finite useful lives and contract costs 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 (including right-of-use assets) and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, we estimate the recoverable amount of the cash generating unit to which the asset belongs.

In addition, we assess whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before we recognise an impairment loss for assets capitalised as contract costs under IFRS 15, we will assess and recognise any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that we expect to receive in exchange for related services less the costs which relate directly to providing those services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, we compare the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the 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 recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Government grants**

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which our Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that our Group should purchase, construct, or otherwise acquire non-current assets are recognised as deferred revenue in the historical financial information and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to our Group with no future related costs are recognised in profit or loss in the periods in which they become receivable.

**Property, plant, and equipment**

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.

Properties, plant, and equipment in the course of construction for production, supply, or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised, in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant, and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as similar assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items 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 derecognised 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 recognised in profit or loss.

**Convertible redeemable preference shares**

Convertible redeemable preference shares, which contain redemption features and other embedded derivatives, are designated as at financial liabilities at fair value through profit or loss. Financial liabilities at profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "fair value gain of convertible redeemable preference shares" line item.

However, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

**Share-based payments**

***Equity-settled share-based payment transactions***

*Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

**5. CRITICAL JUDGMENTS AND ESTIMATIONS**

In the application of our accounting policies our management is 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 ongoing basis. Revisions to accounting estimates are recognised 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.

See Note 5 to the Accountants' Report included in Appendix I to this prospectus for details of the judgments, estimates, and assumptions involved in the preparation of our financial information.

Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (1) our critical accounting policies, (2) the judgments and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

**Research and development expenditures**

Our Directors will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the Track Record Period, all development costs were expensed when incurred.

**Useful lives and impairment of intangible assets**

Our Directors determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its intangible assets. This estimate is based on our management's experience of the actual useful lives of intangible assets of similar nature and functions. In addition, our management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of intangible assets may not be recoverable. Our management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

**Fair value of convertible redeemable preference shares**

Our convertible redeemable preference shares are measured at fair value through profit or loss at the end of each reporting period and the fair value is categorised at level 3 fair value in accordance with relevant IFRS for financial reporting purpose. No quoted prices in an active market are available for these financial liabilities. These financial liabilities were valued by our Directors with reference to valuations carried out by an independent qualified professional valuer not connected with the Group, which has appropriate qualifications and recent experience in valuation of similar financial instruments. The fair value of these financial liabilities is established by using valuation techniques as disclosed in Note 27 and Note 34 to the Accountants' Report included in Appendix I to this prospectus. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares as assessed by our Directors, possibilities under different scenarios such as initial public offerings, liquidation and redemption, and discount for lack of marketability, require management estimates. The estimates and assumptions by the Directors are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at fair value through profit or loss.

We have performed the following independent works in ascertaining the accuracy of the valuation report prepared by the valuer: (i) provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those nonobservable inputs, such as expected time to Global Offering and possibilities under Global Offering, redemption and liquidation scenario, which require management assessments and estimates; and (iii) reviewed the valuation working papers and reports prepared by the valuer. Based on the above, the Directors believe that their duty of care, skill and diligence in determining the valuation has been discharged.

In relation to the valuation of our convertible redeemable preference shares, the Joint Sponsors have conducted relevant due diligence works, including but not limited to, (i) reviewed the relevant notes in the Accountants' Report included in Appendix I to this prospectus and the relevant report issued by the valuer; and (ii) discussed with the management, our reporting accountants, and the valuer about the key basis, assumptions and methodologies used for the valuation of the convertible redeemable preference shares. Having considered the works performed by the Directors and our reporting accountants and the relevant due diligence works done as stated above, nothing has come to the Joint Sponsors' attention that would cause them to question the valuation of the convertible redeemable preference shares performed by the Directors and the valuer.

Details of the fair value measurement of convertible redeemable preference shares particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, reconciliation of level 3 measurements and the relationships of unobservable inputs to fair value are disclosed in Notes 27 and 34 to the Historical Financial Information of Group for the Track Record Period as set out in the Accountants' Report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

## 6. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Other income | 5,218 | 2,888 |
| Other gains and losses, net | 8,076 | 6,316 |
| Fair value gain of convertible redeemable preference shares | – | 3,825 |
| Business development expenses | (1,119) | (569) |
| Administrative expenses | (11,666) | (27,760) |
| Research and development expenses | (31,172) | (61,975) |
| Finance costs | (1,135) | (2,070) |
| Listing expenses | (2,746) | (22,283) |
| Other expenses | (344) | (7,426) |
| Income tax expense | – | – |
| Loss and total comprehensive expenses for the year | (34,888) | (109,054) |

**Other income**

During the Track Record Period, we did not generate any revenue from product sales. Our other income primarily represented (1) income received from provision of cell cryopreservation services; (2) interest income on bank deposits; (3) interest income from lease deposits; (4) interest income from a company related to a non-controlling shareholder of the Company; (5) interest income from loans to third parties; and (6) government grants.

Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures, which is a separate service unrelated to EAL®. From May 2016, following the Wei Zexi incident, the relevant government authorities ceased all commercial clinical application of cellular immunotherapy including EAL®. To make full use of our equipment to generate income, we had carried out cell cryopreservation services from May 2016 to November 2017. In general, we entered into ten-year agreements with individuals to help them preserve at our laboratories immune cells extracted from their bodies. As confirmed by our PRC legal advisers, the new regulation which requires that all commercial clinical application of cellular immunotherapy shall be ceased following the Wei Zexi incident doesn't apply to cell cryopreservation service. We have ceased to enter into new cell cryopreservation engagements since November 2017 because we obtained the IND approval for EAL® in October 2017 and therefore decided to focus our efforts on the development of our product candidates, especially EAL®. Based on (i) their review of the cell cryopreservation agreements provided by the Company, (ii) their search of administrative penalty information on the official website of Beijing Medical Products Administration (北京市藥品監督管理局), the official website of National Medical Products Administration (國家藥品監督管理局) and the National Enterprise Credit Information Publicity (國家企業信用信息公示系統), (iii) the confirmation letters obtained from Beijing Food and Drug Administration Economic-Technological Development Zone Branch (北京市食品藥品監督管理局經濟技術開發區分局) and Beijing Haidian District Administration for Market Regulation (北京市海淀區市場監督管理局), and (iv) the confirmation from the Company and the Directors that the Company and its PRC subsidiaries have never been punished for entering into the cell cryopreservation agreements, our PRC legal advisers are of the opinion that there is no violation of PRC laws and regulations in relation to the Group's revenue derived from its cell cryopreservation agreements with individuals. For more information about the accounting treatment of our cell cryopreservation business, see "— 8. Consolidated Statements of Financial Position — Contract costs and contract liabilities".

During the Track Record Period, the income we recognised from government grants was primarily related to our research and development activities, which were recognised upon compliance with the relevant conditions. The remaining portion was related to (1) compensations of the capital expenditure incurred for purchase of plant and machinery in relation to research and development of cellular immunotherapy products; and (2) subsidies to provide immediate financial support to our Group with no conditions attached. For more information about the accounting treatment of our government grants, see "— 8. Consolidated Statements of Financial Position — Deferred government grants".

The following table sets out a breakdown of our other income for the periods indicated:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Income received from provision of cell cryopreservation services | 710 | 13.6 | 710 | 24.6 |
| Interest income on bank deposits | 127 | 2.5 | 325 | 11.2 |
| Interest income from lease deposits | 32 | 0.6 | 63 | 2.2 |
| Interest income from a company related to a non-controlling shareholder of the Company | – | – | 41 | 1.4 |
| Interest income from loans to third parties | 75 | 1.4 | 11 | 0.4 |
| Government grants | 4,274 | 81.9 | 1,726 | 59.8 |
| Others | – | – | 12 | 0.4 |
| | 5,218 | 100.0 | 2,888 | 100.0 |

**Other gains and losses, net**

During the Track Record Period, our other gains and losses primarily consisted of (1) exchange gains, net; (2) fair value gains on financial assets at fair value through profit or loss; (3) gains and losses on disposal of property, plant, and equipment; and (4) impairment loss on intangible assets.

Our functional and reporting currency is Renminbi. Our exchange gains and losses primarily represents the impact of the appreciation of the Hong Kong dollars against Renminbi as proceeds from our Pre-IPO Investments were dominated in Hong Kong dollars. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments" for details.

Our financial assets were measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset. See "— 8. Consolidated Statements of Financial Position — Financial assets at fair value through profit or loss" below for details.

The table below sets out a breakdown of our other gains and losses for the periods indicated:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Exchange gain, net | 7,740 | 95.9 | 7,042 | 111.5 |
| Fair value gains on financial assets at FVTPL | 560 | 6.9 | 1,087 | 17.2 |
| Gain (loss) on disposal of property, plant, and equipment | 73 | 0.9 | (38) | (0.6) |
| Loss on early termination of leases | – | – | (10) | (0.2) |
| Impairment loss on intangible assets | – | – | (1,714) | (27.1) |
| Others | (297) | (3.7) | (51) | (0.8) |
| | 8,076 | 100.0 | 6,316 | 100.0 |

**Fair value gain of convertible redeemable preference shares**

For the year ended 31 December 2019, we recognised fair value gain of convertible redeemable preference shares amounting to RMB3.8 million. Such gain arose from the fair value changes in the convertible redeemable preference shares we issued in June 2019 to Poly Platinum, which was primarily attributable to the dilution effect of issuing share options on the convertible redeemable preference shares. See "— 8. Consolidated Statements of Financial Position — Convertible redeemable preference shares" below for details.

**Business development expenses**

During the Track Record Period, our business development expenses primarily represented staff costs for our business development activities. For the years ended 31 December 2018 and 2019, our business development expenses amounted to RMB1.1 million and RMB0.6 million respectively.

**Administrative expenses**

For the years ended 31 December 2018 and 2019, we incurred administrative expenses amounting to RMB11.7 million and RMB27.8 million respectively.

During the Track Record Period, our administrative expenses primarily represented (1) staff costs; (2) professional fees including fees paid to contractors and recruiters; (3) depreciation and amortisation expenses of our right-of-use assets for our leases, vehicles and office equipment; (4) travel and hospitality fees; and (5) others.

The table below sets out a breakdown of our administrative expenses for the periods indicated:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Staff costs | 2,833 | 24.3 | 11,708 | 42.2 |
| Professional fees | 4,712 | 40.4 | 4,338 | 15.6 |
| Depreciation and amortisation | 1,052 | 9.0 | 2,075 | 7.5 |
| Travel and hospitality fees | 1,095 | 9.4 | 6,036 | 10.3 |
| Others | 1,975 | 16.9 | 3,603 | 24.5 |
| | 11,666 | 100.0 | 27,760 | 100.0 |

**Research and development expenses**

For the years ended 31 December 2018 and 2019, we incurred research and development expenses amounting to RMB31.2 million and RMB62.0 million respectively.

During the Track Record Period, our research and development expenses represented (1) raw material costs; (2) research and development staff costs; (3) contracting costs; and (4) depreciation and amortisation expenses.

Our raw material costs represented the costs of raw materials we used for research and development purposes. See "Business — 7. Suppliers" and "— 8. Consolidated Statements of Financial Position — Inventories" below for details.

Our contracting costs represented the costs of engaging third-party suppliers, such as SMO and CRO, to support our research and development activities and the clinical trial. See "Business — 7. Suppliers" for details.

Our R&D-related depreciation and amortisation expenses represented depreciation of our property, plant, and equipment used for research and development purposes and amortisation of our leasehold improvements.

The table below sets out a breakdown of our research and development expenses for the periods indicated:

| | Research and development expenses in respect of EAL® for the year ended 31 December | | Research and development expenses in respect of product candidates other than EAL® for the year ended 31 December | |
|---|---|---|---|---|
| | 2018 | 2019 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw material costs | 620 | 3,756 | 3,380 | 5,403 |
| Staff costs | 2,317 | 10,220 | 3,935 | 8,537 |
| Contracting costs | 3,976 | 17,795 | 10,966 | 2,227 |
| Depreciation and amortisation | 2,420 | 5,840 | 1,044 | 3,020 |
| Others | 1,267 | 1,827 | 1,247 | 3,350 |
| | 10,600 | 39,438 | 20,572 | 22,537 |

We were established in November 2006 and EAL® had been clinically applied since our establishment. Based on our management accounts which have not been reviewed or audited, from 2006 to 2016 during the clinical application in certain hospitals and up to the end of 2017 pre- and post-approval of the IND application of EAL®, our research and development expenses in respect of EAL® and the other product candidates were RMB25.1 million and RMB8.7 million, respectively.

**Finance costs**

During the Track Record Period, our finance costs represented interest expenses on lease liabilities recognised pursuant to IFRS 16. See "— 8. Consolidated Statements of Financial Position — Lease liabilities" below for details. For the years ended 31 December 2018 and 2019, our finance costs amounted to RMB1.1 million and RMB2.1 million respectively.

**Listing expenses**

During the Track Record Period, our listing expenses mainly represented the expenses we incurred for the proposed Listing. For the years ended 31 December 2018 and 2019, our listing expenses amounted to RMB2.7 million and RMB22.3 million respectively.

**Other expenses**

During the Track Record Period, our other expenses primarily represented (1) costs for provision of cell cryopreservation services; and (2) convertible redeemable preference shares issue costs.

The costs for provision of cell cryopreservation services consist of (1) amortised costs in respect of the one-off initial set-up costs; and (2) ongoing expenses which we recognise in the period during which they are incurred.

The convertible redeemable preference shares issue expenses primarily represented certain advisory fees we paid to third parties in services in relation to the issue of our Convertible Preference Shares.

The table below sets out a breakdown of our other expenses for the periods indicated:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Costs for provision of cell cryopreservation services | 341 | 99.1 | 325 | 4.4 |
| Issue costs for convertible redeemable preference shares | – | – | 7,018 | 94.5 |
| Others | 3 | 0.9 | 83 | 1.1 |
| | 344 | 100.0 | 7,426 | 100.0 |

**Income tax expenses**

During the Track Record Period, we are not subject to any income tax in the Cayman Islands. No Hong Kong profit tax was provided for as there was no estimated assessable profit of our Hong Kong subsidiary, which was subject to Hong Kong profit tax during the Track Record Period. Our subsidiaries located in the PRC, were generally subject to the statutory enterprise income tax at a rate of 25% on the assessable profits according to the PRC Enterprise Income Tax Law. Our PRC subsidiary, Beijing Yongtai was accredited as a High And New Technology Enterprise for a three-year period commencing from September 2015, which was renewed for another three years on 31 October 2018. Accordingly, Beijing Yongtai enjoyed a lower tax rate of 15% during the Track Record Period.

## 7. REVIEW OF HISTORICAL RESULTS OF OPERATIONS

**Year ended 31 December 2019 compared to year ended 31 December 2018**

***Other income***

Our other income decreased from RMB5.2 million for the year ended 31 December 2018 to RMB2.9 million for the year ended 31 December 2019. Our other income decreased primarily because we recognised government grants of RMB1.7 million mainly in relation to our Phase II clinical trial for EAL® product and our pre-clinical trial research and development of CAR-T-19-DNR for the year ended 31 December 2019 (compared to RMB4.3 million for the year ended 31 December 2018), which mainly reflected our relevant clinical trial activities taking place in 2019 rewarded by the governmental grants.

***Other gains and losses***

Our net other gains decreased from RMB8.1 million for the year ended 31 December 2018 to RMB6.3 million for the year ended 31 December 2019, primarily because we recognised an impairment loss on intangible assets amounting to RMB1.7 million for the year ended 31 December 2019, as we terminated the development of a product candidate. See "History, Reorganisation and Corporate Structure — 3. Our Subsidiaries — Beijing Weixiao" for details. Hence, the corresponding intangible assets were written off. See "— 8. Consolidated Statements of Financial Position — Intangible assets" for details.

Our net exchange gain decreased from RMB7.7 million for the year ended 31 December 2018 to RMB7.0 million for the year ended 31 December 2019 mainly because the Hong Kong dollars appreciated against the Renminbi to a greater extent for the year ended 31 December 2018 than for the year ended 31 December 2019.

***Fair value gain of convertible redeemable preference shares***

For the year ended 31 December 2019, we recognised fair value gain of convertible redeemable preference shares of RMB3.8 million as a result of the changes in the fair value of our convertible redeemable preference shares in 2019 primarily due to the dilutive effect from the share options granted under the pre-IPO share option scheme in 2019. See "— 8. Consolidated Statements of Financial Position — Convertible redeemable preference shares" for details.

***Business development expenses***

Our business development expenses decreased from RMB1.1 million for the year ended 31 December 2018 to RMB0.6 million for the year ended 31 December 2019 primarily because of the larger scale of Phase II clinical trial for EAL® from May 2019 based on which we reclassified certain business development expenses relevant to such clinical trial to our research and development expenses from May 2019.

***Administrative expenses***

Our administrative expenses increased by 138.0% from RMB11.7 million for the year ended 31 December 2018 to RMB27.8 million for the year ended 31 December 2019, primarily due to (1) an increase in our non-R&D staff costs from RMB2.8 million for the year ended 31 December 2018 to RMB11.7 million for the year ended 31 December 2019, primarily because we hired more staff to support our Phase II clinical trial for EAL® starting from September 2018; (2) an increase in our travel and hospitality fees from RMB1.1 million for the year ended 31 December 2018 to RMB6.0 million for the year ended 31 December 2019 mainly due to the increase in travel and hospitality fees incurred for our proposed Listing; and (3) an increase in our other administrative expenses from RMB2.0 million for the year ended 31 December 2018 to RMB3.6 million for the year ended 31 December 2019 mainly due to our relocation in January 2019.

***Research and development expenses***

Our research and development expenses increased by 98.8% from RMB31.2 million for the year ended 31 December 2018 to RMB62.0 million for the year ended 31 December 2019, primarily because of (1) the increase in our R&D staff costs from RMB6.3 million for the year ended 31 December 2018 to RMB18.8 million for the year ended 31 December 2019 mainly due to the increased R&D staff to support (a) the pre-clinical studies progress on our CAR-T-19-DNR product candidate as well as (b) the larger scale of Phase II clinical trial for EAL® from May 2019 based on which we reclassified certain business development expenses relevant to such clinical trial to our research and development expenses from May 2019; (2) the increase in our depreciation and amortisation from RMB3.5 million for the year ended 31 December 2018 to RMB8.9 million for the year ended 31 December 2019 mainly due to the depreciation in relation to our Guosheng Laboratory which started trial operation in 2019; (3) the increase in our raw material costs from RMB4.0 million for the year ended 31 December 2018 to RMB9.2 million for the year ended 31 December 2019 mainly due to the commencement of Phase II clinical trial for EAL® and the pre-clinical studies progress for the CAR-T-19 injection product candidate, which resulted in more procurement of raw materials; and (4) the increase in our contracting costs from RMB14.9 million for the year ended 31 December 2018 to RMB20.0 million for the year ended 31 December 2019 mainly due to the commencement of clinical studies on our Phase II clinical trial for EAL® and pre-clinical studies progress on our CAR-T-19-DNR injection product candidate, which resulted in an increase in the costs of engaging third-party suppliers.

***Finance costs***

Our finance costs increased from RMB1.1 million for the year ended 31 December 2018 to RMB2.1 million for the year ended 31 December 2019. Such increase primarily represented an increase in interest expenses on lease liabilities because we started to lease our Guosheng Laboratory in May 2018 and started to lease our office and CAR-T Plant in 2019.

***Other expenses***

Our other expenses increased from RMB0.3 million for the year ended 31 December 2018 to RMB7.4 million for the year ended 31 December 2019, because we recognised expenses amounting to RMB7.0 million for advisory fees we paid to third parties in relation to the issue of our convertible redeemable preference shares for the year ended 31 December 2019.

***Loss for the year***

For the above reasons, our loss for the year increased from RMB34.9 million for the year ended 31 December 2018 to RMB109.1 million for the year ended 31 December 2019.

## 8. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out a summary of our consolidated statements of financial position as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Total non-current assets | 93,452 | 108,821 |
| Total current assets | 185,761 | 308,150 |
| Total assets | 279,213 | 416,971 |
| Total non-current liabilities | 43,892 | 40,466 |
| Total current liabilities | 19,024 | 206,170 |
| Total liabilities | 62,916 | 246,636 |
| Paid-in capital/share capital | 69 | 677 |
| Reserves | 214,582 | 168,265 |
| Equity attributable to owners of our Company | 214,651 | 168,942 |
| Non-controlling interests | 1,646 | 1,393 |
| Total equity | 216,297 | 170,335 |

**Net current assets**

The following table sets out a breakdown of our net current assets as at the balance sheet dates indicated:

| | As at 31 December | | As at 30 April |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* |
| Current assets: | | | |
| Contract costs | 256 | 256 | 256 |
| Inventories | 2,291 | 4,810 | 5,952 |
| Amounts due from related parties | 750 | 750 | – |
| Amounts due from shareholders | 69 | – | – |
| Prepayments, deposits, and other receivables | 8,373 | 20,087 | 21,982 |
| Financial assets at fair value through profit or loss | 45,690 | – | – |
| Bank balances and cash | 128,332 | 282,247 | 244,142 |
| | 185,761 | 308,150 | 272,332 |
| Current liabilities: | | | |
| Contract liabilities | 710 | 710 | 710 |
| Trade and other payables | 14,489 | 23,134 | 26,992 |
| Amount due to related parties | 929 | – | – |
| Lease liabilities | 2,896 | 3,786 | 3,670 |
| Deferred government grants | – | 6,433 | 6,251 |
| Convertible redeemable preference shares | – | 172,107 | 175,663 |
| | 19,024 | 206,170 | 213,286 |
| Net current assets | 166,737 | 101,980 | 59,046 |

We had net current assets of RMB166.7 million, RMB102.0 million, and RMB59.0 million as at 31 December 2018 and 2019 and 30 April 2020 respectively. The decrease in our net current assets was primarily attributable to net cash used in operating activities of RMB95.5 million in 2019 to support our business operation which partially offset the cash flow from our issuance of convertible redeemable preference shares and disposal of financial assets at fair value through profit or loss. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments" for details.

**Bank balances and cash**

The following table sets forth the components of our bank balances and cash as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Cash on hand | 210 | 194 |
| Bank balances | 128,122 | 282,053 |
| | 128,332 | 282,247 |

During the Track Record Period, our bank balances and cash significantly increased from RMB128.3 million as at 31 December 2018 to RMB282.2 million as at 31 December 2019, which primarily represented the proceeds received from the Pre-IPO Investments. Our bank balances carry interest at market rates, which ranged from 0.13% to 0.35% and from 0.01% to 0.35% per annum as at 31 December 2018 and 2019, respectively.

**Contract costs and contract liabilities**

During the Track Record Period, our contract costs and contract liabilities were in relation to our provision of cell cryopreservation services. See "— 6. Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other income" for details.

Contract costs capitalised related to incremental initial costs for our cell cryopreservation services at the beginning of such services in accordance with IFRS 15. These costs are amortised over the service periods. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

Income relating to cryopreservation services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for income relating to the cryopreservation service at the time of the initial sales transaction and is released over the service period in accordance with IFRS 15.

The following table sets out the balances of our contract costs and contract liabilities at the balance sheet dates:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| **Contract costs** | | |
| Costs to fulfill contracts | 2,000 | 1,744 |
| Analysed as: | | |
| Current | 256 | 256 |
| Non-current | 1,744 | 1,488 |
| | 2,000 | 1,744 |
| **Contract liabilities** | | |
| Provision of cryopreservation service | 5,534 | 4,824 |
| Analysed as: | | |
| Current | 710 | 710 |
| Non-current | 4,824 | 4,114 |
| | 5,534 | 4,824 |

**Inventories**

Our inventories consist of raw materials used in the clinical trial and pre-clinical studies on our product candidates.

Our inventories increased significantly from RMB2.3 million as at 31 December 2018 to RMB4.8 million as at 31 December 2019 primarily because we increased the purchase of raw materials for the Phase II clinical trial for EAL® which commenced in September 2018 and the pre-clinical studies on our CAR-T-19 injection product candidate.

**Financial assets at fair value through profit or loss**

During the Track Record Period, we invested into financial products managed by banks in the PRC which can be redeemed at any time. There is no predetermined or guaranteed return for such product. Such financial products were accounted for as financial assets at fair value through profit or loss under IFRS 9. As at 31 December 2018 and 2019, we had financial assets at fair value through profit or loss amounting to RMB45.7 million and nil respectively.

We invested in such financial products, which mainly consisted of structured deposit issued by a PRC commercial bank with high credit ratings assigned by international credit-rating agencies during the Track Record Period, because we

believe that we can make better use of cash to enhance our income without interfering with our business operation or capital expenditures. Our research and development expenditure is normally incurred and paid in installments. Thus, we only invest in financial products that can be redeemed at any time to support our research and development. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to duration of investment and the expected returns. Our investment activities are limited to low-risk products issued by banks.

Our finance department is responsible for managing our investment activities, including risk assessment and review of the terms and conditions of financial products. We believe that our internal control policies regarding investment in financial assets and risk management mechanism are adequate.

**Prepayments, deposits, and other receivables**

The following table sets out a breakdown of our prepayments, deposits and other receivables as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Prepayments for purchase of property, plant, and equipment | 738 | – |
| Prepayments to suppliers | 4,848 | 11,001 |
| Value added tax recoverable | 8,910 | 13,105 |
| Advances to employees | 255 | 133 |
| Rental deposits | 886 | 1,111 |
| Other deposits | 222 | 325 |
| Deferred share issue costs for IPO | 828 | 7,474 |
| Prepaid listing expenses | 1,673 | 834 |
| Others | 399 | 320 |
| | 18,759 | 34,303 |

During the Track Record Period, we had prepayments to suppliers primarily because we are required to pay an upfront payment to our suppliers. See "— Inventories" above for details.

During the Track Record Period, our value added tax recoverable represented value added taxes paid with respect to our procurement that can be credited against future value added tax payables. Our value added tax recoverable increased from RMB8.9 million as at 31 December 2018 to RMB13.1 million as at 31 December 2019 mainly because of our increased purchase of raw materials for our Phase II clinical trial for EAL®.

During the Track Record Period, our deferred share issue costs for IPO increased from RMB0.8 million as at 31 December 2018 to RMB7.5 million as at 31 December 2019 due to an increase in professional fees, printing and other expenses relating to the IPO.

**Trade and other payables**

The following table sets out a breakdown of our trade and other payables as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Trade payables | 752 | 4,632 |
| Payables for acquisition of property plant and equipment | 6,140 | 624 |
| Payables for ordinary shares issue costs | 4,220 | – |
| Accrued salaries and other allowances | 1,121 | 3,006 |
| Government grants repayable | – | 1,837 |
| Accrued listing expenses | 1,447 | 9,275 |
| Accrued share issue costs for IPO | 482 | 2,769 |
| Others | 327 | 991 |
| Total | 14,489 | 23,134 |

The following table sets out an aging analysis of our trade payables as of the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Within one year | 462 | 4,601 |
| One year to two years | 22 | 11 |
| Two years to three years | 268 | 20 |
| | 752 | 4,632 |

During the Track Record Period, our trade payables primarily represented the unpaid amount of the back payments for the purchases of inventory and services, especially those relating to our Phase II clinical trial for EAL®. As a result, our trade payables increased significantly from RMB0.8 million as at 31 December 2018 to RMB4.6 million as at 31 December 2019. In general, we settled such trade payables within three months. Out of our trade payables of RMB4.6 million as at 31 December 2019, we had settled RMB3.3 million, or 71.2%, as at 30 April 2020.

During the Track Record Period, our accrued salaries and other allowances increased from RMB1.1 million as at 31 December 2018 to RMB3.0 million as at 31 December 2019 primarily because we increased staff to support our business operation.

During the Track Record Period, we had some payable costs arising from our fundraising activities, including (1) payables for ordinary shares issue costs, which represented accrued consultancy fees for arranging for our Pre-IPO Investments; and (2) accrued share issue costs for IPO and accrued listing expenses, which represented accrued fees in relation to the Global Offering.

Our government grants repayable as at 31 December 2019 represented unused subsidies we received for the Phase I clinical trial on one of our products. We terminated the development of such product candidate due to change of research and development strategies. See "History, Reorganisation and Corporate Structure — 3. Our Subsidiaries — Beijing Weixiao" for details.

**Lease liabilities**

We lease properties for fixed terms of three to ten years. See "Business — 11. Properties" for details. We have recognised lease liabilities pursuant to IFRS 16. At the commencement date of a lease, a lease liability is recognised and measured at the present value of unpaid lease payments. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. As at 31 December 2018 and 2019, we had lease liabilities (including the current and non-current portions) amounting to RMB33.9 million and RMB39.0 million respectively.

**Deferred government grants**

As at 31 December 2018 and 2019, we had deferred government grants (including the current and non-current portions) amounting to RMB8.1 million and RMB7.6 million respectively. For some government subsidies towards research and development projects, and plant and machinery, certain conditions have to be fulfilled until the subsidies can be regarded as fully granted. Before such conditions have been fulfilled, we recognise deferred government grants for the subsidies we have received.

**Convertible redeemable preference shares**

In June 2019, we issued HK$200 million Convertible Preference Shares to a Pre-IPO investor, namely Poly Platinum. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments" and Note 27 to the Accountants' Report included in Appendix I to this prospectus. As at 31 December 2019, the carrying amount of our convertible redeemable preference shares was RMB172.1 million. For details on the fair value determination of our convertible redeemable preference shares, see "— Critical Accounting Judgments and Key Sources of Estimation Uncertainties — Key Sources of Estimation Uncertainty — Fair Value of Convertible Redeemable Preference Shares" of the Accountants' Report included in Appendix I to this prospectus.

**Non-current assets and liabilities**

The following table sets out a breakdown of our non-current assets and liabilities as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Non-current assets: | | |
| Property, plant, and equipment | 78,747 | 85,350 |
| Intangible assets | 2,575 | 7,767 |
| Prepayments, deposits, and other receivables | 10,386 | 14,216 |
| Contract costs | 1,744 | 1,488 |
| | 93,452 | 108,821 |
| Non-current liabilities: | | |
| Contract liabilities | 4,824 | 4,114 |
| Lease liabilities | 30,958 | 35,214 |
| Deferred government grants | 8,110 | 1,138 |
| | 43,892 | 40,466 |

**Property, plant, and equipment**

As at 31 December 2019, the carrying values of our property, plant, and equipment primarily consisted of (1) right-of-use assets, which represented our leased buildings; (2) machinery; and (3) leasehold improvements.

The following table sets out a breakdown of the carrying values of our property, plant, and equipment as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Right-of-use assets | 34,214 | 37,159 |
| Leasehold improvements | 659 | 18,852 |
| Machinery | 5,808 | 27,927 |
| Vehicles | 422 | 292 |
| Office equipment | 231 | 1,120 |
| Construction in progress | 37,413 | – |
| | 78,747 | 85,350 |

**Intangible assets**

As at 31 December 2019, our intangible assets primarily represented the patent rights we acquired. We acquired the patent rights for the patent "method for proliferating and activating lymphocytes through serum-free culture" (patent number: ZL201310334666.6) from Beijing Sainuotai in July 2019. We use the technology underlying this patent for the serum-free cell culture system for the production of EAL® cells.

The following table sets out a breakdown of the carrying values of our intangible assets as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Acquired clinical trial permission | 1,821 | – |
| Patent rights | 754 | 7,640 |
| Software | – | 127 |
| | 2,575 | 7,767 |

Our intangible assets as at 31 December 2018 also included acquired clinical trial permission in relation to the acquisition of Beijing Weixiao, amounting to RMB2,143,000 upon initial recognition. This amount represented 30% (being the minority interest in Beijing Weixiao) of the value of Beijing Weixiao determined with reference to our commitment of RMB5 million in capital injection into Beijing Weixiao when we acquired Beijing Weixiao in July 2017. In June 2019, we decided to terminate the development of a product candidate owned by Beijing Weixiao due to change of our research and development strategies. See "History Reorganisation and Corporate Structure — 3. Our Subsidiaries — Beijing Weixiao" for details. As a result, the corresponding intangible assets in relation to such product candidate was fully impaired.

See "— 4. Critical Accounting Policies — Research and development expenditure" for details of the accounting policies relating to our internally-generated development cost.

## 9. LIQUIDITY AND CAPITAL RESOURCES

Our major uses of cash are to fund research and development and other recurring expenses and to fund capital expenditure. During the Track Record Period, we funded our cash requirements primarily from equity financing and from issuing the Convertible Preference Shares. We had not entered into any banking facilities as at the Latest Practicable Date.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering, and other funds raised from the capital markets from time to time.

Taking into account the net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), the financial resources available to our Group, the expected R&D timetable of EAL®, CAR-T-19 and other pipeline products, and our cash burn rate, our Directors are of the opinion that we will have sufficient funds to cover at least 125% of our Group's cost, including general administrative and operating costs as well as research and development costs for at least 12 months from the date of this prospectus.

## 10. CASH FLOWS

The following table is a condensed summary of our consolidated statements of cash flows and analysis of balances of cash and cash equivalents for the periods indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Operating cash flows before movements in working capital | (35,126) | (98,774) |
| Movements in working capital: | | |
| Increase in prepayments and other receivables | (13,046) | (9,411) |
| Increase in inventories | (1,665) | (2,519) |
| Decrease in contract costs | 256 | 256 |
| Decrease in contract liabilities | (710) | (710) |
| Increase in trade and other payables | 974 | 14,257 |
| Increase in deferred government grants | 5,238 | 1,432 |
| Net cash used in operating activities | (44,079) | (95,469) |
| Net cash (used in)/from investing activities | (50,400) | 25,741 |
| Net cash from financing activities | 214,447 | 217,209 |
| Net increase in cash and cash equivalents | 119,968 | 147,481 |
| Cash and cash equivalents at the beginning of the year | 3,390 | 128,332 |
| Effect of foreign exchange rate changes | 4,974 | 6,434 |
| Cash and cash equivalents at the end of the year | 128,332 | 282,247 |

### Operating activities

Our cash outflows from operating activities mainly consisted of research and development expenses, and administrative expenses. Our cash inflows from operating activities mainly consisted of our income received from cell cryopreservation services and government grants.

For the years ended 31 December 2018 and 2019, our net cash used in operating activities amounted to RMB44.1 million and RMB95.5 million, respectively.

For the year ended 31 December 2019, our net cash used in operating activities was RMB95.5 million, primarily as a result of RMB98.8 million of operating cash outflows before changes in working capital, partially offset by the positive change of working capital, which was primarily due to the RMB14.3 million increase in trade and other payables to suppliers of raw materials and clinical trial service providers. The positive working capital change was also partially offset by a RMB9.4 million increase in prepayment and other receivables, which was in line with our clinical trial progress for our EAL® product and pre-clinical studies progress for our CAR-T-19 injection product candidate.

For the year ended 31 December 2018, we had net cash used in operating activities amounting to RMB44.1 million, primarily as a result of RMB35.1 million operating cash outflow before changes in working capital and the negative effect of the changes in working capital. Such negative changes mainly included the RMB13.0 million increase in prepayments and other receivables, which was in line with our clinical trial progress for EAL® product, which commenced Phase II clinical trial in September 2018. The negative changes in working capital was also partially offset by RMB5.2 million increase in deferred government grants, which represented cash we received for government grants in relation to our CAR-T-19-DNR product candidate and a subsidy in relation to our lease at Guosheng Laboratory.

**Investing activities**

For the years ended 31 December 2018 and 2019, we had net cash used in investing activities amounting to RMB50.4 million and net cash from investing activities amounting to RMB25.7 million respectively.

For the year ended 31 December 2019, our net cash from investing activities primarily represented proceeds from disposal of financial assets at fair value through profit or loss amounting to RMB46.8 million. This was partially offset by our purchases of property, plant and equipment amounting to RMB13.8 million.

For the year ended 31 December 2018, our net cash used in investing activities primarily represented (1) purchases of property, plant, and equipment amounting to RMB35.1 million; and (2) net cash outflow on financial assets at fair value through profit or loss amounting to RMB35.1 million. This was offset primarily by repayments from a related party, namely Beijing Sainuotai, amounting to RMB21.2 million.

During the Track Record Period, we provided short-term loans of RMB1.2 million and RMB6.0 million in 2018 and 2019, respectively, to related parties for intercompany financing purpose. In addition, in 2018 we provided short-term loans of RMB16.0 million to third parties and in 2019 RMB5.0 million to a third party and RMB19.0 million to a company related to one of our non-controlling shareholders to support their liquidity. These third parties are our potential cooperating parties with respect to our business such as product distribution, IT upgrade and construction of our production centres. All such short-term loans were repaid within months in the same year. As of the Latest Practicable Date, all of the aforementioned inter company loans had been settled in full and we do not plan to provide any inter company loans going forward.

**Financing activities**

For the years ended 31 December 2018 and 2019, we had net cash from financing activities amounting to RMB214.4 million and RMB217.2 million respectively. During the Track Record Period, our net cash from financing activities primarily represented capital injections and proceeds from our Pre-IPO Investments. See "History, Reorganisation, and Corporate Structure — 6. Pre-IPO Investments" for details.

During the Track Record Period, we borrowed RMB42.5 million from equity investors (who financially supported our operations by form of loans before they completed capital injection) in 2018 and RMB6.0 million from a related party in 2019, respectively, to support our liquidity, which were repaid within months in the same year.

## 11. CASH OPERATING COSTS

The table below illustrates the cash operating costs for the years indicated:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| *Research and development costs for EAL®* | | |
| Third-party contracting costs | 6,406 | 22,164 |
| Raw materials | 2,187 | 4,477 |
| Staff costs | 2,525 | 9,357 |
| Others | 1,506 | 2,926 |
| *Total* | 12,624 | 38,924 |
| *Total cash operating costs:* | | |
| Research and development | 32,775 | 58,625 |
| Workforce employment[(1)] | 9,605 | 28,270 |
| Direct Production[(2)] | – | – |
| Commercialisation[(2)] | – | – |
| Contingency Allowance | – | – |

*Notes:*

(1) Workforce employment costs represent total staff costs including salaries, bonuses, and retirement benefits.

(2) We had not commenced product sales during the Track Record Period and up to the Latest Practicable Date.

Our cash operating costs increased during the Track Record Period primarily because of the commencement of the Phase II clinical trial for EAL®. We enrolled our first patient in the Phase II clinical trial for EAL® in September 2018 and therefore incurred more costs in relation to such clinical trial in 2019. As at the Latest Practicable Date, 164 patients had been enrolled in Phase II clinical trial for EAL®.

## 12. INDEBTEDNESS

### Lease liabilities

As at 31 December 2018 and 2019, our lease liabilities were RMB33.9 million and RMB39.0 million, respectively. As at 30 April 2020, our lease liabilities were RMB38.1 million. The lease liabilities were secured by rental deposits and unguaranteed.

### Convertible Preference Shares

On 3 June 2019, we entered into the Preference Shares Subscription Agreement, pursuant to which, Poly Platinum subscribed for 5,000 Convertible Preference Shares for a consideration of HK$200 million. For details, see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments" for details. As at 31 December 2019, the carrying amounts of the Convertible Preference Shares were RMB172.1 million and as at 30 April 2020, the carrying amounts of the Convertible Preference Shares were RMB175.7 million, which included the initial proceeds received on issuance of the Convertible Preference Shares and their subsequent fair value changes. The Convertible Preference Shares were secured by shares of the Company held by each of Tan Zheng Ltd and Tan Xiao Yang Ltd and guaranteed by each of Tan Xiaoyang, Mr Tan, Zhang Junzheng, Ma Xiaoou, Song Aiping, Ke Shaobin, Wang Shuhui, Li Yunhui, Tan Yueyue and Wang Yuning.

### Amount due to a related party

As at 31 December 2018, we recorded RMB929,000 in amount due to a related party. Such amount due to a related party was unsecured and unguaranteed, interest-free and repayable on demand. As at 31 December 2019, we recorded nil in amount due to a related party. As at 30 April 2020, we recorded nil in amount due to a related party.

Save as disclosed above, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, lease liabilities, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities as at 30 April 2020, being the latest practicable date for the purposes of this indebtedness statement. Since 30 April 2020, there was no material adverse change to our indebtedness.

## 13. OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2019, we did not have any off-balance sheet arrangements.

## 14. CAPITAL EXPENDITURES

Our capital expenditures consist primarily of (1) right-of-use assets; (2) leasehold improvements; (3) machinery; (4) vehicles; (5) office equipment; (6) construction in progress; and (7) intangible assets. The following table sets out our capital expenditures for the years indicated.

| | For the year ended 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Right-of-use assets | 34,868 | 8,632 |
| Leasehold improvements | 468 | 3,785 |
| Machinery | 4,471 | 4,339 |
| Vehicles | 309 | – |
| Office equipment | 197 | 860 |
| Construction in progress | 37,413 | – |
| Intangible assets | – | 7,261 |
| Total | 77,726 | 24,877 |

Our capital expenditure in 2018 was RMB77.7 million, which primarily resulted from our capital expenditure on construction in progress of RMB37.4 million as a significant amount of construction at our Guosheng Laboratory was conducted in 2018 after we leased our Guosheng Laboratory in May 2018. Our capital expenditure in 2019 was RMB24.9 million, which was primarily resulted from our capital expenditure on right-of-use assets representing our leased properties, leasehold improvements at our CAR-T-19 Plant, and procurement of machinery.

We expected that our capital expenditure for the years ending 31 December 2020 and 2021 will be RMB320.0 million and RMB218.9 million respectively, and these capital expenditures will primarily relate to construction of our new facilities and research and development of our product candidates, which we intend to fund with proceeds from our Pre-IPO Investments and net proceeds from the Global Offering.

## 15. COMMITMENTS

During the Track Record Period, our capital commitments mainly represented our capital expenditure in respect of the acquisition of equipments and leasehold improvements contracted. The following table sets out our capital commitments as at the balance sheet dates indicated.

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Capital expenditure in respect of the acquisition of equipments, machineries and leasehold improvements contracted for but not provided in the consolidated financial statements | 8,139 | 512 |

## 16. SELECTED FINANCIAL RATIOS

The following table sets out certain selected financial ratios as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| Current ratio[(1)] | 9.76 | 1.49 |
| Quick ratio[(2)] | 9.64 | 1.47 |

*Notes:*

(1) Current ratio equals current assets divided by current liabilities as at the end of the period.

(2) Quick ratio equals (a) current assets less inventories divided by (b) current liabilities as at the end of the period.

Our current ratio decreased from 9.76 as at 31 December 2018 to 1.49 as at 31 December 2019 and our quick ratio decreased from 9.64 as at 31 December 2018 to 1.47 as at 31 December 2019 primarily because we recognised convertible redeemable preference shares of RMB172.1 million as current liabilities from issuing the Convertible Preference Shares to Poly Platinum.

## 17. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

### Currency risk

As at the balance sheet dates indicated, we had the following financial assets and financial liabilities, comprising bank balances and cash, deposits and other receivables, trade and other payables, and convertible redeemable preference shares, lease liabilities, denominated in currencies other than Renminbi:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Assets | | |
| HK$ | 71,387 | 249,583 |
| US$ | 69 | 80 |
| KRW | – | 760 |
| Liabilities | | |
| HK$ | 6,150 | 178,541 |
| US$ | – | 5,035 |
| KRW | – | 10 |

During the Track Record Period, we were primarily subject to foreign currency risk from the movement of the exchange rates between the Renminbi against the Hong Kong dollars, US dollars, and Korean won. At the end of each reporting period, if Renminbi exchange rates had weakened against Hong Kong dollars, US dollars, or Korean won by 5% and all other variables were held constant, our loss for the respective year ended 31 December 2018 and 2019 would decrease/increase as follows:

| | Decrease (increase) in post-tax loss | |
|---|---|---|
| | For the year ended 31 December | |
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| HK$ | 3,262 | 3,552 |
| US$ | 3 | (248) |
| KRW | – | 38 |

**Credit risk**

Our maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position (including bank balances and cash, financial assets at fair value through profit or loss, amounts due from related parties, and deposits and other receivables).

Our significant concentration of credit risk is set forth as follows:

- *Bank balances and financial assets at fair value through profit or loss*: Our bank balances and financial assets at fair value through profit or loss are placed with a few state-owned banks or commercial banks with high credit ratings assigned by international credit-rating agencies in the Mainland China and Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts of RMB173,521,000 and RMB282,053,000 as at 31 December 2018 and 2019 respectively. The credit risks on bank balances and financial assets at fair value through profit or loss are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

- *Deposits and other receivables, amounts due from shareholders, and amount due from a related party*: We assessed the expected credit loss ("**ECL**") for our deposits and other receivables, amounts due from shareholders, and amount due from a related party individually based on internal credit rating which, in the opinion of our Directors, has no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost

or effort. No 12-month ECL was made for deposits and other receivables with gross carrying amounts of RMB1,763,000 and RMB1,889,000, amounts due from shareholders with gross carrying amounts of RMB69,000 and nil, and for amount due from a related party with gross carrying amounts of RMB750,000 and RMB750,000, as at 31 December 2018 and 2019 as the counterparties involved are considered with limited credit risk and the ECL involvement is not material.

## 18. 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 relied on shareholders' investment and Pre-IPO Investments as a significant source of liquidity. See Note 33 to the Accountants' Report included in Appendix I to this prospectus for the remaining contractual maturity for our financial liabilities based on the agreed repayment terms.

## 19. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company prepared in accordance with paragraph 4.29 of the Listing Rules, which is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of our Group attributable to owners of our Company as if the Global Offering had taken place on 31 December 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group as at 31 December 2019 or any future date following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2019 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

| | Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2019[1] | Estimated net proceeds from Global offering[2] | Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2019 | Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2019 per Share[3][4] | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$* |
| Based on an Offer Price of HK$9.45 per Share, after making a Downward Offer Price Adjustment of 10% | 161,175 | 804,648 | 965,823 | 2.01 | 2.19 |
| Based on an Offer Price of HK$10.5 per Share | 161,175 | 896,388 | 1,057,563 | 2.20 | 2.40 |
| Based on an Offer Price of HK$11.0 per Share | 161,175 | 940,074 | 1,101,249 | 2.29 | 2.50 |

*Notes:*

1. The amount is calculated based on the consolidated net assets of our Group attributable to owners of our Company as at 31 December 2019 amounting to approximately RMB168,942,000, with adjustments for intangible assets of our Group as at 31 December 2019 of RMB7,767,000 extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 100,000,000 new Shares to be issued at the Offer Price of HK$10.5 and HK$11.0 per new Share, respectively, and also based on an Offer Price of HK$9.45 per share after making a Downward Offer Price Adjustment of 10%, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by us, other than those expenses which had been recognised in profits or loss prior to 31 December 2019. The calculation of such estimated net proceeds does not take into account of any Shares (1) which may be allotted and issued pursuant to the exercise of the Over-allotment Option or (2) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in this prospectus or (3) which may be issued under Share Option Schemes. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1 to RMB0.91496, which was the People's Bank of China rate prevailing on 19 June 2020. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The number of Shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is based on 480,952,381 Shares immediately following completion of the Global Offering and the Capitalisation Issue. It does not take into account any shares (1) which may be allotted and issued upon the exercise of the Over-allotment Option or (2) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" in this prospectus or (3) which may be issued under Share Option Schemes or (4) the conversion of the Convertible Preference Shares.

4. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted from Renminbi to Hong Kong dollars at the rate of RMB0.91496 to HK$1. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company as at 31 December 2019 to reflect any operating result or other transactions of our Group entered into subsequent to 31 December 2019. In particular, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company have not been adjusted to illustrate the effect of the conversion of the Convertible Preference Shares. The conversion of the Convertible Preference Shares upon completion of the Global Offering would then have reclassified the RMB172,107,000 convertible redeemable preference shares to equity. The conversion of the Convertible Preference Shares would have increased the total share in issue assumption stated in Note 3 from 480,952,381 shares to a total of 500,000,000 shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after conversion of the Convertible Preference Shares would be as follows:

| | **Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2019 after conversion of the Preference Shares** | **Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as at 31 December 2019 after conversion of the Preference Shares[(4)]** | |
|---|---|---|---|
| | *RMB'000* | *RMB* | *HK$* |
| Based on an Offer Price of HK$9.45 per Share, after making a Downward Offer Price Adjustment of 10% | 1,137,930 | 2.28 | 2.49 |
| Based on an Offer Price of HK$10.5 per Share | 1,229,670 | 2.46 | 2.69 |
| Based on an Offer Price of HK$11.0 per Share | 1,273,356 | 2.55 | 2.78 |

## 20. DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, we did not declare or pay any dividends on our ordinary shares or any other securities. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Investors should not purchase our Shares with the expectation of receiving cash dividends.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that our Directors may deem relevant.

## 21. RELATED PARTY TRANSACTIONS

During the Track Record Period, we have conducted the following related parties transactions with two related parties, namely Beijing Sainuotai and Nosong Life Science:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Purchase of technical services from related parties | 4,416 | – |
| Purchase of patent rights from a related party | – | 7,130 |

The following table illustrates the outstanding balances as at the balance sheet dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Amount due from a related party | 750 | 750 |
| Amount due to a related party | 929 | – |
| Amounts due from shareholders | 69 | – |

The maximum outstanding amounts due from a related party during the years ended 31 December 2018 and 2019 were RMB750,000 and RMB750,000, respectively. The maximum outstanding amounts due from shareholders during the years ended 31 December 2018 and 2019 were RMB69,000 and RMB612,000 respectively. The amount due from a related party, amount due to a related party and the amounts due from shareholders as at 31 December 2018 and 2019 was unsecured, interest-free and repayable on demand. As of the Latest Practicable Date, we had ceased all the related party transactions.

The following table illustrates other loans that we entered into with related parties during the Track Record Period:

| | As at 1 January 2018 | Addition during the year | Repayment during the year | As at 31 December 2018 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans to a related party | 20,000 | 1,200 | (21,200) | – |

| | As at 1 January 2019 | Addition during the year | Repayment during the year | As at 31 December 2019 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Advance from a related party | – | (6,000) | 6,000 | – |

| | As at 1 January 2019 | Addition during the year | Repayment during the year | As at 31 December 2019 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans to a related party | – | 6,000 | (6,000) | – |

The amounts are unsecured, non-interest bearing and with no fixed term of repayment. As at the Latest Practicable Date, we had terminated all the loan with such related parties.

## 22. DISTRIBUTABLE RESERVES

As at 31 December 2019, we had RMB159.5 million, being the Company's share premium, as reserves available for distribution to our equity shareholders.

## 23. DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## 24. LISTING EXPENSES

Assuming an Offer Price of HK$10.75 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to approximately RMB90.4 million. For the years ended 31 December 2018 and 2019, listing expenses charged to profit or loss were RMB2.7 million and RMB22.3 million respectively and capitalised to deferred listing expenses were RMB0.8 million and RMB6.6 million respectively. We expect to charge the estimated remaining listing expenses of RMB12.7 million to profit or loss during the year ending 31 December 2020 and to capitalise approximately RMB45.3 million following the Listing.

## 25. RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019 (being the date to which our Company's latest consolidated audited financial results were prepared), and there has been no events since 31 December 2019 which would materially affect the information shown in the Accountants' Report included in Appendix I to this prospectus.

## 1. OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes), Tan Zheng Ltd (an investment holding company wholly owned by Mr Tan) will (i) hold approximately 4.94% of our issued share capital and (ii) be entitled to exercise approximately 31.16% of the voting rights in our Company pursuant to the Irrevocable Trust Arrangements with the Passive Minority Shareholder. For further details on the Irrevocable Trust Arrangements, please refer to "History, Reorganisation and Corporate Structure — 8. Irrevocable Trust Arrangements". As such, Mr Tan and Tan Zheng Ltd, directly and indirectly, will be entitled to exercise in aggregate approximately 36.10% of the voting rights in our Company and hence, will be regarded as our Controlling Shareholders under the Listing Rules.

As at the Latest Practicable Date, Evodevo (an investment holding company wholly owned by Mr Jung) was directly interested in approximately 33.74% of our issued share capital. Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes), Evodevo will hold approximately 26.99% of the voting rights in our Company and hence, neither Mr Jung nor Evodevo will be regarded as our Controlling Shareholder under the Listing Rules.

As of the Latest Practicable Date, Mr Tan holds less than 1% interest in NKY Medical. For information on NKY Medical, see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments — Information on the Pre-IPO Investors". Except through our Group, to the best of our Directors' knowledge after making reasonable enquiries, as of the Latest Practicable Date, none of the Controlling Shareholders, the Passive Minority Shareholders or their close associates conducts any business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

## 2. INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

After considering the following factors, our Directors are of the view that our Company is capable of independently carrying on our business from, and does not place undue reliance on, our Controlling Shareholders:

### Financial independence

Our Company has an independent financial system and makes financial decisions according to our own business needs. As of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had provided any direct or indirect financing other than equity investment for our operations or any credit support (whether by way of guarantees or otherwise) in respect of any financing obtained by us from third party sources other than the security provided by our Controlling Shareholders in favour of Poly Platinum in connection with the Preference

Shares Financing. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments — Rights of Poly Platinum under the Preference Shares Financing" for details.

Our Directors believe that, upon Listing, our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders.

Based on the above, our Directors are of the view that we are able to operate financially independently from our Controlling Shareholders.

**Operational independence**

We do not rely on our Controlling Shareholders and their close associates for our finance, audit and control, sales and marketing, human resources, administration or company secretarial functions. We have our own departments specialising in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders. We have access to suppliers independent of our Controlling Shareholders. We are also in possession of all relevant licences and own all relevant intellectual properties and research and development facilities necessary to carry on and operate our business, and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders. Except the transactions under the Contractual Arrangements, our Directors do not expect that there will be any transactions between our Company and our Controlling Shareholders upon or shortly after the Listing. See "Contractual Arrangements" for details.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders after the Listing.

**Management independence**

Our Board of Directors consists of three executive Directors three non-executive Directors, and three INEDs. Other than Mr Tan who is the sole director of Tan Zheng Ltd, none of the members of our Board and senior management holds any position in our Controlling Shareholders.

Our Directors believe that our Company and our management team are able to operate the Company's business independently from our Controlling Shareholders due to the following reasons:

(i) the daily operation of our Group is managed by our experienced executive Directors and senior management team that are independent from the Controlling Shareholders. Our executive Director and CEO, Dr Wang, has extensive experience in the management and medical industry. She oversees and manages the day-to-day operation of our Group with support from our experienced senior management team, and is responsible for our business operation. Dr Wang does not hold any management positions in our Controlling Shareholders.

(ii) each of our Directors is fully aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his duties as a Director and his personal interest to exist.

(iii) our Directors believe that our Board has a balanced composition of executive, non-executive Directors and INEDs, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our INEDs account for one-third of the Board; (b) our INEDs do not and will not take up any position in the Controlling Shareholders; (c) our INEDs, details of whom are set out in "Directors and Senior Management", together possess the requisite industry knowledge and experience for their views to carry weight; and (d) all of our INEDs are qualified to provide professional and experienced advice to our Company. In conclusion, the Directors believe that our INEDs are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole.

(iv) Upon Listing, our Company will establish the following corporate governance measures to avoid and address any potential conflicts of interest as a result of the overlapping director between us and our Controlling Shareholders. Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Shareholders as a whole:

(a) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the corporations involved in the matters to be resolved at the Board meeting shall declare their interest and shall neither vote on such resolution nor vote on behalf of other Directors.

(b) The INEDs shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules.

(c) Our Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal with the Controlling Shareholders and their close associates in which they have a material interest. In such a situation, our Directors who do not have any ongoing role with our Controlling Shareholders will vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which our Controlling Shareholders and their close associates have a direct or indirect interest.

(d) Our Directors (including the INEDs) will seek independent and professional opinions from external advisers at our cost as and when appropriate in accordance with the Corporate Governance Code.

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

(f) Our Company has appointed Guosen Securities (HK) Capital Company Limited as our Compliance Adviser and will appoint a Hong Kong legal adviser upon completion of the Listing, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to directors' duties and internal controls.

Therefore, the Directors believe that our Company has sufficient and effective corporate governance mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of the Company and our Shareholders as a whole.

Based on the above, the Directors believe that our management team is independent from our Controlling Shareholders, that our Company can operate its business independently from our Controlling Shareholders, and that all of our Directors have relevant experience and ability to ensure proper and effective operation of the Board.

**Confirmation**

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders after the Listing without unduly relying upon them, taking into consideration the factors stated above.

## 3. LOCK-UP UNDERTAKINGS

In addition to the lock-up undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules, each of our Controlling Shareholders has given certain undertakings in respect of the Shares to the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), details of which are set out in "Underwriting — Underwriting arrangements — Lock-up undertakings to the Hong Kong Underwriters — Undertakings by our Controlling Shareholders".

Upon the Listing, the following transaction between our connected persons and us will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

## 1. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Contractual Arrangements

A waiver application from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Beijing Yongtai from Yongtai Ruike under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Hong Kong Stock Exchange, has been submitted to and granted by the Hong Kong Stock Exchange subject to certain conditions. If any terms of the Contractual Arrangements are altered or if we enter into any new agreements with any connected persons in the future, we must comply with the relevant requirements under Chapter 14A of the Listing Rules and, where appropriate, obtain a separate waiver from the Hong Kong Stock Exchange.

### Background for the Contractual Arrangements

As disclosed in "Contractual Arrangements", due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of business through Yongtai Ruike, being our Consolidated Affiliated Entity, which holds the requisite licence, permit and approval required for provision of biomedical scientific research and technical services that involve the development and application of technologies of human stem cell and gene diagnosis and treatment in the PRC. The Contractual Arrangements entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders of Yongtai Ruike enable us to (i) receive substantially all of the economic benefits from Yongtai Ruike in consideration for the services provided by Beijing Yongtai to Yongtai Ruike under the Exclusive Business Cooperation Agreement; (ii) exercise effective control over Yongtai Ruike to conduct the relevant business; and (iii) hold an exclusive option to purchase all or any part of equity interests in Yongtai Ruike and/or assets or interests in any of the assets of Yongtai Ruike. The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### Principal terms of the transactions

The Contractual Arrangements comprise the following agreements: Exclusive Option and Equity Entrustment Agreement, Exclusive Business Cooperation Agreement, Share Pledge Agreement, Powers of Attorney and Spousal Undertaking made by the spouse of a Registered Shareholder. See "Contractual Arrangements" for detailed terms of the Contractual Arrangements.

**Reasons for the waiver application and the view of our Directors on the continuing connected transactions**

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

**Application for and conditions of waiver**

In relation to the Contractual Arrangements, we have applied to the Hong Kong Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Hong Kong Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting a maximum aggregate annual value, i.e. an annual cap, for the fees payable to Beijing Yongtai from Yongtai Ruike under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Hong Kong Stock Exchange subject to the following conditions:

***(a) No change without INED's approval***

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of our INEDs.

***(b) No change without independent shareholders' approval***

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

***(c) Economic benefits flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entity through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the Consolidated Affiliated Entity; (ii) the business structure under which the net profits generated by the Consolidated Affiliated Entity (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Beijing Yongtai under the Exclusive Business Cooperation Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entity.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described in "Contractual Arrangements" in this prospectus. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approvals***

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

(i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report in accordance with the relevant provisions of the Listing Rules.

(ii) Our INEDs will review the Contractual Arrangements annually and confirm in our annual report for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned

or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entity during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.

(iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Hong Kong Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.

(iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," the Consolidated Affiliated Entity will be treated as the Company's wholly-owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entity and its associates will be treated as the Company's "connected persons". As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entity) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entity further undertakes that, for so long as the Shares are listed on the Hong Kong Stock Exchange, the Consolidated Affiliated Entity will provide our Group's management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors' on the connected transactions.

**Listing Rules implications**

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 2. DIRECTORS' VIEWS

Our Directors (including our INEDs) consider that all the continuing connected transactions set out above have been entered into in the ordinary and usual course of our business on normal commercial terms or better, which are fair and reasonable and in the interests of our Shareholders as a whole.

## 3. JOINT SPONSORS' CONFIRMATION

Based on the documentation and data provided by the Company and the Joint Sponsors' participation in the due diligence and discussions with the management of the Company, the Joint Sponsors are of the view that (i) the Contractual Arrangements are fundamental to the Group's legal structure and business operations; (ii) the continuing connected transactions set out above have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 1. BACKGROUND

We engage in the business of development and application of immunotherapy, including the business of development and application of CAR-T and TCR-T cell therapies (the "**Relevant Businesses**") in the PRC, which is considered to fall in the prohibited foreign-invested industries both in the Catalogue (as defined below) and the Special Administrative Measures 2019 (as defined below), where this type of foreign investment is subject to restrictions under the PRC laws and regulations.

The Relevant Businesses are carried out by Yongtai Ruike, and thus, we cannot directly or indirectly hold the equity of Yongtai Ruike. For further details of the limitations on foreign ownership in PRC companies conducting R&D and application of technologies of human stem cell and gene diagnosis and treatment, and the licensing and approval requirement applicable to our business under the PRC laws and regulations, see "Regulatory Overview — 1. Regulations on Company Establishment and Foreign Investment".

Since the Relevant Businesses are classified as foreign investment prohibited businesses under applicable PRC laws, regulations or rules, in order to comply with PRC laws and regulations and maintain effective control over our research in the R&D and application field, our Group entered into the Contractual Arrangements with Yongtai Ruike and the Registered Shareholders. Under the Contractual Arrangements, Beijing Yongtai has acquired effective control over the financial and operational management and results of Yongtai Ruike and is entitled to all the economic benefits derived from the operations of Yongtai Ruike.

## 2. PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC were mainly governed by the Catalogue for the Guidance of Foreign Investment Industries (Revision 2017) (外商投資產業指導目錄(2017年修訂)) (the "**Catalogue**"), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC and the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "**Special Administrative Measures (2018)**") (jointly promulgated by NDRC and MOFCOM, and now are mainly governed by the Special Administrative Measures on Access of Foreign Investment (Negative List) (Edition 2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**Special Administrative Measures (2019)**"). The Catalogue and the Special Administrative Measures 2019 stipulate industries in which foreign investment is restricted and prohibited. Based on the Company's confirmation that CAR-T and TCR-T cell therapies involve gene therapy, our PRC Legal Advisers confirmed that, according to the Special Administrative Measures 2019, our Relevant Businesses falls into the development and application of technologies of human stem cell and gene diagnosis and treatment and is considered "prohibited." The Special Administrative Measures (2019) may be amended as announced by government in 2020. In such connection, the Contractual Arrangements provided that Beijing Yongtai and Yongtai Ruike shall terminate the Contractual Arrangements once Beijing Yongtai is allowed to hold equity interests in Yongtai Ruike and operate the relevant business under the then PRC laws.

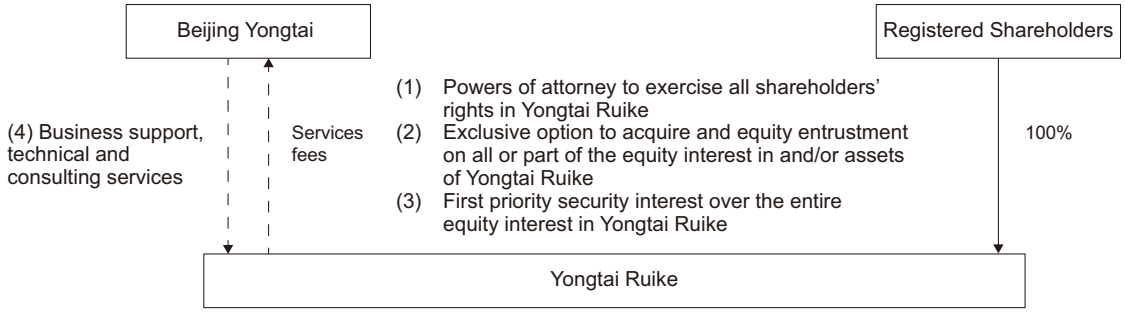
Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement, Yongtai Ruike will enjoy better economic and technical support from Beijing Yongtai, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

**Circumstances under which we will terminate the Contractual Arrangements**

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our R&D and application of technologies of human stem cell and gene diagnosis and treatment to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if such business is allowed to be conducted by sino-foreign equity joint ventures or wholly-owned foreign investment entities under the relevant PRC laws and regulations.

## 3. SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Yongtai Ruike to Beijing Yongtai stipulated under the Contractual Arrangements:




*Notes:*

(1) Please see "— Powers of Attorney" below for details.

(2) Please see "— Exclusive Option and Equity Entrustment Agreement" below for details.

(3) Please see "— Share Pledge Agreement" below for details.

(4) Please see "— Exclusive Business Cooperation Agreement" below for details.

"—" denotes direct legal and beneficial ownership in the equity interest and "- - -" denotes contractual relationship.

**Exclusive Option and Equity Entrustment Agreement**

Pursuant to the Exclusive Option and Equity Entrustment, (i) Beijing Yongtai, or any Designee, was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Yongtai Ruike at the Exercise Price and/or from Yongtai Ruike all or any part of its assets or interests in any of its assets at the Exercise Price, and in the event of purchase of any part of its assets or interests, at a consideration with reference to the relevant portion of assets or interests to be purchased, and (ii) the Registered Shareholders irrevocably entrusted their equity interest in Yongtai Ruike and the equity interests or rights hold by Yongtai Ruike to Beijing Yongtai or any Designee.

Yongtai Ruike, among other things, has covenanted that:

- without the prior written consent of Beijing Yongtai, it will not change its main business, conduct any business activities that may have material impacts on its assets, business, rights and operations, or initiate reorganisation and any kind of listing procedures;

- without the prior written consent of Beijing Yongtai, it shall not in any manner supplement, change or amend its constitutional documents, increase or reduce its registered capital, or change its capital structure;

- without the prior written consent of Beijing Yongtai, it shall refrain from any action that may result in its termination, insolvency, liquidation or dissolution, and not engage in mergers, partnerships, joint ventures, alliances with any third party or purchase equities, shares or assets from any third party;

- it shall maintain its corporate existence in accordance with good financial and business standards, tax obligations and practices, obtain and maintain all necessary government licences and permits by prudently and effectively operating its business;

- it shall provide Beijing Yongtai with true and accurate information and documents upon request of Beijing Yongtai;

- it shall immediately notify Beijing Yongtai of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue;

- to maintain the ownership of all of its assets, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims, subject to the prior written consent of Beijing Yongtai;

- without the prior written consent of Beijing Yongtai, it shall not pledge or dispose of its assets or rights in any manner;

- without the prior consent of Beijing Yongtai, it shall not lease, borrow, transfer, gift, pledge, establish any security interest, entrust, conduct any sales or investment in relation to Yongtai Ruike's good will, assets or right in any manner;

- without the prior written consent of Beijing Yongtai, it shall not incur any borrowings, loans, guarantees or payments from or to any third party, unless such payments are made in the ordinary course of business;

- without the prior consent of Beijing Yongtai, it shall not enter into any material contracts (the contracts with a value above RMB200.0 million), enter into any contracts, documents or arrangements under abnormal operating conditions, or make material changes to any existing material contracts, financial arrangement, loan documents or guarantee arrangements (if any);

- without the prior consent of Beijing Yongtai, it shall not conduct any corporate restructuring exercise;

- without the prior written consent of Beijing Yongtai, it shall not amend or change the accounting policies originally adopted and it shall not appoint or replace its auditors;

- without the prior written consent of Beijing Yongtai, it shall not in any manner distribute dividends, bonus or profits to its shareholders; and

- without the prior written consent of Beijing Yongtai, it shall not dispose of or dilute the interests of its subordinate entities, branches or subsidiaries, directly or indirectly.

The Registered Shareholders, among other things, have further covenanted that:

- without the prior written consent of Beijing Yongtai, they shall not sell, transfer, dispose of or conduct any transactions that have material impacts on Yongtai Ruike's assets, business, rights and operations, merge, associate with, acquire or invest in any entity, or initiate any kind of reorganisation;

- they shall immediately transfer all the dividends, distributions or any residual properties (if applicable) obtained from Yongtai Ruike to Beijing Yongtai;

- without the prior written consent of Beijing Yongtai, they shall not dispose of any interest in Yongtai Ruike or create any pledge on such interest;

- they shall immediately notify Beijing Yongtai and Yongtai Ruike of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to their interests in Yongtai Ruike;

- to maintain the ownership of all of their interest in Yongtai Ruike, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims, subject to the prior written consent of Beijing Yongtai;

- any appointment of directors, supervisors, legal representative and senior management of Yongtai Ruike shall be subject to the prior written consent of Beijing Yongtai;

- they shall refrain from any action that may result in Yongtai Ruike's termination, insolvency, liquidation or dissolution; and

- they will not and procure their successor (if any) not to launch any law suits, arbitration or other legal proceedings against the Contractual Arrangements or terminate the Contractual Arrangements.

Pursuant to the Exclusive Option and Equity Entrustment Agreement, in the event that the Exercise Price exceeds RMB1.00 as required by the PRC laws at the time of Beijing Yongtai exercises its purchase right, the Registered Shareholders shall return any amount of purchase price exceeding RMB1.00 to Beijing Yongtai. At Beijing Yongtai's request, the Registered Shareholders and/or Yongtai Ruike will promptly and unconditionally transfer their respective equity interest in and/or assets of Yongtai Ruike to Beijing Yongtai (or its Designee) after Beijing Yongtai exercises its purchase right. The Exclusive Option and Equity Entrustment Agreement will remain effective until the purchase right thereunder is exercised.

**Exclusive Business Cooperation Agreement**

Pursuant to the Exclusive Business Cooperation Agreement, Yongtai Ruike agrees to engage Beijing Yongtai as its exclusive provider of management, consultancy, technical support, business support and logistics services, including, among others:

- assist and work with Yongtai Ruike to devise a management and sales plan;

- provide technology development, technical services and technology transfer consultation to Yongtai Ruike;

- provide market research, analysis and consultation to Yongtai Ruike;

- provide day-to-day management, financial, investment, human resources and information system consultation;

- provide sales and strategic planning consultation and other relevant services;

- staff and management training;

- assistance in negotiation, signing and performance of major contracts;

- establishing marketing networks and formulating cooperation maintenance plans for suppliers, customers, and business partners;

- management, development, maintenance and upgrade of office application and network systems;

- software, trademarks, and technology application and licensing;
- public relations management;
- logistics support; and
- other relevant services requested cleared by Beijing Yongtai and Yongtai Ruike from time to time according to the actual business need and service capacity.

Under the Exclusive Business Cooperation Agreement, the service fees, subject to Beijing Yongtai's adjustment shall consist of all of the profit before taxes of Yongtai Ruike. Beijing Yongtai may adjust the service fees at its sole discretion, taking into consideration of certain factors, including but not limited to the difficulty and complication of such service, the market price of the same or similar services, and operating expenses. The service fees shall be paid annually by Yongtai Ruike upon receipt of the payment notice issued by Beijing Yongtai.

Pursuant to the Exclusive Business Cooperation Agreement, Beijing Yongtai has the exclusive and proprietary rights to all intellectual properties developed by Yongtai Ruike.

The Exclusive Business Cooperation Agreement shall remain effective until (i) Yongtai Ruike, or its subordinate entities, branches or subsidiaries committed any breach and fail to rectify the breach within 30 days after the written notice of Beijing Yongtai; (ii) the dissolution, liquidation, bankruptcy, termination of business or business license being revoked or similar circumstances of Yongtai Ruike; (iii) 30 days after Beijing Yongtai issues a written notice to terminate the agreement; or (iv) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

**Share Pledge Agreement**

Pursuant to the Share Pledge Agreement, the Registered Shareholders pledge all of their respective equity interests in Yongtai Ruike to Beijing Yongtai as collateral security to guarantee performance of their contractual obligations under the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement and the Powers of Attorney.

The pledge in respect of the equity in Yongtai Ruike takes effect upon completion of registration with the relevant administrative authorities, and shall be recorded on the register of shareholders and capital contribution certificate of the Registered Shareholders. If any of the items filed with the authorities under the Share Pledge Agreement shall be amended or updated, Yongtai Ruike shall amend such items within 10 days upon the relevant events occur.

Should an event of default (as provided in the Share Pledge Agreement) occurs, unless it is successfully resolved to Beijing Yongtai's satisfaction within 10 days upon being notified by Beijing Yongtai, Beijing Yongtai by issuing written notification may exercise its right of pledge immediately or any time thereafter pursuant to the Share Pledge Agreement. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when Beijing Yongtai exercises such right of pledge.

The Share Pledge Agreement will not terminate until (i) all obligations of Yongtai Ruike and the Registered Shareholders are satisfied in full; or (ii) Beijing Yongtai exercises its exclusive option to purchase the entire equity interests of the Registered Shareholders in Yongtai Ruike and/or the entire assets of Yongtai Ruike pursuant to the terms of the Exclusive Option and Equity Entrustment Agreement.

The pledges under the Share Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to the PRC laws and regulations.

**Powers of Attorney**

Pursuant to the Powers of Attorney, the Registered Shareholders appointed Beijing Yongtai and/or its designated persons as their exclusive agent and attorney to act on their behalf on all matters concerning Yongtai Ruike and to exercise all of their rights as shareholder of Yongtai Ruike, including, among others:

- to propose, convene and attend shareholders' meetings;
- to exercise shareholders' voting rights;
- to review corporate documents and management accounts;
- to receive dividends from Yongtai Ruike;
- to sell, transfer, pledge or dispose of shares held by the Registered Shareholders;
- to file documents with the relevant companies registry;
- to appoint or nominate directors, supervisors and other senior management members of Yongtai Ruike;
- to review and approve all reports and plans that are material to the operation of Yongtai Ruike;
- to make decisions on major issues of Yongtai Ruike; and
- to exercise any other rights of shareholders pursuant to the articles of associations of Yongtai Ruike.

As a result of the Powers of Attorney, the Company, through Beijing Yongtai, is able to exercise management control over the activities that most significantly impact the economic performance of Yongtai Ruike.

The Powers of Attorney will be automatically terminated on the earlier of (i) the date the Registered Shareholder ceases to be the shareholder of Yongtai Ruike; (ii) the expiry date of operating period of Yongtai Ruike; and (iii) expiry date of legally extended operating period of Yongtai Ruike (if any). In addition, the Registered Shareholders and Beijing Yongtai undertake to terminate the Powers of Attorney once Beijing Yongtai is allowed to directly hold equity interests in Yongtai Ruike and operate the relevant business once permitted under the then PRC laws.

**Spousal Undertakings**

The spouse of Mr Tan has executed an irrevocable undertaking dated 10 September 2018, pursuant to which the spouse of Mr Tan expressly, unconditionally and irrevocably acknowledged and has undertaken that (i) any equity interests held by his spouse as a Registered Shareholder in Yongtai Ruike do not fall within the scope of their communal properties; (ii) his spouse will not take any measures that are in conflict with the Contractual Arrangements; and (iii) if regulatory authorities demand his spouse to amend the spousal undertakings, they will unconditionally cooperate in an overall and timely way.

**Dispute Resolution**

Each of the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Yongtai Ruike, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Yongtai Ruike; and (ii) the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdictions (being the place of domicile of Yongtai Ruike and where the principal assets of Yongtai Ruike or Beijing Yongtai are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the shares or property interest of Yongtai Ruike.

However, our PRC Legal Advisers have advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Yongtai Ruike under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that Yongtai Ruike or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Yongtai Ruike and conduct our business could be materially and adversely affected. Please see "Risk Factors — Risks Relating to Contractual Arrangements" for details.

**Succession**

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

In case of a breach, Beijing Yongtai can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their death, loss of capacity, marriage, divorce, bankruptcy or under other circumstances which would affect their exercise of equity interest in Yongtai Ruike, as if the inheritor was a signing party to such Contractual Arrangements.

According to the terms of the Exclusive Option and Equity Entrustment Agreement, each of the Registered Shareholders has undertaken, in the event of death or any other event which causes the inability of the shareholder to perform their day-to-day obligations, bankruptcy, marriage or divorce, to transfer all of the equity interests, including rights and obligations in Yongtai Ruike to Beijing Yongtai or an individual or legal entity designated by Beijing Yongtai under applicable PRC law.

In addition, the spouse of Mr Tan has executed an irrevocable undertaking dated 10 September 2018. See "Summary of the Material Terms of the Contractual Arrangements — Spousal Undertakings" in this section for details of the undertaking.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Beijing Yongtai can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

**Loss Sharing**

None of the agreements constituting the Contractual Arrangements provides that the Company, Beijing Yongtai or other PRC subsidiaries of ours, are obligated to share the losses of Yongtai Ruike, but if Yongtai Ruike suffers any losses or material difficulties of business, Beijing Yongtai may provide financial support as permitted under PRC laws at its discretion to Yongtai Ruike under the terms of the Exclusive Business Cooperation Agreement. Further, Yongtai Ruike is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or Beijing Yongtai is not expressly required to share the losses of Yongtai Ruike or provide financial support to Yongtai Ruike. Despite the foregoing, given that the Group conducts the Relevant Businesses in the PRC through Yongtai Ruike which hold the requisite PRC licences and approvals, and that Yongtai Ruike's results of operations and assets and liabilities are consolidated into the Group's results of operations and assets and liabilities under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Yongtai Ruike suffered losses.

**Liquidation**

Pursuant to the Exclusive Option and Equity Entrustment Agreement, in the event of a mandatory liquidation required by PRC laws, each of the Registered Shareholders shall transfer all the assets and contributions they receive from Yongtai Ruike, at their respective Exercise Price, to Beijing Yongtai or another entity designated by Beijing Yongtai.

**Termination**

Each of the Contractual Arrangements provides that Beijing Yongtai and Yongtai Ruike shall terminate the Contractual Arrangements once Beijing Yongtai is allowed to hold equity interests in Yongtai Ruike and operate the relevant business under the then PRC laws. In addition, pursuant to the Exclusive Business Cooperation Agreement, Beijing Yongtai has the unilateral right to terminate these agreements at any time by providing 30 days' advance written notice to Yongtai Ruike.

**Insurance**

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

**Company's confirmation**

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Yongtai Ruike under the Contractual Arrangements.

## 4. LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisers are also of the opinion that:

(i) each of Beijing Yongtai and Yongtai Ruike is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws;

(ii) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto;

(iii) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of Beijing Yongtai and Yongtai Ruike;

(iv) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that (a) the exercise of the option by Beijing Yongtai of its rights under the Exclusive Option and Equity Entrustment Agreements to acquire all or part of the equity interests in Yongtai Ruike is subject to the approvals of and/or registrations with the PRC regulatory authorities; (b) any share pledge contemplated under the Share Pledge Agreement is subject to the registration with relevant State Administration for Market Regulation; and (c) the arbitration awards/interim remedies provided under the dispute restitution provision of the Contractual Arrangements shall be recognised by PRC courts before compulsory enforcement;

(v) the Contractual Arrangements are not in violation of applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Yongtai Ruike, injunctive relief and/or winding up of Yongtai Ruike, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Yongtai Ruike in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China; and

(vi) the consummation of Contractual Arrangements is not a violation of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was adopted by six PRC regulatory agencies, including MOFCOM and CSRC, and effective since 8 September 2006 and amended on 22 June 2009.

To further validate the above view, the PRC Legal Advisers and the PRC legal advisers to the Joint Sponsors conducted an interview with the CDE and a telephone consultation with the Biological Products Division of NMPA and conducted an interview with the Foreign Investment Management Division of Beijing Municipal Commerce Bureau. The CDE and the NMPA confirmed that (i) CAR-T therapy involves gene therapy, and (ii) the adoption of the Contractual Arrangements, which are agreements among relevant parties, does not require the approval from the NMPA and is not objected to by the NMPA. The Beijing Municipal Commerce Bureau further confirmed that gene therapy falls within the Special Administrative Measures (Negative List (2019)), and thus, foreign investors are not permitted to directly or indirectly hold the equity of Yongtai Ruike, and the adoption of the Contractual Arrangements, which are agreements among relevant parties, does not require the approval from the Beijing Municipal Commerce Bureau and is not objected to by the Beijing Municipal Commerce Bureau.

In light of the abovementioned interviews, the PRC Legal Advisers have further confirmed that (i) the telephone consultation and the interviews were made with the competent official who has the appropriate authority, (ii) the NMPA is the competent government authority for the Group's biological products business activities and Beijing Municipal Commerce Bureau is the competent government authority for foreign investment matters, and (iii) it can be further confirmed that the Contractual Arrangements are not in violation of applicable PRC laws and regulations.

Please see "Risk Factors — Risks Relating to Contractual Arrangements — If the PRC government finds that the agreements that establish the structure for operating our gene therapy business in China do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences and the relinquishment of our interest in Yongtai Ruike."

We are also advised by our PRC Legal Advisers that the transfer of economic benefits from Yongtai Ruike to Beijing Yongtai, and the pledging of the entire equity interest in Yongtai Ruike to Beijing Yongtai under the Contractual Arrangements, would not be deemed a violation of the relevant PRC laws and regulations. Please see "Risk Factors — Risks Relating to Contractual Arrangements — Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entity and the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements."

We are aware of a Supreme People's Court ruling made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 invalidating certain agreements which were deemed to be for the intention of circumventing foreign investment restrictions in the PRC and holding that the agreements violated the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of PRC operational entities under such contractual structures to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers are of the view that the relevant terms of our Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law based on the following factors:

(i) the Contractual Arrangements were entered into between the relevant parties for true and legitimate business purposes;

(ii) the exclusive management consultancy services provided and the relevant service fees charged are based on actual transactions, and the actual amount of service fees to be paid is to be agreed after good faith negotiations between the relevant parties;

(iii) the Company has not invested, directly or indirectly, in Yongtai Ruike through Beijing Yongtai and has no intention to violate the restrictions under the Special Administrative Measures.

Please see "Business — 14. Legal Compliance, Licences, and Permits" for details of the compliance history of our Group.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Hong Kong Stock Exchange, details of which are disclosed in "Continuing Connected Transactions."

## 5. ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

### Consolidation of financial results of Yongtai Ruike

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Yongtai Ruike, the Contractual Arrangements as mentioned above enable our Company to exercise control over Yongtai Ruike.

Under the Exclusive Business Cooperation Agreement entered into by and between Beijing Yongtai and Yongtai Ruike, it was agreed that, in consideration of the services provided by Beijing Yongtai, Yongtai Ruike will pay service fees to Beijing Yongtai. The service fee, subject to Beijing Yongtai's adjustment, is equal to 100% of the net profit of Yongtai Ruike and may also include accumulated earnings of Yongtai Ruike from previous financial periods. Beijing Yongtai may adjust the service fee at its sole discretion and allow Yongtai Ruike to retain sufficient working capital to carry out any growth plans. Yongtai Ruike shall deliver to Beijing Yongtai its management accounts and operating statistics periodically. Accordingly, Beijing Yongtai has the ability, at its sole discretion, to extract substantially all of the economic benefit of Yongtai Ruike through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Option and Equity Entrustment Agreement among the parties, Beijing Yongtai has absolute control over the distribution of dividends or any other amounts to the shareholders of Yongtai Ruike as Beijing Yongtai's prior written consent is required and Beijing Yongtai can request for immediate distribution of profits to be made.

Further, under the Powers of Attorney, Beijing Yongtai assumes all rights as shareholder and exercises control over Yongtai Ruike, including the right to propose, convene and attend shareholders' meetings, the right to sell, transfer, pledge or dispose of shares, the right to exercise shareholders' voting rights and to appoint the legal representative (chairperson), the director, supervisor, the CEO (general manager) and other senior management members of Yongtai Ruike. As a result of these agreements, the Company has obtained control of Yongtai Ruike through Beijing Yongtai and, under the Company's sole discretion, can receive substantially all of the economic interest returns generated by Yongtai Ruike. Accordingly, Yongtai Ruike' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Reporting Accountants, Deloitte Touche Tohmatsu, have issued unqualified opinion on our Group's consolidated financial information for the years ended 31 December 2018 and 2019 which include the financial results of Yongtai Ruike being consolidated into our Group's financial information as if it were our Group's wholly-owned subsidiary, is included in the Accountants' Report in Appendix I to this prospectus.

Yongtai Ruike did not record any revenue during the Track Record Period.

## 6. COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Yongtai and Yongtai Ruike to deal with specific issues or matters arising from the Contractual Arrangements.

## AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalisation Issue and the Global Offering:

| | Nominal Value |
|---|---|
| | *(US$)* |
| **Authorised share capital** | |
| 5,000,000,000 Shares of US$0.001 each | 5,000,000 |
| **Shares in issue as at the date of this prospectus (assuming the Convertible Redeemable Preference Shares are converted into Shares)**[*(Note)*] | |
| 105,000,000 Shares of US$0.001 each | 105,000 |
| **Shares to be issued pursuant to the Capitalisation Issue** | |
| 295,000,000 Shares of US$0.001 each | 295,000 |
| **Shares to be issued pursuant to the Global Offering** | |
| 100,000,000 Shares of US$0.001 each | 100,000 |
| **Shares in issue immediately following the Global Offering** | |
| 500,000,000 Shares of US$0.001 each | 500,000 |

*Note:* On the basis that one Convertible Preference Share is converted into one Share upon Listing. See "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments — Rights of Poly Platinum under the Preference Shares Financing — (a) Conversion rights".

## 2. ASSUMPTIONS

The above table assumes that (i) the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalisation Issue and the Global Offering and (ii) the Over-allotment Option and share options granted under the Pre-IPO Share Option Scheme are not exercised. The above table takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors referred to below.

## 3. MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25.00% of the share capital in issue from time to time.

## 4. RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls on or after the Listing Date.

## 5. ALTERATION OF SHARE CAPITAL

Our Company will only have one class of Shares upon Listing, namely ordinary shares, each of which ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by shareholders' ordinary resolution (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its Shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce or redeem its share capital by our shareholders passing a special resolution. For more details, please see " Summary of the Constitution of the Company — 2 Articles of Association — 2.5 Alteration of capital" in Appendix III.

## 6. PRE-IPO SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme. Please see "Statutory and General Information — D. Share Option Schemes — 1. Pre-IPO Share Option Scheme" in Appendix IV.

## 7. POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme. Please see "Statutory and General Information — D. Share Option Schemes — 2. Post-IPO Share Option Scheme" in Appendix IV.

## 8. GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20.00% of the aggregate number of the share capital of our Company in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over allotment Option is not exercised and without taking into account the Shares which may be issued upon exercise of any option that may be granted under the Share Option Schemes); and

(ii) the aggregate number of the share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders.

This general mandate to issue Shares, Convertible Securities or Options and Warrants will expire at the earliest of:

(i) the conclusion of our next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders passed in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or by the Memorandum of Association and Articles of Association; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting.

For further details of this general mandate, please see "Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 4. Resolutions in Writing of all our Shareholders passed on 6 June 2020" in Appendix IV.

## 9. GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not more than 10.00% of the aggregate number of our share capital in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

This mandate relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which are recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 5. Repurchase of our own Securities" in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of our next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum of Association and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders passed at a general meeting.

For further details of this general mandate, please see "Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 4. Resolutions in Writing of all our Shareholders passed on 6 June 2020" in Appendix IV.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors and chief executive are aware, immediately following the completion of the Capitalisation Issue, the Global Offering and assuming the Over-allotment Option is not exercised and no options under the Share Option Schemes have been exercised, the following persons will have an interest or a short position (as applicable) in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our company or any other member of our Group other than our Company.

### Substantial shareholder of our Company

| Name of Shareholder | Nature of interest | Number of Shares held[(1)] | Approximate percentage of shareholding |
|---|---|---|---|
| Mr Tan[(3)] | Interested in controlled corporation | 180,480,000(L) | 36.10% |
| Tan Zheng Ltd[(3)] | Beneficial interest | 24,685,714(L) | 4.94% |
| | Interest of a party to an agreement[(2)] | 155,794,286(L) | 31.16% |
| Mr Jung[(4)] | Interested in controlled corporation | 134,948,571(L) | 26.99% |
| Evodevo[(4)] | Beneficial interest | 134,948,571(L) | 26.99% |
| Zhang Beini[(5)] | Interested in controlled corporation | 30,666,667(L) | 6.13% |
| Bei Ni Ltd[(5)] | Beneficial interest | 30,666,667(L) | 6.13% |
| Greater Bay Area Homeland Development Fund (GP) Limited[(6)] | Interested in controlled corporation | 33,466,619(L) | 6.69% |
| Greater Bay Area Homeland Development Fund LP[(6)] | Interested in controlled corporation | 33,466,619(L) | 6.69% |
| Poly Platinum [(6)] | Beneficial interest | 33,466,619(L) | 6.69% |

*Notes:*

(1) The letter L denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) Pursuant to the Proxy Agreement, the Passive Minority Shareholders have irrevocably entrusted their voting rights at any general meeting of our Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the Passive Minority Shareholders. For further details on the shareholdings of the Passive Minority Shareholders, please refer to "History, Reorganisation and Corporate Structure — 10. Corporate Structure Immediately Upon Completion of the Global Offering".

(3) Tan Zheng Ltd is a company wholly-owned by Mr Tan, the Chairman, an executive Director and a Controlling Shareholder.

(4) Evodevo is a company wholly-owned by Mr Jung, an executive Director and chief strategy officer of our Group.

(5) Bei Ni Ltd is a company wholly-owned by Zhang Beini, an investor and an Independent Third Party.

(6) Poly Platinum is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥) ("Greater Bay Area Fund"). According to Poly Platinum, the general partner of Greater Bay Area Fund is Greater Bay Area Homeland Development Fund (GP) Limited. The number of Shares indicated as beneficially owned by Poly Platinum is inclusive of 14,419,000 Shares, representing approximately 2.88% of our issued share capital, to be issued to Poly Platinum under the Cornerstone Placing calculated based on the mid-point of HK$10.75 of the indicative Offer Price range. See "Cornerstone Investors" for details.

## Substantial shareholder of other member of our Group

| Name | Nature of interest | Name of other member of our Group | Amount of registered capital | Percentage of interest in the associated corporation |
|---|---|---|---|---|
| Mr Tan | Beneficial owner | Yongtai Ruike | RMB60,000 | 60.00% |
| Dr Wang | Beneficial owner | Yongtai Ruike | RMB40,000 | 40.00% |
| Wu Shuangchen | Beneficial owner | Beijing Weixiao | RMB7,540,000 | 29.00% |

*Notes:*

1. Mr Tan is the Chairman, an executive Director and a Controlling Shareholder.

2. Dr Wang is an executive Director, the CEO and the co-CTO of our Group.

3. Wu Shuangchen is an Independent Third Party but for his interest in Beijing Weixiao.

Save as disclosed above, our Directors are not aware of any person (other than a Director or chief executive of our Company) who will, immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without talking into account the Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Schemes), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10.00% or more of any member of our Group other than our Company. Our Directors are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

## DIRECTORS

Our Board consists of nine Directors comprising three executive Directors, three non-executive Directors and three INEDs. Our Board is responsible for and has been granted with general powers for the management and conduct of our business.

The following table sets forth certain information in respect of the members of our Board:

| Name | Age | Position | Time of joining our Group | Date of appointment as a Director | Roles and responsibilities | Relationship with other Director(s) and the senior management |
|---|---|---|---|---|---|---|
| Tan Zheng (譚錚) | 42 | Chairman and executive Director | September 2015 | 11 April 2018 | Overall strategic planning and business direction of our Group | N/A |
| Wang Yu (王畲) | 52 | Executive Director, CEO and co-CTO | November 2006 | 23 August 2019 | Overall operation, corporate policies and business; formulating R&D plans and strategies and managing day-to-day operation; supervising and managing R&D activities and leading the R&D team(1) | N/A |
| Jung Hyun Chul (鄭鉉哲) | 58 | Executive Director and chief strategy officer | November 2006 | 23 August 2019 | Overall resource allocation; business development and commercialisation plans and strategies; providing support to the R&D team | N/A |
| Si Xiaobing (司小兵) | 39 | Non-executive Director | March 2018 | 23 August 2019 | Attend meetings and decision making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations | N/A |
| Lu Yuan (陸遠) | 30 | Non-executive Director | August 2019 | 23 August 2019 | Attend meetings and decision making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations | N/A |

*Note:*

(1) Please see "Executive Directors – Wang Yu" in this section for further details about Dr Wang's roles and responsibilities.

| Name | Age | Position | Time of joining our Group | Date of appointment as a Director | Roles and responsibilities | Relationship with other Director(s) and the senior management |
|---|---|---|---|---|---|---|
| Li Yuezhong (李月中) | 50 | Non-executive Director | August 2019 | 23 August 2019 | Attend meetings and decision making processes of our Board to perform duties as a board member but not participating in the day-to-day management of our business operations | N/A |
| WANG Yingdian (王英典) | 58 | INED | June 2020 | 6 June 2020 | See Note below | N/A |
| NG Chi Kit (吳智傑) | 47 | INED | June 2020 | 6 June 2020 | See Note below | N/A |
| PENG Sujiu (彭素玖) | 41 | INED | June 2020 | 6 June 2020 | See Note below | N/A |

*Note:* Participating in meetings of our Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

## Executive Directors

**Tan Zheng (譚錚)**, aged 42, was first appointed as a Director in April 2018, and was re-designated as an executive Director and the Chairman in August 2019. He is mainly responsible for overall strategic planning and business direction of our Group.

Mr Tan is currently pursuing an executive master in business administration from United Business Institutes China.

Through working with various pharmaceutical companies, Mr Tan has accumulated over 20 years of experience in leading commercialisation efforts or marketing and sales within the PRC Pharmaceutical industry. From June 1998 to June 2004, he worked at Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC company listed on the Shanghai Stock Exchange, principally engaged in the development and manufacturing of medical drugs, where his last position was an office supervisor at their Tianjin office. From June 2004 to January 2013, Mr Tan served as an office supervisor at the Beijing office of Shaanxi Kanghui Pharmaceutical Co., Ltd (陝西康惠控股有限公司), principally engaged in the research, development and production of pharmaceuticals products. Between January 2013 and August 2015, Mr Tan worked at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in, among other things, the development and manufacture of cancer screening and analysis systems, first as an office supervisor at the Beijing office and subsequently as a deputy general manager, where he was responsible for sales, supervision and management of daily matters. Mr Tan has been a director of JY Research, the offshore intermediate holding company of our PRC subsidiaries; Hamiyang, the holding company of JY Research; and the

chairman of AK Ruike, an indirect wholly-owned subsidiary of our Company, since their respective incorporation. He became the director of Beijing Yongtai, one of our major PRC subsidiaries, in September 2015.

**Wang Yu (王歈),** aged 52, is an executive Director and the CEO and co-CTO of our Group. As an executive Director, she works with other members of our Board to oversee our overall operations, set our corporate policies, and develop our business. Also, as our CEO, Dr Wang is responsible for (i) formulating our R&D plans and strategies, including the overall visions and directions for our R&D of EAL and R&D of CAR-T and TCR-T; and (ii) managing our day-to-day operation. As our co-CTO, Dr Wang is responsible for (i) supervising the clinical R&D activities in respect of liver cancer indication for EAL®; (ii) managing the R&D efforts to expand the clinical indications for EAL®; and (iii) together with Dr Kim, our other co-CTO, and Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates.

Dr Wang received a bachelor's degree of science in pharmaceutical chemistry and a master's degree of science in physiology from Beijing Medical University (now known as Peking University Health Science Centre (北京大學醫學部)) in the PRC in July 1989 and November 1992, respectively. Dr Wang obtained a Ph.D. in immunology from Peking University (北京大學), the PRC, in July 2002.

Dr Wang has over 25 years of experience in medical research. After graduating from the Beijing Medical University in 1992, Dr Wang worked as a researcher with a number of research institutions in China and abroad, including Beijing Medical University, Georgetown University, Peking University Health Science Centre, and Beijing Cancer Hospital (北京腫瘤醫院) affiliated with Peking University. She joined Beijing Yongtai in November 2006 as its director, CEO and CTO. From December 2003 to November 2006, she was also a deputy director of the Cancer Biological Therapy and Diagnosis Centre in Beijing Cancer Hospital (北京腫瘤醫院).

From September 2014 to December 2018, Dr Wang served as a deputy director of Laboratory of Oncology, Chinese PLA General Hospital (中國人民解放軍總醫院), which is a key laboratory of the Ministry of Education, PRC, where she directed the R&D of the laboratory. During the same period, Dr Wang continued to provide direction and input to our research effort as our technology adviser and was subsequently appointed as our CEO and co-CTO in December 2018.

Dr Wang is also a council member of the Beijing Society for Immunology (北京免疫學會) of the PRC from December 2011 to December 2015, a council member of China Medicinal Biotechnology Association (中國醫藥生物技術協會) from May 2013 to May 2017, the deputy director of oncology committee of the Chinese Research Hospital Association (中國研究型醫院學會)of the PRC since November 2015, and the deputy director of tumour Immunotherapy committee of the Beijing Breast Disease Society (北京乳腺病防治學會) of the PRC since December 2015.

Throughout her career, Dr Wang has made significant research output in the area of medical treatment of cancer. She has published over 20 articles in cancer studies and immunology related academic journals. She is the inventor of five patents of which two of them have been successfully registered and the remainder are under application.

The following table is a summary of selected Dr Wang's publications:

- Guoqing Zhang, Fang Li, Shenjie Sun, Yi Hu, Gang Wang, **Yu Wang**, Xiaoxia Cui, Shunchang Jiao. Adoptive immunotherapy for small cell lung cancer by expanded activated autologous lymphocytes: a retrospective clinical analysis. Asian Pacific Journal of Cancer Prevention. 2015;16(4):1487-94.

- Guoqing Zhang, Hong Zhao, JY Wu, JY Li, X Yan, Gang Wang, Liangliang Wu, Xiaogang Zhang, Yi Shao, **Yu Wang**, Shunchang Jiao. Prolonged overall survival in gastric cancer patients after adoptive immunotherapy. World Journal of Gastroenterology. 2015 Mar 7;21(9):2777-85.

- Yan-yan Long, **Yu Wang**, Qian-rong Huang, Guang-shun Zheng, Shun-chang Jiao. Measurement of serum antibodies against NY-ESO-1 by ELISA: A guide for the treatment of specific immunotherapy for patients with advanced colorectal cancer. Experimental and Therapeutic Medicine. 2014 Oct;8(4):1279-1284.

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Dr Wang was a member of the editorial board of Progress in Microbiology and Immunology (微生物學免疫學進展) from January 2011 to December 2013, a member of the editorial board Chinese Journal of Microbiology and Immunology (中華微生物學和免疫學雜誌) since December 2013 and a member of the editorial board of Chinese Journal of Biologicals (中國生物製品學雜誌) from August 2013 to August 2018.

**Jung Hyun Chul (鄭鉉哲),** aged 58, is as an executive Director and the chief strategy officer of our Group. He is mainly responsible for the overall resources allocation, commercialisation planning and providing support to our R&D team. As our chief strategy officer, Mr Jung is responsible for (i) strategising and facilitating our overall resource allocation; (ii) advising on our business development and commercialisation plans and strategies, especially for our R&D of EAL; and (iii) providing support, including introducing oversea suppliers, to our R&D team.

Mr Jung received a bachelor's degree in operational management and a master's degree in business administration from Yonsei University, Korea in February 1985 and February 1987, respectively.

Prior to joining our Group, from November 1988 to July 1989, Mr Jung served at S-oil Corporation) (stock code: 010950), a company listed on Korea Stock Exchange, principally engaged in producing petroleum, petrochemical, and lubricant products. Between November 1991 and April 1995, he served at Korea Industry Securities Co., Ltd* (韓國產業證券有限公司), a company principally engaged in securities trading and investments, where he was responsible for analysing chemical industry and producing reports on it.

Mr Jung joined Beijing Yongtai, one of our major PRC subsidiaries, in November 2006 as its director and since then, has been focusing on the business development and strategic aspects of our business. Mr Jung served as the chief executive director and director at Pharos Vaccine, a company based in the Republic of Korea whose principal business is R&D of cell therapy products in the Republic of Korea from April 2011 until his resignation in March 2019 with a view to focusing more on our business as our chief strategy officer and executive Director. He is also the founder, director and general manager of Beijing Sainuotai, a company incorporated in the PRC that provides consultation services on lymphocyte biosynthesis technology.

***Delineation of business between our Group and the affiliated companies of Mr Jung***

*Pharos Vaccine*

As at the Latest Practicable Date, Pharos Vaccine, a company incorporated in Korea principally engaged in R&D and manufacturing of vaccine and immunotherapy in Korea, was held as to approximately 7.00% effective interests by Mr Jung and the remaining 93.00% by a number of parties who, to the best knowledge of the Company, are Independent Third Parties. Pharos Vaccine only conducts its business in Korea, while our Group conducts our business in the PRC; and save as disclosed above, there is no overlapping management function between our Group and Pharos Vaccine. As confirmed by Pharos Vaccine, as at the Latest Practicable Date, Pharos Vaccine did not have any plan or intent to (i) operate cell therapy business, including but not limited to research, development and commercialisation of any cell therapy business in the PRC; or (ii) apply, register or utilise any patent in relation to cell therapy (including but not limited to patents relating to EAL technology used by the Group) in the PRC. Taking the aforementioned geographical delineation into account, our Directors consider that the business of Pharos Vaccine. is clearly delineated from the business of our Group and hence are of the view that Pharos Vaccine does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

*Beijing Sainuotai*

Mr Jung became acquainted with Dr Wang in 2004 when he became aware of her work on cancer research at the Cancer Biological Therapy and Diagnosis Centre in Beijing Cancer Hospital (北京腫瘤醫院). Impressed by Dr Wang's in-depth knowledge and professionalism in the area of cancer research, Mr Jung invited her to join Beijing Sainuotai as a director upon its establishment in 2005 as a PRC company wholly-owned by Mr Jung, with an initial business scope of development and provisions of consultation services on lymphocyte biosynthesis technology and an

initial task to explore in vitro lymphocyte expansion culture for cancer treatment, and she officially commenced to work there in November 2006. Through Innocell Corporation (which had purchased a cell preparation kit with reagent in respect of in vitro lymphocyte culture expansion from Lymphotec under a sales arrangement with typical terms relating to prohibition of redistribution and where his brother had a minority shareholding), Mr Jung facilitated the negotiation with Innocell Corporation and Lymphotec to allow Innocell Corporation to redistribute such cell preparation kit to Beijing Sainuotai in 2004, which arrangement formally commenced upon its establishment in 2005. According to Beijing Sainuotai, it believes that under such arrangement, Innocell Corporation anticipated that it could purchase such kits in larger volume after adding on Beijing Sainuotai's orders and hence could negotiate better contract terms with Lymphotec. With Lymphotec's prior consent to redistribution of the kits to Beijing Sainuotai, such kits (not the underlying technology) as products were sold to Innocell Corporation and the same were on-sold to Beijing Sainuotai with payment typically settled by bank transfer after delivery. Beijing Sainuotai purchased a total of 217 such kits , which included approximately 1,170 units of medium, for RMB1.31 million from 2005 to 2008 and did not purchase any such kits afterward. For the avoidance of doubt, our Group has never purchased such kits or reagents directly or indirectly from Lymphotec; in respect of any R&D of products based on the aforesaid reagents, we have never collaborated with Innocell Corporation or Lymphotec; we and Innocell Corporation or Lymphotec have never engaged any common or overlapping service providers in relation to any products related to the aforesaid cell preparation kits or reagent. Furthermore, with a view to fostering collaborations, leveraging R&D resources and sharing technical knowledge, Mr Jung and Dr Wang joined Beijing Yongtai upon its establishment as directors and under their leadership, with Mr Jung focusing on business development and strategic aspects and Dr Wang focusing on research and technical aspects of the business, Beijing Sainuotai and Beijing Yongtai worked together on a number of initial business milestones, including the initial task of development of a cell culture system for in vitro expansion of activated lymphocytes from 2005 to 2007, resulting in the filing of our patent of "Highly effective method for amplifying activated lymphocyte and cultivation system" in 2007. During this early stage in Beijing Sainuotai, such R&D work was mainly led by Dr Wang and supported by Shao Yi.

In and around 2011, the two companies conducted a business review as they proceeded to the next business milestone of commencement of pre-clinical studies on EAL® and determined that it is their best long-term interests to have Beijing Sainuotai focusing on consultation services on lymphocyte biosynthesis technology and Beijing Yongtai focusing on R&D activities and clinical studies of EAL® , having considered at that time that (i) performing pre-clinical studies on EAL® by one entity would be required for regulatory filing purposes, (ii) between the two companies, Beijing Yongtai was the only entity which had carried out all the clinical studies on EAL® and (iii) consultation services business and R&D business are clearly delineated and conducting them separately by two companies would better facilitate valuation and capital fundings by potential investors. Accordingly, since 2011, Beijing Yongtai has continued to focus on R&D activities and pre-clinical and clinical studies on EAL® and Beijing Sainuotai has gradually reduced its engagement in R&D activities with its R&D personnel leaving and the remaining outstanding R&D work mainly completed by its consulting personnel as mentioned below and since 2014, has completely ceased to engage in R&D activities and incur any R&D expenses.

As lymphocyte biosynthesis technology consulting service sector is a niche market in the PRC and with a view to prudently managing its business and financial, Beijing Sainuotai has generally maintained a team of 2 to 4 consulting personnel typically with educational background of undergraduate degrees in healthcare, biological engineering or biotechnologies. As its R&D personnel left after 2011, its consulting personnel with relevant background and qualification mainly took over and completed the remaining outstanding R&D work. During the Track Record period, such team consisted of Shang Wei (商偉), being the team leader with a degree in biotechnologies and applications and over ten years of experience, specialising in production and quality control aspects, in the biological engineering and pharmaceutical industry, and three other team members, two of whom led by Shang Wei were involved in performing the First Technical Service Agreement and the Second Technical Service Agreement entered into between us and Beijing Sainuotai. Please see "— Collaborations and Transactions between our Group and the affiliated companies of Mr Jung — Beijing Sainuotai". Given such niche market with limited demand, since 2014 and up to the Latest Practicable Date, Beijing Sainuotai has only been able to maintain and provide consultation services to a small number of customers, including companies engaged in the life science and healthcare products industry, all of which are Independent Third Parties to our Group and Beijing Sainuotai. Such consultation services included providing trainings, advisory and feasibility studies relating to operation procedure and process flow in the research of cell immunotherapy and lymphocyte biosynthesis technology. It functioned and operated by maintaining a team of consulting personnel with general technical background and experience in healthcare and biotechnologies who (i) provided training, conducted literature study and performed feasibility study of conceptual ideas depending on the requests by customers, such as providing a training on introduction of lymphocyte biosynthesis in the context of cellular immunotherapy (which would typically last for a few days) and conducting a literature and feasibility study on improving the production and quality control protocol (which would typically last for a few months), all without engaging in any R&D activities and (ii) provided customers with deliverables which primarily included training materials or feasibility reports which would not directly lead to any product commercialisation or sales. In contrast, we functioned and operated with core R&D activities, clinical trial protocol, a pipeline of core products and product candidates and product development cycles, which primarily aim to commercialisation and sales of such products. Therefore, we consider that since 2014 and up to the Latest Practicable Date, (i) there were no overlapping functions and operations between Beijing Sainuotai and us in this respect and (ii) Beijing Sainuotai's business and our business were clearly delineated.

As at the Latest Practicable Date, Beijing Sainuotai only engaged in lymphocyte biosynthesis technology consulting services, while the Group does not engage in the provision of such services; and having made due and careful enquiry, save as to Dr Wang and Mr Jung's directorship at Beijing Sainuotai, there is no overlapping management function between our Group and Beijing Sainuotai. Taking the aforementioned delineation by business models and the non-substitutability of the two businesses, our Directors consider that thebusiness of Beijing Sainuotai is clearly delineated from the business of our Group and hence are of the view that Beijing Sainuotai does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

*Nosong Life Science*

As at the Latest Practicable Date, Nosong Life Science is a company incorporated in the Republic of Korea, wholly-owned by Mr Jung's two daughters. Mr Jung does not hold any shareholding or hold any position in Nosong Life Science. Nosong Life Science is principally engaged in the provision of consultation services in relation to R&D of biologics and sales management in Korea, which the Group does not do. Taking the aforementioned geographical delineation into account, our Directors consider that the business of Nosong Life Science is clearly delineated from the business of our Group and hence are of the view that Nosong Life Science does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

***Reasons for the exclusion of the affiliated companies of Mr Jung***

In respect of Beijing Sainuotai, our Directors consider that it would not be appropriate for our Group to include Beijing Sainuotai based on the following reasons:

(a) since 2011, Beijing Sainuotai has gradually reduced its engagement in R&D activities and since 2014, has completely ceased to incur any R&D expenses. After 2014, it only derived revenue from us pursuant to the First Technical Service Agreement and the Second Technical Service Agreement (as defined below) in 2018 which amounted to RMB1.04 million and a patent transfer agreement in 2019. The two technical service agreements mainly involved feasibility studies of conceptual ideas which did not materialise. The patent transfer agreement only involved the patent "Method for proliferating and activating lymphocytes through serum-free culture" filed in 2013, was of a capital nature and was entered into for the purpose of better delineation. As such, we consider these transactions as one-off and insignificant. As of the Latest Practicable Date, given that Beijing Sainuotai only engaged in consultation services without any R&D activities, which is clearly delineated from our business and its sole shareholder, Mr Jung, has entered into a deed of non-competition dated 6 June 2020, our Directors consider that it will not compete against us;

(b) our total service fees under the two technical service agreements only accounted for approximately 1.37% of our total purchase for the year ended 31 December 2018 and since then, we had not procured and we do not intend to procure further technical services from Beijing Sainuotai, especially as the key consultant staff has left Beijing Sainuotai and joined us in 2019;

(c) our Controlling Shareholders have never had any shareholdings or board representation in Beijing Sainuotai and there is no plan to incorporate Beijing Sainuotai into our Group as our Directors believe that by focusing our human and financial resources in the research, development, and commercialisation of T cell immunotherapy, we would position ourselves better in achieving successful and timely development and regulatory approval of our product candidates;

(d) given that Beijing Sainuotai was wholly owned by Mr Jung and our Group was ultimately owned by diversified shareholders during the Track Record Period, our Directors consider that inclusion of Beijing Sainoutai would involve onerous and costly procedures, including (i) firstly, such diversified shareholders to reach a consensus on including Beijing Sainuotai's consultation services as part of our business and future development and (ii) secondly, our Group and Mr Jung to negotiate and agree on the commercial terms and valuation of the our Group and Beijing Sainuotai, both of which would also involve uncertainty and may be unsuccessful, and hence is not in the best interest of our shareholders and investors;

(e) excluding the consultation service business of Beijing Sainuotai from our Group would give a clear focus to investors when they make their decision in investing in our Shares.

In respect of the other affiliated companies of Mr Jung, after having considered that none of them conducts any business that competes or is likely to compete, either directly or indirectly, with our business, our Directors are of the view that none of these companies is subject to disclosure pursuant to Rule 8.10 of the Listing Rules and confirm that as at the Latest Practicable Date, there is no plans to incorporate any of these companies into our Group as our Directors believe that by focusing our human and financial resources in the research, development, and commercialisation of T cell immunotherapy, we would position ourselves better in achieving successful and timely development and regulatory approval of our product candidates.

***Collaborations and Transactions between our Group and the affiliated companies of Mr Jung***

Below is a summary of the collaborations and transactions between our Group and the affiliated companies of Mr Jung during the Track Record Period and up to the Latest Practicable Date.

*Beijing Sainuotai*

In August 2018, Beijing Yongtai and Beijing Sainuotai entered into a technical service agreement (the "**First Technical Service Agreement**") pursuant to which Beijing Sainuotai agreed to provide technical services in relation to a feasibility study on ways to improve the production and quality control protocol for our EAL® research. Beijing Yongtai agreed to provide research samples to Beijing Sainuotai. The technical service fee under the agreement was RMB0.28 million (excluding value-added tax payable). According to the agreement, all the intellectual property rights developed thereunder belong to Beijing Yongtai. The transaction was negotiated on good faith and entered into on normal commercial terms. The performance of the agreement has been completed and all outstanding fee has been fully settled as of the Latest Practicable Date.

In November 2018, Beijing Yongtai and Beijing Sainuotai entered into a second technical service agreement (the "**Second Technical Service Agreement**") pursuant to which Beijing Sainuotai agreed to provide technical services in relation to a feasibility study on utilising certain EAL production and quality control protocol for our CAR-T research. Beijing Yongtai agreed to provide, among other things, research materials in relation to CAR-T. The technical service fee under the second technical service agreement was RMB4.0 million. According to the agreement, all the intellectual property rights developed thereunder belong to Beijing Yongtai. The transaction was negotiated on good faith and entered into on normal commercial terms.

In August 2019, Beijing Yongtai and Beijing Sainuotai entered into a supplemental agreement (the "**Supplemental Agreement**") whereby both parties agreed to terminate the Second Technical Service Agreement as Beijing Yongtai no longer required such service from Beijing Sainuotai. Under the Supplemental Agreement, Beijing Yongtai paid RMB0.75 million (excluding value-added tax payable) as consideration for the service already rendered in 2018 (as no service was rendered in 2019) and both parties agreed to waive the outstanding amount payable to Beijing Sainuotai and the ongoing performance by Beijing Sainuotai. Both parties' rights and obligations under the Second Technical Service Agreement have been fully discharged from the date of the Supplemental Agreement.

In July 2019, Beijing Yongtai and Beijing Sainuotai entered into a patent transfer agreement whereby Beijing Sainuotai agreed to transfer two patents in relation to the method for proliferating and activating lymphocytes through serum-free culture to Beijing Yongtai for a consideration of RMB7.13 million, which was determined based on a valuation report by an Independent Third Party. The transfer was completed in July 2019 and the consideration was fully settled in August 2019. See "Business — 8. Intellectual Property" for the details of such patents.

In February 2016, Beijing Sainuotai and Pharos Vaccine Inc. have jointly filed a registration application for a patent relating to hepatitis B virus CAR-T cell technology in the PRC. As at the Latest Practicable Date, the registration application is in progress and based on a verbal agreement, it is intended that once registered Beijing Sainuotai's right in the patent will be arranged to be formally transferred to our Group and, after completion of such transfer, the patent will be jointly held by our Group and Pharos Vaccine, subject to approval and valuation of the patent, further negotiation among the parties, the requirements under Chapter 14A of the Listing Rules (if applicable) and settlement of the consideration to be agreed, as the parties are of the view that such patent could be better utilised in the PRC in our business than Beijing Sainuotai as a consultation service provider. In anticipation of such potential transfer, since October 2019, as agreed between Beijing Yongtai and Beijing Sainuotai, Beijing Yongtai has replaced Beijing Sainuotai as a co-applicant of the patent application and responsible for future development and improvement of the patent and utilising for the potential commercialisation opportunities. Furthermore, Beijing Yongtai and Beijing Sainuotai have entered into a deed of undertaking dated 6 June 2020 under which Beijing Yongtai is entitled to a right of first refusal to have the first priority to acquire the patent upon its approval and the consideration will be further negotiated but will not exceed RMB100,000. See "Business — 8. Intellectual Property" for the details of such patent application.

Our Directors believe that the key R&D contribution to our Group resulting from the patent transfer transactions with Beijing Sainuotai is as follows: the aforesaid two patents transferred to us are relevant and would positively contribute to our research, development and commercialisation of EAL and the aforesaid patent application to be formally transferred to us are also relevant and would positively contribute to the research, development and commercialisation of our CAR-T product candidates. Furthermore, the early collaboration and resource sharing with Beijing Sainuotai have positively contributed to our achievement of business milestone of commencement of pre-clinical studies on EAL in 2011. During the course of the above transactions, there was no significant sharing of facilities, equipment or technologies between Beijing Sainuotai and us, save as to, relating to the First Technical Service Agreement and the Second Technical Service Agreement, (a) sharing of our conference rooms in our leased office in Beijing with them for weekly meeting purpose in the second half of 2018 and (b) sharing of research samples and materials with them, which were strictly used for purpose of the relevant feasibility studies and had been either used up or returned to us upon completion of such transactions; the related costs were immaterial and were borne by us.

*Pharos Vaccine*

We collaborated with Pharos Vaccine in the development of our CAR-T-19-DNR and aT19 product candidates. Yongtai Ruike and Pharos Vaccine are among the co-applicants for the two patent applications for the technology underlying such two product candidates, namely "improved therapeutic T cells" (the "**First Patent Application**") and "improved T cell therapeutic methods" (the "**Second Patent Application**"), which were submitted in April 2019.

We also collaborated with Pharos Vaccine for the development of certain lentiviral vectors. Beijing Yongtai and Pharos Vaccine are the co-applicants for the patent application relating to such development in relation to CAR-T (including CAR-T-19) and TCR-T product candidates (the "**Third Patent Application**"), which was also submitted in April 2019.

Furthermore, after completion of the potential patent transfer as set out in "— Beijing Sainuotai" above, such patent relating to hepatitis B virus CAR-T cell will be jointly held by our Group and Pharos Vaccine. Since October 2019, Beijing Yongtai and Pharos Vaccine have been the co-applicants for such patent application (the "**Fourth Patent Application**"). Any consideration to be paid by Beijing Yongtai for such patent transfer will be subject to approval and valuation of the patent and further negotiation among the parties. Please refer to "— Collaborations and Transactions between our Group and the affiliated companies of Mr Jung — Beijing Sainuotai" above for further details.

With Dr Zhang, the chief scientist of our Group, together with Dr Wang and Dr Kim, the co-CTOs of our Group, each with more than 10 years of experience in the medical field or research in biology, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates, our Directors believe that we have sufficient knowledge and expertise in developing and commercializing the patent applications from the aforesaid collaborations. As at 31 December 2019, our R&D team in relation to CAR-T and TCR-T research consisted of 30 staff members.

The mutual benefits to us and Pharos Vaccine from the above collaborations are as follows. Having considered that its principal business being only conducted in Korea and our business being in the PRC, Pharos Vaccine has acknowledged with us that we have all the rights in the PRC derived from the First Patent Application, the Second Patent Application, the Third Patent Application and the Fourth Patent Application. Pharos Vaccine has undertaken (1) to waive all such rights in the PRC; and (2) that if we so request, Pharos Vaccine will promptly assign its rights in the PRC derived from the joint patent applications to us or as we may direct. As of the Latest Practicable Date, while no patents or patent applications resulting from the aforesaid collaborations have been filed in the Republic of Korea, we have given the same acknowledgement and undertaking to Pharos Vaccine as to any such rights derived from any such future patents or patent applications filed in the Republic of Korea. Other that these reciprocal acknowledgement and undertaking, there is no other consideration between Pharos Vaccine and us.

See "Business — 8. Intellectual Property" for the details of the aforesaid patent applications. Our Directors believe that the key R&D contribution to our Group resulting from the collaboration with Pharos Vaccine is as follows: the First Patent Application, Second Patent Application, Third Patent Application and Fourth Patent Application to which we are the co-applicants are relevant and would positively contribute to the research, development and commercialisation of our (i) CAR-T-19-DNR, (ii) aT19, (iii) CAR-T and TCR-T and (iv) CAR-T product candidates, respectively. During the course of the above collaborations, there was no significant sharing of facilities, equipment or technologies between Pharos Vaccine and us, save as to (a) sharing of the relevant know-how and knowledge during scientific discussions between the respective R&D teams, that did not result in any ownership transfer of such know-how and knowledge and were fully protected by the relevant non-disclosure agreements between the parties and (b) sharing of the mutual benefits from the collaborations as disclosed above. There were no related costs relating to such sharing.

*Nosong Life Science*

In May 2017, Beijing Yongtai and Nosong Life Science entered into a technology development service agreement in relation to the R&D of the production technology for CAR-T-19 injection product candidate and the service fee payable by us under such agreement is US$0.8 million. Under the terms of the agreement, Nosong Life Science was obligated to invest in the relevant manpower, research equipment, accumulated technology, and know-how, and we were obliged to actively participate and assist Nosong Life Science to develop a protocol of production and quality control related technology for CAR-T-19 injection product candidate. We are entitled to the ownership of any such technology developed and all the rights derived therefrom, including the relevant technologies, know-how, information, documents and materials relating to the product candidate. We are entitled to conduct further R&D to productise such technology, file IND applications, perform clinical trials, manufacture and sell the CAR-T-19 injection product candidate manufactured based on a production form of such technology in China. All the fees in relation to the IND applications, clinical trial and other relevant fees are paid by the Group. The terms of the agreement were negotiated on good faith and entered into on normal commercial terms. The performance of the agreement was completed and all service fee has been fully settled by us in May 2018.

While no patent or patent application rights have been generated from the transaction above, with reference to the protocol of production and quality control related technology for CAR-T-19 injection product candidate developed therefrom, we have enhanced our production and purification technology platform for plasmids and viral vectors and updated our CAR-T-19 cell manufacturing process, which helped us to achieve reliable mass production of lentiviral vectors that meet clinical application standards for use in the production of various genetically-modified cells. Subsequent to these enhancements in manufacturing and quality control process for CAR-T-19 injection, we conducted pharmacodynamics and toxicology studies on animals and then filed an IND application for the CAR-T-19 injection product candidate in 2019. During the course of the above transaction, there was no significant sharing of facilities, equipment or technologies between Nosong Life Science and us, save as to sharing of the relevant know-how and knowledge during scientific discussions between the respective R&D teams, that did not result in any ownership transfer of such know-how and knowledge and were fully protected by the relevant non-disclosure agreement between the parties. There were no related costs relating to such sharing.

***Measures for managing potential conflict of interests between our Group and the affiliated companies of Mr Jung***

Having made due and careful enquiry and save as disclosed in this prospectus, our Directors confirm that (i) none of our key suppliers overlapped/overlaps with any of the key customers or suppliers of each of Mr Jung's affiliated companies; (ii) none of our R&D staff overlapped/overlaps with any of the R&D staff of each of Mr Jung's affiliated companies; and (iii) except those as required only during, and had ceased upon completion of, certain of the aforesaid collaborations and transactions as disclosed in "— Collaborations and Transactions between our Group and the affiliated companies of Mr Jung" above, there was no sharing of facilities, equipment or technology between us and Mr Jung's affiliated companies, in each of the years during the Track Record Period and up to the Latest Practicable Date.

Our Directors consider that there are adequate measures in place to manage the potential conflict of interest between our Group and the affiliated companies of Mr Jung, including:

(a) although Dr Wang and Mr Jung hold directorships at Beijing Sainuotai, each of Dr Wang and Mr Jung has entered into a deed of non-competition on 9 April 2019 and 6 June 2020, respectively and pursuant to which each of them are required to devote all of his or her working time and attention to the business of our Group. Therefore, such arrangement will not affect the proper discharge and performance of their function and duties towards our Group;

(b) each of the Directors, including Dr Wang and Mr Jung, has confirmed that they do not own any business competing or is likely to compete with our business. See " — 6. Key terms of employment contract" below for details. Under the deed of non-competition entered into by each of Dr Wang and Mr Jung, they are not allowed to carry on or be employed by any business in Hong Kong and the PRC which is in competition with businesses of R&D and commercialising cellular immune technologies and relevant drugs;

(c) the management and operation of our Group are managed and supervised independently by our Board and not by any individual Director. Our Board acts collectively by a majority decision according to the Articles of Association, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles of Association and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board;

(d) the entitlement to the relevant technologies, know-how and intellectual property procured during the collaboration between our Group and the affiliated companies of Mr Jung have been determined by each of the agreement entered into between our Group and the affiliated companies of Mr Jung. Save and except for the Fourth Patent Application, all of the collaborations and transactions with the companies affiliated with Mr Jung have been completed and the Company does not anticipate to enter into any new collaboration or transaction with affiliates of connected persons, including Mr Jung or Dr Wang. See "Collaborations and Transactions between our Group and the affiliated companies of Mr Jung" for details of the agreements;

(e) we have adopted a conflict of interest policy, pursuant to which before the Group enters into any technology or R&D collaboration and transaction with any entities affiliated or controlled by any Directors or their associates, the relevant Director must declare his or her interest to the Board and the terms of such collaboration or transaction will be reviewed and approved by all INEDs, with the assistance of external independent legal advisers on an as-needed basis, to ensure that the terms of the collaboration or transaction are on normal commercial terms and arm's length basis; and

(f) upon Listing, the transactions entered into by the Group will be subject to the Listing Rules and corporate governance measures.

**Si Xiaobing (司小兵)**, aged 39, was appointed as a non-executive Director in August 2019. Mr Si received a bachelor of science degree in acupuncture and massage therapy from Shanxi University of Chinese Medicine (山西中醫藥大學), the PRC in July 2003 and a master of science degree in acupuncture and massage therapy from Gansu University of Chinese Medicine (甘肅中醫藥大學), the PRC in July 2007.

Mr Si has taken up managerial roles in various enterprises prior to joining our Group. Mr Si joined our Group in March 2018 as a manager assistant. Prior to joining our Group, from February 2009 to January 2012, Mr Si was an engineer at Tianjin Boai NKY Internationals Ltd (天津博愛新開源國際貿易有限公司), where he was responsible for the R&D of new pharmaceutical products. From February 2012 to January 2013, he was a manager assistant at Beijing Zhong Sheng Bang New Materials Research Institute Co., Ltd* (北京中盛邦新材料研究院有限公司), a company primarily engaged in materials technology research. From January 2014 to November 2016, Mr Si was a project manager at Peking University V-Ming (Shanghai) Investment Holdings Co., Ltd (北大未名(上海)投資控股有限公司), a PRC company principally engaged in properties

investment and equity funds. From April 2017 to March 2018, he was a manager of the marketing department at Beijing Huanuo Aomei Gene Biotechnology Co., Ltd* (北京華諾奧美基因生物科技有限公司), a PRC service provider in the life science and clinical medicine industries.

**Lu Yuan (陸遠)**, aged 30, was appointed as our non-executive Director in August 2019. Mr Lu graduated with an associate degree in electromechanics from Shenyang Aerospace University (瀋陽航空航天大學) the PRC, by way of distant learning, in July 2011. From March 2008 to March 2018, he was a supervisor at Beijing Jiamo Economic and Cultural Development Co., Ltd* (北京佳矩經濟文化發展有限責任公司), a PRC company principally engaged in organising cultural exchange activities and events in the PRC, where he was responsible for the management of the marketing department of the company. From May 2019 to August 2019, Mr Lu was a supervisor at China MoH Ltd* (摩氫科技有限公司), a company engaged in providing clean electricity in the PRC, where he was responsible for supervising the management of the company.

**Li Yuezhong (李月中)**, aged 50, was appointed as a non-executive Director in August 2019. In June 1993, Mr Li obtained a bachelor's degree in finance from Hunan University of Finance and Economics* (湖南財經學院), (currently known as Hunan University (湖南大學)) in the PRC. In December 2005, he received a master's degree in finance from University of Hong Kong.

Mr Li has over 15 years of experience in funds management. From May 2000 to July 2005, Mr Li was an executive director at UB China Business Management Co. Ltd. (友聯中國業務管理有限公司), a subsidiary of Industrial and Commercial Bank of China (Asia) Limited ("**ICBC (Asia)**") (a company listed on Hong Kong Stock Exchange, stock code: 1398), engaging in the management of the impaired loan portfolio of ICBC (Asia) in the PRC. From July 2005 to May 2009, he was an assistant general manager at China Merchants China Investment Management Limited (招商局中國投資管理有限公司), a fund management company incorporated in Hong Kong, where he was responsible for supervising project investment and management. From June 2009 to February 2019, he was a joint managing director at CCB International Asset Management Limited (建銀國際資產管理有限公司), an asset management company established in Hong Kong. Since February 2019, he has been a joint general manager of Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a Hong Kong company that provides fund investment financing services to professional investors, where he is responsible (along with other managers and responsible officers) for managing Greater Bay Area Development Fund Management Limited's role as the investment manager of Greater Bay Area Homeland Development Fund LP. Since June 2019, Mr Li has been a director of Poly Platinum, one of our Pre-IPO Investors. For further information in relation to Poly Platinum and its Pre-IPO investment, see "History, Reorganisation and Corporate Structure — 6. Pre-IPO Investments".

Mr Li is also a responsible officer for Type 1, 4 and 9 regulated activities for Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司) under the SFO.

**INEDs**

**Wang Yingdian (王英典),** aged 58, was appointed as an INED in June 2020 and taking effect from the date of this document. He is mainly responsible for providing independent opinion and judgment to our Board.

Professor Wang obtained a bachelor's degree in biology and a master's degree in physiology of plants in Northeast Normal University (東北師範大學) in the PRC in July 1983 and July 1988, respectively. In March 1997, he received a Ph.D. in crop production from Iwate University in Japan.

Professor Wang has over 15 years of experience in academia with a research focus on plant biology. Professor Wang has been a distinguished professor of College of Life Sciences at Beijing Normal University (北京師範大學) since September 2002 and was an independent non-executive director of Beijing Beilu Pharmaceuticals Company (北京北陸藥業股份有限公司) (stock code: 300016), a China-based company listed on Shanghai Stock Exchange, principally engaged in the research, development, production and distribution of pharmaceutical product, from June 2014 to December 2015.

**Ng Chi Kit (吳智傑),** aged 47, was appointed as an INED in June 2020 and taking effect from the date of this document. He is mainly responsible for providing independent opinion and judgment to our Board.

Mr Ng obtained a bachelor of arts in accountancy in Hong Kong Polytechnic University in November 1997. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association Chartered Certified Accountants since June 2006.

Mr Ng has over 20 years of experience in accounting and audit. He worked at Nelson Wheeler from August 1997 to February 2000. He joined Nelson Wheeler as an audit intermediate and was promoted to audit semi-senior in August 1998. From March 2000 to November 2009, He worked at the assurance and advisory business services department in Ernst & Young where he initially served as a staff accountant, and was promoted to senior accountant in October 2001. He was later promoted to senior manager in October 2006.

Mr Ng has been serving as an independent non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 951) and principally engaged in the manufacture and sale of lead-acid motive batteries, lithium-ion batteries and other related products, since December 2010. He has been the chief financial officer and company secretary of Suchuang Gas Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1430) and principally engaged in the distribution and sale of piped natural gas, provision of natural gas transaction and construction and installation of gas pipelines in the PRC, since December 2013. He has been an independent non-executive director and a member of the audit committee of Great Wall Motor Company Limited, a company listed on Main Board of the Hong Kong Stock Exchange (stock code: 2333) and principally engaged in the manufacture and sale of pick-up trucks and sport-utility vehicles in China, since May 2017.

**Peng Sujiu (彭素玖)**, aged 41, was appointed as an INED in June 2020 and taking effect from the date of this document. She is mainly responsible for providing independent opinion and judgement to our Board.

Ms Peng obtained a bachelor's degree in accounting from University of South China (南華大學) in the PRC in June 2002. She obtained a medium level accountant certificate from the Shanghai Human Resources and Social Security Bureau in the PRC in August 2010. She then became a registered member of the Chinese Institute of Certified Public Accountants in February 2019.

Ms Peng has over 5 years of experience in finance and accounting industry. From July 2002 to December 2005, she was a cashier at the Shanghai headquarter of Shanghai Shanxing Economic &Trading Co., Ltd (上海山興經貿有限公司), a company that sells steel coils, cold rolled plates, hot rolled plates and other related products. From April 2012 to December 2013, she was a financial manager at Shanghai Pinrui Medical Equipment Co., Ltd* (上海品瑞醫療器械設備有限公司), a PRC company principally engaged in manufacturing and developing high-tech dental equipment, where she was responsible for financial management of the company. From January 2014 to April 2016, she served as a financial manager for Shanghai JL&C Furniture Co., Ltd* (上海捷隆傢俱有限責任公司), a company engaged in household furniture manufacturing, where she was responsible for budget control and approval. Since July 2016, she has been working as a financial director of Shanghai Jianchu Medical Instrument Co., Ltd. * (上海建儲醫療器械有限公司), a company engaged in the sale of medical reagents and medical instruments, where she was responsible for overseeing the accounting and financial reporting functions of the company.

## COMPETITION

Save as disclosed above, each of our Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biotechnology industries, including companies whose products may directly or indirectly compete with ours. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

## 2. SENIOR MANAGEMENT

Our senior management is responsible for the daily operation of our business.

The following table provides certain information about other members of our senior management team:

| Name | Age | Position | Time of joining our Group | Date of appointment as senior management | Roles and responsibilities in our Group |
|---|---|---|---|---|---|
| Yang Ning (楊寧) | 38 | Chief financial officer | 1 April 2019 | 1 April 2019 | Responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters |
| Zhang Jian (張鍵) | 49 | Senior vice president | 5 February 2018 | 5 February 2018 | Responsible for managing the clinical trials, medical services, daily management and sales network |
| Kim Ho-un (金浩彥) | 58 | co-CTO | 1 December 2018 | 1 December 2018 | Responsible for leading the Korea research team and liaise with the research and commercialisation in China |
| Zhang Yu (張毓) | 56 | Chief scientist | 24 December 2018 | 24 December 2018 | Responsible for leading the China R&D team |

**Yang Ning (楊寧)**, aged 38, is the chief financial officer of our Group and he is responsible for overseeing the corporate finance, financial reporting, compliance and company secretarial matters of our Group. Mr Yang was awarded dual bachelor's degrees in art and economics from Peking University (北京大學) in the PRC in July 2003. He also obtained a master's degree of commerce from The University of Queensland, Australia in December 2005. He has been a member of CPA Australia since March 2010 and a member of the Chinese Institute of Certified Public Accountants since June 2016.

Mr Yang has over 10 years of experience in accounting and finance. Mr Yang worked as an auditor at Ernst & Young Hua Ming LLP from December 2006 to December 2010, where his last position was a senior auditor. From December 2010 to April 2017, he worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP, Beijing Branch, where his last position was senior manager at the audit and assurance department. From February 2016 to February 2017, he was assigned by Deloitte Touche Tohmatsu to act as an advisory assistant at China Securities Regulatory Commission, where he was responsible for the analysis and review of annual reports, improving the information disclosure regime, and providing professional support for the regulation of the accounting profession.

From April 2017 to March 2019, Mr Yang was a director and the secretary of the board of directors of Puritek Co. Ltd* (博瑞德環境集團股份有限公司), a PRC company specialising in technology research and development in the field of sewage treatment and environment protection.

**Zhang Jian (張鍵)**, aged 49, is the senior vice president of our Group, and he is responsible for managing the clinical trials, medical services, daily management and sales network.

Mr Zhang has more than 20 years of experience in the pharmaceutical industry. From 1995 to 1998, he was a Sales Manager at the Tianjian Office of Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a PRC pharmaceutical company that develops and produces medical drugs. From 1998 to 2005, he worked at Jinfang Pharmaceutical Company (西安高科陝西金方藥業公司), a PRC pharmaceutical company that engages in research, development and sales of drugs, his last position was a regional marketing general manager of the Northern China region. From 2005 to January 2016, he worked as a general manager at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a company primarily engaged in wholesale of drugs. From August 2013 to January 2016, Mr Zhang was a general manager for Xi'an Shangwo Medical Technology Co. Ltd* (西安尚沃醫療科技有限公司) a company engaged in, among other things, sales and technology research of medical device, while he was working at Xi'an Xingye Pharmaceutical Co., Ltd* (西安興業醫藥有限公司), a PRC pharmaceutical company that engages in the sale of Chinese medicines, antibiotics and biochemicals. From February 2016 to February 2018, he worked as a general manager at Wuhan Heer Medical Technology Development Co., Ltd.* (武漢呵爾醫療科技發展有限公司), a PRC company engaged in the development and manufacture of cancer screening and analysis systems.

**Kim Ho-un (金浩彥)**, aged 58, is the co-CTO of our Group and he is responsible for (i) leading our Korea research team; and (ii) together with Dr Wang and Dr Zhang, our chief scientist, leading our R&D team in exploring and developing CAR-T and TCR-T related therapies and product candidates.

Dr Kim received a bachelor of science degree in microbiology and a master of science degree in microbiology from Seoul National University, Korea in February 1984 and February 1986, respectively. He served in the armed force of Republic of Korea from June 1986 to February 1989. In February 1995, he obtained his Ph.D in molecular biosciences and biological chemistry from University of Chicago, the United States.

Dr Kim has over 10 years of experience in the research field of biology. After obtaining his Ph.D., he worked as a research associate at University of Chicago from February 1995 to July 1996. From July 1995 to December 1999, he was a research associate at Howard Hughes Medical Institute/UT Southwestern Medical Center at Dallas, the United States. From April 2000 to March 2003, he was an assistant professor at Seoul National University, Korea. From April 2003 to March 2005, he was a director at the institute of biotechnology of Histostem Co., Ltd, a Korea based company principally engaged in cell therapy research. From August 2005 to April 2018, he was a vice president at Aprogen, Inc, a Korea based biotech company that develops protein and antibody therapeutics products, where he was responsible for R&D.

**Zhang Yu (張毓)**, aged 56, is the chief scientist of our Group and he is responsible for leading the China R&D team.

In July 1984, Dr Zhang obtained a bachelor degree from the medical faculty of the Fourth Military Medical University (第四軍醫大學) (now known as Air Force Medical University (空軍軍醫大學)), the PRC. He also obtained a master's degree in immunology from The Second Military Medical University (第二軍醫大學), the PRC in July 1987 and a Ph.D. in medical biophysics from University of Toronto, Canada in October 1997.

Dr Zhang has around 15 years of experience in the medical field, specialising in lymphocyte development and tumour immunity studies. During his scientific research career, Dr Zhang has authored a number of scientific publications in journals including Frontiers in Immunology, The Journal of Immunology, Oncogene, and Scientific Reports.

From October 2004 to September 2009, he worked at the immunology department of Peking University Health Science Center (北京大學醫學部) as a professor. He became the head of immunology department of Peking University Health Science Center in September 2009 and then became the assistant dean of the School of Basic Medical Sciences of Peking University (北京大學基礎醫學院) in May 2013.

## 3. OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Except as disclosed in this prospectus, none of our Directors and senior management hold any other positions within our Group.

Except as disclosed above, none of our Directors and senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

None of our Directors and senior management is related to other Directors and senior management.

For the business address of our senior management, please see the address of our principal place of business in the PRC in "Corporate Information".

## 4. JOINT COMPANY SECRETARIES

**Yin Mengyang (尹夢洋),** aged 25, was appointed as one of the joint company secretaries of our Company on 23 August 2019. Ms Yin passed the Certificate of Accounting Profession awarded by Beijing Municipal Finance Bureau in June 2015. Ms Yin joined our Group in February 2018 and has been our chairman assistant since then. She is responsible for the company secretarial and administrative matters of our Group.

Prior to joining our Group, Ms Yin worked at Beijing Aohua Xiangming Pharmaceutical Technology Co. Ltd* (北京傲華翔明醫藥科技有限公司), a company principally engaged in technology development and transfer and the sale of chemical product, from August 2016 to January 2018, where her last position was a general manager assistant. Ms Yin obtained a bachelor of business administration degree from the Institute of Disaster Prevention, Hebei, the PRC in June 2017.

**Leung Shui Bing (梁瑞冰)**, aged 43, is a joint company secretary of our Company. Ms Leung is a manager of the listing services department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms Leung obtained a bachelor's degree in business and management studies (Accounting and Finance) from University of Bradford, the United Kingdom in July 2008, and a master's degree in corporate governance from Open University of Hong Kong in August 2017. She was admitted as an associate member of the Hong Kong Institute of Chartered Secretaries in December 2017. Ms Leung is currently the joint company secretary of Shanghai Kindly Medical Instruments Co., Ltd. (stock code: 1501), a leading Chinese cradio vascular interventional device manufacturer, and IntelliCentrics Global Holdings Ltd. (stock code: 6819), a company which operates credentialing platform for compliance and security purposes in the healthcare industry both of the companies are listed on the Hong Kong Stock Exchange.

Ms Leung is not an employee of our Company but will coordinate with Ms Yin, the other joint company secretary, in discharging her duties as one of the joint company secretaries of our Company.

## 5. BOARD COMMITTEES

### Audit Committee

We established an audit committee on 6 June 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, being three INEDs, namely Ng Chi Kit, who is the chairman of the audit committee, Professor Wang, and Peng Sujiu. Mr Ng Chi Kit is an INED possessing the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

### Remuneration Committee

We established a remuneration committee on 6 June 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, being three INEDs, namely Ng Chi Kit, Peng Sujiu and Wang Yingdian, who is the chairman of the remuneration committee. The primary duties of the remuneration committee include, amongst others, the following matters: (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

### Nomination Committee

We established a nomination committee on 6 June 2020 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee comprises of three members, being two of the INEDs, being Peng Sujiu and Wang Yingdian and one executive Director, being Mr Tan, who is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

## 6. KEY TERMS OF EMPLOYMENT CONTRACT

Our terms of employment with our key management and technical staff (other than Directors) along with our employment handbook, as amended from time to time, contain confidentiality and other restrictions to safeguard our business. The key terms of which are set out below:

- *No conflict:* During the term of the employment contract, unless expressly agreed by us, the employee shall not engage in any part-time job or activities that create a conflict of interest with us.

- *Confidentiality:* During his employment and prior to the expiry of two years after its termination thereof, the employee shall not leak, disclose, publish, announce, issue, teach, transfer or make any third party (including employees who are not privy to such trade secrets) aware of any trade secret of ours or our customers in any manner. The employee must not at any time utilise such trade secret on his own beyond his/her scope of work.

- *Non-competition:* The employee shall not compete with us, directly or indirectly, during their employment. Within two years after the termination or expiration of the employment contract, the employee shall not serve in any capacity (including as an employee, consultant, director or agent) at any company which may compete with us for a specified period.

- *Inventions arrangement:* Technical achievements made by the employee in connection with his employment shall belong to the Company. Rights and interests in any work, patent, copyright and other intellectual property produced with the use of our equipment, technology and information during the course of employment belong to us.

- *Non-solicitation:* Within two years after the termination of the employment, the employee shall not directly or indirectly employees of our Group to leave their employment or solicit or otherwise influence our customers or suppliers to restrict or cancel their business relationship with us.

In addition to the standard terms of the employment contracts set out above, each of our key technical employees, namely Dr Wang, Lee Hyunsoo, and Jung Namchul has entered into a deed of non-competition dated 9 April 2019 in favour of our Company and Poly Platinum.

Pursuant to such deed, each of them has undertaken to, among other things, (i) devote all of his or her working time and attention to the business of the Group; (ii) not solicit or entice away any employee, director, consultant or agent of members of the Group; (iii) not carry on or be employed by any business in Hong Kong and the PRC which is in competition with business of researching, developing and commercialising cellular immune technologies and relevant drugs. The undertaking is effective for nine months upon termination or expiration of the employment contract.

For information on our Directors' service contracts, see "Statutory and General Information — C. Further information about our Directors — 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this prospectus.

## 7. DIVERSITY POLICY

Our Board has adopted a board diversity policy. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. In considering the optimal composition of our Board, our Board shall exercise its discretion to review diversity from a wide array of perspectives, including but not limited to, technical and professional knowledge and skills, professional qualifications, regional and industry experience, educational and cultural background, industry knowledge and reputation, gender, age, ethnicity, nationality, language skills, length of service and time to be devoted as a director, and where possible, maintain balance from such perspectives. Appointments to our Board should be made based on merits and the contributions that the individual is expected to bring to our Board, with due regard to the benefits of diversity in our Board.

Our nomination committee is delegated by our Board to be responsible for compliance with our diversity policy and relevant codes governing board diversity under the Corporate Governance Code. Subsequent to the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness, and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

In respect of our Board's gender diversity, two out of nine of our Board members are female, and while we recognise that the gender diversity of our Board can be improved given its current composition of a majority of male Directors, we will continue to apply the principle of appointments based on merits with reference to our board diversity policy.

## 8. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of emoluments which was paid or payable to our Directors for the years ended 31 December 2018 and 2019 were approximately RMB0.8 million and RMB2.4 million, respectively. For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 12 of the Accountants' Report set out in Appendix I to this prospectus.

The aggregate amount of remuneration including salaries and other allowances, retirement benefits and equity-settled share-based payment expense of the five highest paid individuals of our Group for the years ended 31 December 2018 and 2019, were approximately RMB1.5 million and RMB4.9 million, respectively. For the years ended 31 December 2018 and 2019, one and two Directors were among the five highest paid individuals.

It is estimated that the aggregate amount of the Directors' remuneration, excluding discretionary bonus, for the year ending 31 December 2020 is estimated to be approximately RMB3.5 million under arrangements in force at the date of this prospectus. During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

For information on our Directors' service contracts and their remuneration, see "Statutory and General Information — C. Further information about our Directors — 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this prospectus for details.

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management which, following the Listing, will receive recommendations from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group.

## 9. COMPLIANCE ADVISER

We have appointed Guosen Securities (HK) Capital Company Limited ("**Guosen Capital**") as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between our Company and Guosen Capital include the following:

(a) Guosen Capital is appointed by our Company as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date or on the date on which such agreement is terminated pursuant to the terms thereof, whichever is earlier, and

(b) pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and, if necessary, seek advice from the Compliance Adviser on a timely basis in the following circumstances:

  (i) before the publication of any regulatory announcement, circular or financial report,

  (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases,

  (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus, or

  (iv) where the Hong Kong Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

## 10. SHARE OPTION SCHEMES

### Pre-IPO Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for our Shares. The principal terms of the Pre-IPO Share Option Scheme are summarised in "D. Share Option Schemes — 1. Pre-IPO Share Option Scheme" in "Appendix IV — Statutory and General Information".

### Post-IPO Share Option Scheme

We have established a Post-IPO Share Option Scheme to incentivise certain employees of our Group and to retain them for the development of our Group, and attract suitable personnel for our Group's long-term growth. The purpose of the Post-IPO Share Option Scheme is to allow such employees to share the growth in performance of our Group. For further details in the Post-IPO Share Option Scheme, see "D. Share Option Schemes — 2. Post-IPO Share Option Scheme" in "Appendix IV — Statutory and General Information".

## 1. FUTURE PLANS

Our objective is to further enhance our market position in the cellular immunotherapy industry. See "Business — 3. Business Strategies" for further details of the future plans.

## 2. USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,000.2 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK$10.75 per Share, being the mid-point of the indicative offer price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

1. Approximately 34.2% of the net proceeds or HK$341.9 million to invest in the ongoing clinical trial and commercialisation of EAL®, including:

   (1) Approximately 9.0% of the net proceeds or HK$89.7 million in expediting the Phase II clinical trial of EAL® in respect of liver cancer indication.

   (2) Approximately 21.8% of the net proceeds or HK$218.5 million in relation to production scale-up studies of EAL®, such as property construction, purchase of equipment and purchase of raw materials and consumables.

   We plan to scale up our drug manufacturing capacity to 280,000 reinfusions per year, serving approximately 14,000 liver cancer patients, by the end of 2021 to meet the demand upon marketing approval for EAL® liver cancer indication. As the production of EAL® is based on living human cells which requires a limitation on delivery time, we will establish production centres with approximately 35,000 square metres in total in Beijing, Shanghai, Guangzhou, Chengdu, Wuhan, Xi'an and Shenyang, covering densely-populated areas in China which will be within the six-hour transportation radius of the production facilities. To ensure consistency in the quality of EAL®, we need to complete both scale-up research and verification on the production process before the relevant authority would grant approval for the mass production and commercialisation of each production centre. These research and verification include research on production process scale-up preparation, research on production process verification and quality control, bridging clinical trials for scaling-up, and preparation registration and inspections required by the NMPA. We also need to carry out comprehensive R&D to ensure that the production centres will comply with the relevant environment, health and safety laws and regulations in the PRC, including those on the laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes.

The following table sets forth our allocation of the net proceeds of the Global Offering used for the production scale-up research and verification process:

| | Net proceeds of the Global Offering | |
|---|---|---|
| | *HK$ million* | *%* |
| Property construction | 85.8 | 8.6 |
| Purchase of equipment | 124.6 | 12.4 |
| Purchase of raw materials and consumables and others | 8.1 | 0.8 |
| Total | 218.5 | 21.8 |

(3) Approximately 3.4% of the net proceeds or HK$33.7 million in relation to other expenditures in connection with the commercialisation of EAL®.

2. Approximately 18.9% of the net proceeds or HK$188.8 million to expand the clinical indications (excluding liver cancer) for EAL®, including R&D expenditure and the construction costs of new R&D centres for continuing technological innovation in respect of EAL®.

Under the drug regulatory regime, in addition to the ongoing clinical trial indicated for the treatment of liver cancer, according to the requirements of the NMPA, we need to complete pre-clinical studies and clinical trials for each additional clinical indication to verify the efficacy of EAL® in respect of these indications.

Our pre-clinical studies and clinical trials expand the indications of EAL® to include lung cancer, gastric cancer, and colorectal cancer primarily because:

- Previous clinical retrospective studies (see "Business — 4. Product Pipeline — EAL® — Differences between EAL® in commercialisation from EAL® as core product to commercialisation") have shown that the combination of EAL® cells and conventional treatment can significantly extend the overall survival of patients;

- Expanding the indications of EAL® to include lung cancer, gastric cancer and colorectal cancer has strong market demand and commercialisation prospects in view of the large patient population of these indications.

Considering that the morbidity and mortality of gastric cancer rank the second and third, respectively, among all types of cancers in the PRC and the clinically available drugs for gastric cancer are limited, resulting in the huge clinical market demand, we are currently conducting a pre-clinical study of EAL® for gastric cancer. After completing this study, we will submit our application to the CDE to expand the study of indications for EAL®.

The following table sets forth our allocation of the net proceeds of the Global Offering used for R&D expenditure in connection with expansion of other clinical indications of EAL®:

| | Net proceeds of the Global Offering | |
|---|---|---|
| | *HK$ million* | *%* |
| Pre-clinical studies | 5.1 | 0.5 |
| Clinical trials | | |
| Contracting costs | 93.5 | 9.3 |
| Research and development staff costs | 65.5 | 6.6 |
| Raw materials | 9.8 | 1.0 |
| Total R&D expenditure | 173.9 | 17.4 |
| Construction costs of new R&D centres for continuing technological innovation in respect of EAL® | 14.9 | 1.5 |
| Total | 188.8 | 18.9 |

As set out above, the net proceeds from the Global Offering intended to be applied to finance the R&D to bring the Group's Core Product Candidate to commercialisation consist of: (1) approximately 9.0% of the net proceeds or HK$89.7 million in expediting the Phase II clinical trial of EAL® in respect of liver cancer indication; (2) approximately 21.8% of the net proceeds or HK$218.5 million in relation to production scale-up studies of EAL® in respect of liver cancer indication to ensure that both scale-up research and verification on the production process are completed before the relevant authority would grant approval for the mass production and commercialisation of EAL®; and (3) approximately 18.9% of the net proceeds or HK$188.8 million to expand the clinical indications for EAL®, including R&D expenditure of approximately HK$173.9 million in relation to pre-clinical studies and clinical trials and construction costs of approximately HK$14.9 million for new R&D centres for continuing technological innovation in respect of EAL®.

3. Approximately 33.2% of the net proceeds or HK$332.1 million to invest in the clinical trial for our CAR-T-19 and TCR-T product series candidates, including primarily R&D expenditure.

4. Approximately 8.7% of the net proceeds or HK$87.4 million to invest in the development of other product candidates in our product pipeline including R&D expenditure and the construction costs of new R&D and production centres.

5. Approximately 5.0% of the net proceeds or HK$50.0 million for working capital and other general corporate purposes.

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,024.1 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK$11.00 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK$976.3 million assuming the Over-allotment Option is not exercised and an Offer Price of HK$10.50 per Share, being the low-end of the indicative offer price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK$154.0 million assuming an Offer Price of HK$10.75 per Share, being the mid-point of the indicative offer price range stated in this prospectus, approximately HK$157.6 million assuming an Offer Price of HK$11.00 per Share, being the high-end of the indicative offer price range stated in this prospectus, and approximately HK$150.4 million assuming an Offer Price of HK$10.50 per Share, being the low-end of the indicative offer price range stated in this prospectus.

To the extent our net proceeds are either more or less than expected, we will adjust the allocation of the net proceeds for the above-mentioned purposes. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$9.45 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$124.1 million. To the extent our net proceeds are further reduced we will finance by internal resources and/or other financing, as and when necessary.

We will issue an appropriate announcement if there is any material change to the use of proceeds as described above.

## THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with the cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price a certain number of Offer Shares with certain investment amount (the "**Cornerstone Placing**").

The Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot) that may be subscribed for an aggregate amount of approximately US$40.0 million.

Assuming an Offer Price of HK$11.00 (being the high-end of the indicative Offer Price range), the total number of Offer Shares subscribed for under the Cornerstone Placing would be 28,109,000, representing approximately 28.11% of the Offer Shares under the Global Offering and approximately 5.62% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Share Option Schemes.

Assuming an Offer Price of HK$10.75 (being the mid-point of the indicative Offer Price range), the total number of Offer Shares subscribed for under the Cornerstone Placing would be 28,764,000, representing approximately 28.76% of the Offer Shares under the Global Offering and approximately 5.75% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Share Option Schemes.

Assuming an Offer Price of HK$10.50 (being the low-end of the indicative Offer Price range), the total number of Offer Shares subscribed for under the Cornerstone Placing would be 29,448,000, representing approximately 29.45% of the Offer Shares under the Global Offering and approximately 5.89% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Share Option Schemes.

Assuming an Offer Price of HK$9.45 (after a Downward Offer Price Adjustment of 10%), the total number of Offer Shares subscribed for under the Cornerstone Placing would be 32,720,000, representing approximately 32.72% of the Offer Shares under the Global Offering and approximately 6.54% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Share Option Schemes.

Our Company is of the view that the Cornerstone Placing will help to boost and enhance the profile of our Company and to signify cornerstone investors' confidence in our business. Other than Poly Platinum which is an existing Shareholder and a Pre-IPO Investor and Tasly which became aware of the cornerstone investment opportunity by closely monitoring our Group's growth and development, our Company

became acquainted with each of the Cornerstone Investors through introduction by certain of the Underwriters in the Global Offering.

Poly Platinum, being an existing Shareholder and a Pre-IPO Investor of our Company with approximately 4.76% of shareholding in our Company immediately prior to the Global Offering, and Tasly, being a close associate of Hui Shi Dan Kun Ltd, an existing Shareholder of our Company, have been permitted to participate in the Cornerstone Placing pursuant to waivers from strict compliance with Rule 10.04 of the Listing Rules and consents under paragraph 5(2) of Appendix 6 to the Listing Rules as further described in "Waivers from Strict Compliance with the Listing Rules and Exemptions From Compliance With The Companies (Winding Up And Miscellaneous Provisions) Ordinance." Taking into account approximately 2.88% of Shares to be issued to Poly Platinum under the Cornerstone Placing based on the mid-point of HK$10.75 of the indicative Offer Price range, it will be interested in approximately 6.69% of our issued share capital immediately following the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes).

Save as disclosed above and to the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Controlling Shareholder, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be published by our Company on or around 9 July 2020.

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares then in issue upon completion of the Global Offering and to be listed on the Hong Kong Stock Exchange and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to their respective Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, save as Poly Platinum, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules).

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources, except that, Lesso will be using its internal resources and/or external financing (which is not financed by the Company, the Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates) to finance its subscription of the Offer Shares under the Cornerstone Placing.

There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, such that the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements as compared with other public Shareholders. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering".

## CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

| Cornerstone Investors | Investment Amount[1] | Indicative Offer Price[4] | Number of Offer Shares to be subscribed for (rounded down to the nearest whole board lot ) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is not exercised) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is exercised in full) | Approximate percentages of the Shares in issue[5] immediately following the completion of the Global Offering (assuming that Over-allotment Option is not exercised) | Approximate percentages of the Shares in issue[5] immediately following the completion of the Global Offering (assuming that Over-allotment Option is exercised in full) |
|---|---|---|---|---|---|---|---|
| Poly Platinum | US$20,000,000[3] | High-end: HK$11.00 | 14,091,000 | 14.09% | 12.25% | 2.82% | 2.74% |
| | | Mid-point: HK$10.75 | 14,419,000 | 14.42% | 12.54% | 2.88% | 2.80% |
| | | Low-end: HK$10.50 | 14,762,000 | 14.76% | 12.84% | 2.95% | 2.87% |
| | | After a Downward Offer Price Adjustment of 10%: HK$9.45 | 16,402,000 | 16.40% | 14.26% | 3.28% | 3.18% |

| Cornerstone Investors | Investment Amount[1] | Indicative Offer Price[4] | Number of Offer Shares to be subscribed for (rounded down to the nearest whole board lot ) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is not exercised) | Approximate percentage of the Offer Shares (assuming that Over-allotment Option is exercised in full) | Approximate percentages of the Shares in issue[5] immediately following the completion of the Global Offering (assuming that Over-allotment Option is not exercised) | Approximate percentages of the Shares in issue[5] immediately following the completion of the Global Offering (assuming that Over-allotment Option is exercised in full) |
|---|---|---|---|---|---|---|---|
| Tasly | US$10,000,000[6] | High-end: HK$11.00 | 6,974,000 | 6.97% | 6.06% | 1.39% | 1.35% |
| | | Mid-point: HK$10.75 | 7,137,000 | 7.14% | 6.21% | 1.43% | 1.39% |
| | | Low-end: HK$10.50 | 7,306,000 | 7.31% | 6.35% | 1.46% | 1.42% |
| | | After a Downward Offer Price Adjustment of 10%: HK$9.45 | 8,118,000 | 8.12% | 7.06% | 1.62% | 1.58% |
| China Lesso Group Holdings Limited ("**Lesso**") | US$5,000,000[3] | High-end: HK$11.00 | 3,522,000 | 3.52% | 3.06% | 0.70% | 0.68% |
| | | Mid-point: HK$10.75 | 3,604,000 | 3.60% | 3.13% | 0.72% | 0.70% |
| | | Low-end: HK$10.50 | 3,690,000 | 3.69% | 3.21% | 0.74% | 0.72% |
| | | After a Downward Offer Price Adjustment of 10%: HK$9.45 | 4,100,000 | 4.10% | 3.57% | 0.82% | 0.80% |
| Mr. Ji Hongchang ("**Mr. Ji**")[2] | US$5,000,000[3] | High-end: HK$11.00 | 3,522,000 | 3.52% | 3.06% | 0.70% | 0.68% |
| | | Mid-point: HK$10.75 | 3,604,000 | 3.60% | 3.13% | 0.72% | 0.70% |
| | | Low-end: HK$10.50 | 3,690,000 | 3.69% | 3.21% | 0.74% | 0.72% |
| | | After a Downward Offer Price Adjustment of 10%: HK$9.45 | 4,100,000 | 4.10% | 3.57% | 0.82% | 0.80% |

*Notes:*

1. For reference only, calculated based on the exchange rate as described in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate Conversion". The actual investment amount of the Cornerstone Investors in Hong Kong dollars may vary based on the actual exchange rate prescribed in the Cornerstone Investment Agreement, which is the exchange rate published by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the day on which the Offer Price is determined.

2. According to the agreement, Mr. Ji agrees and undertakes that the subscription of the Offer Shares will be conducted through a qualified domestic institutional investor (the "**QDII Manager**") and that it will procure the due and punctual performance and observance by the QDII Manager of all of the obligations, undertakings, representations, warranties, indemnities and liabilities of Mr. Ji arising out of, under or in connection with the Cornerstone Investment Agreement.

3. The investment amount is exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%.

4. Being the Offer Price at high-end, mid-point, low-end and after a Downward Offer Price Adjustment of 10% of the proposed Offer Price range set out in this prospectus, respectively.

5. Without taking into account any Shares to be issued upon exercise of share options under the Share Option Schemes.

6. The investment amount is inclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

**Information about Poly Platinum**

Poly Platinum, an existing Shareholder and a Pre-IPO Investor of our Company, currently holds 4.76% of the issued share capital of our Company. Poly Platinum was incorporated in the BVI on 9 November 2018 and is a wholly-controlled subsidiary of Greater Bay Area Homeland Development Fund LP (大灣區共同家園發展基金有限合夥), which is our sophisticated investor within the meaning of the Guidance Letter HKEX-GL92-18 issued in April 2018 by the Hong Kong Stock Exchange. For information of Poly Platinum, see "History, Reorganisation and Corporate Structure – 6. Pre-IPO Investments – Information on the Pre-IPO Investors".

**Information about Tasly**

Tasly is a company established in Hong Kong, whose business is investment holding and is a wholly owned subsidiary of Tasly Pharmaceutical Group Co., Ltd ("**Tasly Pharmaceutical**"), a company listed on the Shanghai Stock Exchange (Stock code: 600535). Tasly Pharmaceutical is principally engaged in the research and development, manufacture and distribution of Chinese and chemical medicinal products and is one of the leading companies in modernized traditional Chinese medicine development. Through its subsidiaries, Tasly Pharmaceutical is also engaged in biopharmaceutical business in the PRC with a bench-to-bedside biologics commercialization platform which vertically integrates the research and development, manufacturing, and sales and marketing of proprietary biologic products.

**Information about Lesso**

Lesso (together with its group companies, "**Lesso Group**") is a leading large-scale industrial company that manufactures building materials and interior decoration products in the PRC. Lesso was incorporated in the Cayman Islands in 2009 and is a listed company on the Hong Kong Stock Exchange (Stock code: 2128). It is one of the constituent stocks of the Hang Seng Composite Index. Lesso Group provides over 10,000 types of quality products, including plastic piping system, sanitary ware products, integrated kitchens, systems of doors and windows, decorative plates, fire-fighting equipment, and sanitary materials, etc. They are widely applied to fields such as interior decoration, water supply, drainage, power supply and telecommunications, gas transmission, agriculture, aquaculture, floor heating and fire services. Lesso Group is positioned as one of the manufacturers who offer the most comprehensive range of building materials and interior decoration products in the PRC.

**Information about Mr. Ji**

Mr. Ji is a healthcare professional and a professional investor. He has over 10 years of work experience in hospitals, pharmaceutical and healthcare industries. He owns more than three PRC companies with businesses in medical technologies, pharmaceutical and healthcare information and consulting. Mr. Ji is the executive director of Shandong Xinkangbo Medical Technology Co., Ltd.* (山東新康波醫療科技有限公司) and the general manager of Shandong Zhongxi Dingchuang Investment Management Co., Ltd* (山東中西鼎創投資管理有限公司).

As a professional investor, he has been investing in the medical, healthcare and other sectors for over 10 years. He has invested through trust funds in the past, and the investment targets included a new media company quoted on the National Equities Exchange and Quotations System which engages in, among other things, online media and production and distribution of video contents. He is optimistic about the biotechnology industry and aims to diversify his investment by investing in companies with advanced biotechnologies, such as our Company. His investment in our Company may pave way for future business cooperation with our Group.

The Shares to be subscribed by Mr. Ji pursuant to the relevant Cornerstone Investment Agreement were subscribed through and held on his behalf by the QDII Manager, which is a third party independent of our Company, its connected persons and their respective associates and is not a connected client of the lead broker or any distributors (as defined under paragraph 5 of the Placing Guidelines) according to the QDII Manager.

## CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional by no later than the time and date as specified in the Underwriting Agreements and not having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and such approval, permission or wavier having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(d) the respective representations, warranties, undertakings, confirmations and acknowledgements of the relevant Cornerstone Investor and the Company under the relevant Cornerstone Investment Agreement are, at the relevant time, accurate and true in all material respects and not misleading and there being no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor or the Company, respectively; and

(e) no laws shall have been enacted or promulgated by any government authority which prohibit the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there being no orders or injunctions from a governmental authority (as defined in the respective Cornerstone Investment Agreements) which in effect precludes or prohibits the consummation of such transactions.

## RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and undertaken that, without the prior written consent of our Company, the Joint Sponsors and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, among other things, dispose of (as defined in the relevant Cornerstone Investment Agreements) any of the Offer Shares subscribed for by it pursuant to the relevant Cornerstone Investment Agreement, save for transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of the Cornerstone Investor, including the lock-up period restriction.

## UNDERWRITERS

### Hong Kong Underwriters

CCB International Capital Limited
Guosen Securities (HK) Capital Company Limited
Haitong International Securities Company Limited
*(in alphabetical order as follows)*
ABCI Securities Company Limited
Alpha International Securities (HONG KONG) Limited
BOCOM International Securities Limited
China Merchants Securities (HK) Co., Limited
CMBC Securities Company Limited
Essence International Securities (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Guotai Junan Securities (Hong Kong) Limited
Huabang Securities Limited
I Win Securities Limited
ICBC International Securities Limited
Joy Rich Securities Investment Limited
Shenwan Hongyuan Securities (H.K.) Limited
Zhongrong PT Securities Limited
Zhongtai International Securities Limited

## UNDERWRITING ARRANGEMENTS

### Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares (subject to reallocation as described under the section headed "Structure of the Global Offering — Hong Kong Public Offering") for subscription by way of Hong Kong Public Offering, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, at the Offer Price.

Subject to, among other matters, (i) the Listing Committee granting listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option and the Share Option Schemes) and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Hong Kong Stock Exchange; (ii) certain conditions set out in the Hong Kong Underwriting Agreement; and (iii) the Offer Price having been determined by our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or prior to 3 July 2020 or such other date as may be agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) but in any event not later than 4 July 2020, the Hong Kong Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for their respective applicable portions of the Hong Kong Offer Shares now being offered for subscription under the Hong Kong Public Offering and which are not taken up under the Hong Kong Public Offering subject to the terms and conditions of this prospectus and the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the execution and delivery of the International Underwriting Agreement and the obligations of the International Underwriters becoming unconditional and not having been terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date.

The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

***Grounds for termination***

The obligations of the Hong Kong Underwriters to subscribe for or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written or oral notice to us from the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if prior to 8:00 am on the Listing Date:

(a) there shall develop, occur, exist, or come into effect:

(i) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the British Virgin Islands, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group or the Global Offering ("**Relevant Jurisdictions**", each a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets, and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension, or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shenzhen Stock Exchange, or the Shanghai Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent Authority (as defined therein)), New York (imposed at Federal or New York State level or by other competent Authority), London, the PRC, the Cayman Islands, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) the imposition of economic sanctions directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vi) any new Law (as defined therein), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting Taxation (as defined therein) or exchange control, currency exchange rates, or foreign investment regulations (including, without limitation, a material devaluation of Hong Kong dollars or RMB against any foreign currencies) in any of the Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director or senior management of our Company as named in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or, in the case of a Director, taking directorship of a company; or

(x) the chairman, chief executive officer or chief technology officer of our Company vacating his or her office; or

(xi) an Authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a prohibition on our Company for whatever reason from offering, allotting, issuing, or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiii) a contravention by any member of the Group of the Listing Rules or applicable Laws; or

(xiv) non-compliance of this prospectus (or any of the Offer Related Documents (as defined below)) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xv) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings under the Hong Kong Underwriting Agreement as specified therein; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any of the Offer Related Documents (as defined below)) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver, or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, losses, results of operations, position, or condition, financial or operational, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in any of this prospectus, the Application Forms, the formal notice, the Operative Documents (as defined therein), the Preliminary Offering Circular (as defined therein) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection

with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents is not fair and honest and based on reasonable assumptions when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents; or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement or any cornerstone investor agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, losses, results of operations, position, or condition, financial or operational, or performance of our Company and the other members of the Group, taken as a whole, or on the ability of our Company to carry out their obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or under the Global Offering; or

(v) any event, act or omission which gives or is likely to give rise to any material liability of any of our Company, our Controlling Shareholders, Mr Tan, Dr Wang, Mr Jung and Evodevo as the indemnifying parties pursuant to the indemnities given by them under the terms of the Hong Kong Underwriting Agreement; or

(vi) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Schemes) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) any expert as named in the section headed "Appendix IV — Statutory and General Information — E. Other Information — 5. Consents of experts" of this prospectus has withdrawn its consent to being named in this prospectus or to the issue of any of this prospectus or the Application Forms; or

(viii) our Company withdraws any of the Offer Related Documents or the Global Offering.

**Lock-up undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules**

***Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that within the six months from the Listing Date no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued by our Company or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering, any additional Shares to be issued pursuant to any exercise of the Over-allotment Option and the Share Option Schemes or under any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

***Undertakings by our Controlling Shareholders***

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Hong Kong Stock Exchange that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), he or it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules: (1) in the period commencing on the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**" for the purpose of this sub-section), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares in respect of which any of them are shown by this prospectus to be the beneficial owner(s); and (2) in the period of six months from the expiry of the First Six-month Period (the "**Second Six-month Period**" for the purpose of this sub-section), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be our Controlling Shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to our Company that during the First Six-month Period and the Second Six-month period (as applicable), they will:

(a) when they pledge or charge Shares legally and/or beneficially owned by them in favour of an authorised institution relying on Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or charge that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Hong Kong Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

***Undertaking by Mr Jung and Evodevo***

As at the Latest Practicable Date, Evodevo (an investment holding company wholly owned by Mr Jung) was directly interested in approximately 33.74% of our issued share capital. Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Schemes), Evodevo will hold approximately 26.99% of the voting rights in our Company and, hence, neither Mr Jung nor Evodevo will be regarded as our Controlling Shareholder under the Listing Rules.

Nevertheless, in accordance with HKEX-GL89-16, each of Mr Jung and Evodevo has provided an undertaking to us and the Hong Kong Stock Exchange that, in the period commencing on the date by reference to which disclosure of his or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, he or it shall not, and shall procure that the relevant registered holder(s) of the Shares in which he or it has a beneficial interest shall not, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner.

**Lock-up undertakings to the Hong Kong Underwriters**

***Undertakings by our Company***

Pursuant to the Hong Kong Underwriting Agreement, except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option and the Share Option Schemes), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**" for the purpose of this sub-section), we have undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Hong Kong Underwriters not to, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares; or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the allotment and issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**" for the purpose of this subsection), our Company enters into any of the transactions specified in (a), (b) or (c)

above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders, Mr Tan, Dr Wang and Mr Jung undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

Our Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

***Undertakings by our Controlling Shareholders***

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Hong Kong Underwriters that, without the prior written consent of the Joint Representatives (for themselves on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and/or pursuant to the Stock Borrowing Agreement:

(a) each of our Controlling Shareholders will not, and each of our Controlling Shareholders will procure each of the Passive Minority Shareholders not to (insofar as our Controlling Shareholder is a party to the relevant Irrevocable Trust Agreement), at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be

settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the transaction in respect of such Shares or other securities will be completed within the First Six-Month Period);

(b) each of our Controlling Shareholders will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (ii), or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer, or disposal or upon the exercise or enforcement of any option, right, interest, or encumbrance pursuant to such transaction, he or it, together with the other Controlling Shareholder, will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month period, in the event that any of our Controlling Shareholders enters into any of the transactions specified in (a)(i), (ii), or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company,

provided that, pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in the preceding paragraphs shall prevent our Controlling Shareholders from using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has agreed and undertaken that he or it will not, and each of them and Mr Tan, Dr Wang and Mr Jung has further undertaken to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

***Indemnity***

Each of our Company, our Controlling Shareholders, our executive Directors Mr Tan, Dr Wang and Mr Jung and Evodevo has agreed to jointly and severally indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, our Controlling Shareholders and the other warrantors of the Hong Kong Underwriting Agreement.

Our Company shall notify the Hong Kong Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

### International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders, will enter into the International Underwriting Agreement with, among other parties, the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Offer Shares. It is expected that upon the entering into the International Underwriting Agreement, the International Offering will be fully underwritten. It is also expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate of not more than 15% of the number of Offer Shares initially available under the Global Offering to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

## COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price of the Hong Kong Offer Shares under the Hong Kong Public Offering. The International Underwriters are expected to receive an underwriting commission of 3% of the aggregate Offer Price of the International Offer Shares under the International Offering, subject to the International Underwriting Agreement to be entered into. We may, at our sole discretion, pay an incentive fee up to 1.5% of the aggregate Offer Price of Offer Shares among the Underwriters.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The listing expenses, representing professional and other fees incurred in connection with the Global Offering, including underwriting commissions (collectively the "**Commissions and Fees**") are estimated to amount to approximately RMB90.4 million in total (based on an Offer Price of HK$10.75 per Share, being the mid-point of the indicative Offer Price range of between HK$10.50 and HK$11.00 per Share, and on the assumption that the Over-allotment Option is not exercised).

The Commissions and Fees were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

## UNDERWRITERS' INTERESTS IN OUR COMPANY

As of the Latest Practicable Date and except as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/ or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

## 1. THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. CCB International Capital Limited, Guosen Securities (HK) Capital Company Limited and Haitong International Securities Company Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

100,000,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 10,000,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "Hong Kong Public Offering" in this section; and

(b) the International Offering of initially 90,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in accordance with Regulation S, as described in the paragraph headed "The International Offering" in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 20% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the Share Option Schemes. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued pursuant to the Share Option Schemes.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

## Hong Kong Public Offering

### *Number of Offer Shares initially offered*

Our Company is initially offering 10,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering. This will represent 2% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the Share Option Schemes).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "Conditions of the Global Offering" in this section.

### *Allocation*

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation between the Hong Kong Public Offering and the International Offering) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding the brokerage, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this subsection only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 10,000,000 Shares initially offered in the Hong Kong Public Offering (that is, 5,000,000 Hong Kong Offer Shares) is liable to be rejected.

***Reallocation and Clawback***

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more, but less than 50 times; (b) 50 times or more but less than 100 times; and (c) 100 times or more, of the total number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares (in the case of (a)), 40,000,000 Offer Shares (in the case of (b)) and 50,000,000 Offer Shares (in the case of (c)), representing 30%, 40%, and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the Share Option Schemes). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

In addition to any mandatory reallocation required as described above, the Joint Representatives may reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed (irrespective of the number of times); or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Representatives shall reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering, provided that, in accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, (i) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be more than 20,000,000 Offer Shares (representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering) and the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$10.50 per Offer Share) or the downward adjusted Offer Price after making a Downward Offer Price Adjustment (i.e. HK$9.45 per Offer Share).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, expected to be published on Thursday, 9 July 2020.

***Application***

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicants' application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if they have been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, upon application, the maximum Offer Price of HK$11.00 per Offer Share in addition to any brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner

described in the paragraph headed "Pricing and Allocation" below, is less than the maximum Offer Price of HK$11.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

**International Offering**

***Number of Offer Shares initially offered***

The number of the Offer Shares to be initially offered for subscription under the International Offering will be 90,000,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 18.0% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the Share Option Schemes).

***Allocation***

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares to certain institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be determined by the Joint Representatives (for themselves and on behalf of the International Underwriters) and will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its International Offer Shares after the Listing. Such allocation is intended to result in a distribution of International Offer Shares on a basis which would lead to the establishment of an appropriate shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Representatives (for themselves and, on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

***Reallocation and Clawback***

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering — Reallocation and Clawback" above in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for the respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

**Over-allotment Option**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time and from time to time from the Listing Date up to (and including) the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised, an announcement will be made.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.9% of the enlarged total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may be issued pursuant to the Share Option Schemes.

**Stabilisation**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulatory requirements, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the Listing Date and ends on the 30th day after the last day for lodging applications

under the Hong Kong Public Offering. The stabilising period is expected to expire on Saturday, 1 August 2020. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager (or its affiliates or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the sole and absolute discretion of the Stabilising Manager (or its affiliates or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of our Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, being 15,000,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) primary stabilisation, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reduction in the market price of the Shares, and (b) ancillary stabilisation in connection with any primary stabilising action, including: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; (v) purchasing, or agreeing to purchase, any of our Shares for the sole purchase of preventing or minimizing any reduction in the market price of our Shares and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The Stabilisation Manager, its affiliates or any person acting for it may take any one or more of the stabilizing actions described above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or its affiliates or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Saturday, 1 August 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

**Over-Allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or its affiliates or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, and/or by using Shares purchased by the Stabilising Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

**Stock Borrowing Arrangement**

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilisation Manager (or its affiliates or any person acting for it) may choose to borrow up to 15,000,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from Tan Zheng Ltd, one of the Controlling Shareholders, pursuant to the Stock Borrowing Agreement, or acquire Shares from other sources.

The stock borrowing arrangement will only be effected by the Stabilisation Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Tan Zheng Ltd or its nominee, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; and (iii) such earlier time as may be agreed in writing between Tan Zheng Ltd and the Stabilisation Manager.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Tan Zheng Ltd by the Stabilisation Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

**Pricing and Allocation**

Pricing for the Offer Shares is expected to be fixed on the Price Determination Date, which is expected to be on or about Friday, 3 July 2020 and, in any event, no later than Saturday, 4 July 2020, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company when market demand for the Offer Shares will be determined, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$11.00 per Offer Share and is expected to be not less than HK$10.50 per Offer Share, unless otherwise announced, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus (subject to Downward Offer Price Adjustment).

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with our consent, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and our Company's website (**www.eaal.net**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, 9 July 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where they considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process in respect of the International Offering, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging

applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, publish a notice on the websites of our Company and the Stock Hong Kong Exchange at **www.eaal.net** and **www.hkexnews.hk**, of the reduction in the number of Offer Shares and/or the indicative Offer Price range. If the number of Offer Shares and/or the indicated Offer Price range is so reduced, the Company is required to (i) issue a supplemental prospectus informing potential investors of the updated information in connection with such change; and (ii) extend the offer period to allow potential investors to have sufficient time to consider and require them to positively confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Upon the issue of such notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

In the abovementioned notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed "Financial Information", the offering statistics as currently disclosed in the sections headed "Summary" and "Information about this prospectus and the Global Offering", the use of proceeds in the section headed "Future Plans and Use of Proceeds" and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. If we do not publish a notice on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.eaal.net** of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the indicative Offer Price range as stated in this prospectus.

**If we are unable to reach an agreement with the Joint Representatives (for themselves and on behalf of the Underwriters) on the Offer Price by Saturday, 4 July 2020, the Global Offering will not proceed and will lapse immediately.**

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — Publication of Results" in this prospectus.

**Price Payable on Application**

The Offer Price will not be more than HK$11.00 and is expected to be not less than HK$10.50, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained above. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK$11.00 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 1,000 Offer Shares, you should pay HK$11,110.85 at the time of your application.

If the Offer Price is lower than HK$11.00, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for Hong Kong Offer Shares".

## 2. UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and the International Underwriting Agreement, respectively, and is subject to, among other things, the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price on the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date, shortly after the final Offer Price is determined.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

## 3. CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as described in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme) on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on the websites of our Company and the Hong Kong Stock Exchange at **www.eaal.net** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to despatch share certificates for the Offer Shares on Thursday, 9 July 2020. Share certificates for the Offer Shares will only become valid at 8:00 am on Friday, 10 July 2020, provided that the Global Offering has become unconditional in all respects and the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

## 4. DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 am in Hong Kong on Friday, 10 July 2020, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 am on Friday, 10 July 2020.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 6978.

## A. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

## B. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the Computershare Hong Kong Investor Services Limited, in addition to the above, you must also: (1) have a valid Hong Kong identity card number and (2) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly-authorised officer, who must state their representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules and guidance letters issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in and/or a substantial shareholder of our Company and/ or any its subsidiaries;
- a Director or CEO of our Company and/ or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- are a United States person (as defined in Regulation S under the U.S. Securities Act), or a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors);
- are a person within the United States; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

## C. APPLYING FOR HONG KONG OFFER SHARES

### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

**Where to Collect the Application Forms**

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Monday, 29 June 2020 until 12:00 noon on Friday, 3 July 2020 from:

(a) any of the following offices of the Hong Kong Underwriters:

| | |
|---|---|
| **CCB International Capital Limited** | 12/F, CCB Tower<br>3 Connaught Road Central<br>Central, Hong Kong |
| **Guosen Securities (HK) Capital Company Limited** | Suites 3207-3212, 32/F<br>One Pacific Place 88 Queensway,<br>Hong Kong |
| **Haitong International Securities Company Limited** | 22/F, Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Hong Kong |

*(in alphabetical order as follows)*

| | |
|---|---|
| **ABCI Securities Company Limited** | 10/F, Agricultural Bank of China Tower<br>50 Connaught Road Central<br>Hong Kong |
| **Alpha International Securities (HONG KONG) Limited** | Unit 2301, 23/F, Far East Consortium Building<br>121 Des Voeux Road Central<br>Hong Kong |
| **BOCOM International Securities Limited** | 9th Floor, Man Yee Building<br>68 Des Voeux Road Central<br>Hong Kong |
| **China Merchants Securities (HK) Co., Limited** | 48/F, One Exchange Square<br>Central, Hong Kong |
| **CMBC Securities Company Limited** | 45/F, One Exchange Square<br>8 Connaught Place<br>Central, Hong Kong |
| **Essence International Securities (Hong Kong) Limited** | 39/F., One Exchange Square,<br>Central, Hong Kong |
| **Futu Securities International (Hong Kong) Limited** | Unit C1-2, 13/F, United Centre<br>No.95 Queensway<br>Hong Kong |

| | |
|---|---|
| **Guotai Junan Securities (Hong Kong) Limited** | 27/F, Low Block Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong |
| **Huabang Securities Limited** | Unit 3308, 33/F, Enterprise Square Three<br>39 Wang Chiu Road,<br>Kowloon Bay, Hong Kong |
| **I Win Securities Limited** | Room 1916, Hong Kong Plaza<br>188 Connaught Road West<br>Hong Kong |
| **ICBC International Securities Limited** | 37/F, ICBC Tower<br>3 Garden Road<br>Hong Kong |
| **Joy Rich Securities Investment Limited** | Unit 16, 22/F<br>Seapower Tower, Concordia Plaza<br>No.1 Science Museum Rd<br>Kowloon, Hong Kong |
| **Shenwan Hongyuan Securities (H.K.) Limited** | Level 19, 28 Hennessy Road<br>Hong Kong |
| **Zhongrong PT Securities Limited** | Room 201A, 2/F, China Building<br>29 Queen's Road Central<br>Central, Hong Kong |
| **Zhongtai International Securities Limited** | 19/F, Li Po Chun Chambers<br>189 Des Voeux Road Central<br>Hong Kong |

(b) any of the following branches of the receiving banks:

(1) Bank of China (Hong Kong) Limited

| District | Name | Address |
|---|---|---|
| Hong Kong Island | Causeway Bay Branch | 505 Hennessy Road,<br>Causeway Bay, Hong Kong |
| Kowloon | Mei Foo Mount Sterling Mall Branch | Shop N47-49, G/F,<br>Mount Sterling Mall,<br>Mei Foo Sun Chuen, Kowloon |
| New Territories | Tai Po Branch | 68-70 Po Heung Street,<br>Tai Po Market, New Territories |

(2) Industrial and Commercial Bank of China (Asia) Limited

| District | Branch Name | Address |
|---|---|---|
| Hong Kong Island | Sheung Wan Branch | Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong |
| Kowloon | Mongkok Branch | G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon |
| New Territories | Tsuen Wan Castle Peak Road Branch | G/F, 423-427 Castle Peak Road Tsuen Wan, New Territories |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Monday, 29 June 2020 until 12:00 noon on Friday, 3 July 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

**Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — IMMUNOTECH BIOPHARM PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, 29 June 2020 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 30 June 2020 — 9:00 a.m. to 5:00 p.m.
- Thursday, 2 July 2020 — 9:00 a.m. to 5:00 p.m.
- Friday, 3 July 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 July 2020, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

## D. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/ or the Joint Representatives (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, and/ or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (1) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (2) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/ or its agents to send any share certificate(s) and/ or any e-Refund payment instructions and/ or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/ or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (2) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

**Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## E. APPLYING THROUGH WHITE FORM eIPO SERVICE

**General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

**Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Monday, 29 June 2020 until 11:30 a.m., Friday, 3 July 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Friday, 3 July 2020 or such later time under the paragraph headed "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

### No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**Immunotech Biopharm Ltd**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

## F. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**http://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square, 8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/ or HKSCC Nominees to transfer the details of your application to our Company, the Joint Representatives, and our Hong Kong Share Registrar.

**Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(1) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(2) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(3) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

(4) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(5) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

(6) confirm that you understand that our Company, our Directors, and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(7) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;

(8) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(9) confirm that you have received and/ or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(10) agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(11) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, and/ or its respective advisers and agents;

(12) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(13) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists

(excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday, or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(14) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(15) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(16) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(17) agree with our Company, for itself and for the benefit of each of the Shareholder and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

   (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;

   (b) that any award made in such arbitration shall be final and conclusive; and

   (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

(18) agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that the Shares are freely transferable by their holders;

(19) authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

(20) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

**Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

**Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/ Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

- Monday, 29 June 2020 — 9:00 a.m. to 8:30 p.m.
- Tuesday, 30 June 2020 — 8:00 a.m. to 8:30 p.m.
- Thursday, 2 July 2020 — 8:00 a.m. to 8:30 p.m.
- Friday, 3 July 2020 — 8:00 a.m. to 12:00 noon

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(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 29 June 2020 until 12:00 noon on Friday, 3 July 2020 (24 hours daily, except on the last application day (Friday, 3 July 2020)).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 3 July 2020, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

**Personal Data**

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Underwriters, and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## G. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CASS Internet System for submission of **electronic application instructions**, they should either (1) submit a **WHITE** or **YELLOW** Application Form, or (2) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 3 July 2020.

## H. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## I. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

## J. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 July 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 July 2020 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such an event.

## K. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 9 July 2020 on our Company's website at **www.eaal.net** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/ passport/ Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.eaal.net** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 9 July 2020;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively English: **https://www.eipo.com.hk/en/Allotment**; Chinese: **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 9 July 2020 to 12:00 midnight on Wednesday, 15 July 2020;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, 9 July 2020 to Friday, 10 July 2020 and Monday, 13 July 2020 to Tuesday, 14 July 2020;
- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, 9 July 2020 to Saturday, 11 July 2020 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/ or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## L. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

### 1. If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

### 2. If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Representatives, the **White Form eIPO** Service Provider, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**3. If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

(a) within three weeks from the closing date of the application lists; or

(b) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**4. If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/ or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

## M. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$11.00 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC

transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 9 July 2020.

## N. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (1) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/ or (2) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 9 July 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 10 July 2020 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade the Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

**Personal Collection**

***1. If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 9 July 2020 or such other date as notified by us on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.eaal.net**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 9 July 2020, by ordinary post and at your own risk.

***2. If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 9 July 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 9 July 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 July 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***3. If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 July 2020, or such other date as notified by our Company on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.eaal.net** as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 9 July 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

**4. If you apply via Electronic Application Instructions to HKSCC**

***Allocation of Hong Kong Offer Shares***

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

***Deposit of Share Certificates into CCASS and Refund of Application Monies***

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 9 July 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 9 July 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 July 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 9 July 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 9 July 2020.

## O. ADMISSION OF SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between

Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

Deloitte. 德勤

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IMMUNOTECH BIOPHARM LTD AND CCB INTERNATIONAL CAPITAL LIMITED AND GUOSEN SECURITIES (HK) CAPITAL CO., LTD**

**Introduction**

We report on the historical financial information of Immunotech Biopharm Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to page I-70, which comprises the consolidated statements of financial position of the Group as at 31 December 2018 and 2019, the statements of financial position of the Company as at 31 December 2018 and 2019, and 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 two years ended 31 December 2019 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-3 to page I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2020 (the "**Prospectus**") in connection with the initial listing 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 and presentation 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.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected

depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation 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 31 December 2018 and 2019, of the Company's financial position as at 31 December 2018 and 2019, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation 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-4 have been made.

***Dividends***

We refer to Note 14 to the Historical Financial Information which states that no dividends have been declared and paid by the Company and its subsidiaries in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2020

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of the 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 accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") 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.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | For the year ended 31 December | |
|---|---|---|---|
| | *NOTES* | **2018** | **2019** |
| | | *RMB'000* | *RMB'000* |
| Other income | *7* | 5,218 | 2,888 |
| Other gains and losses, net | *8* | 8,076 | 6,316 |
| Fair value gain of convertible redeemable preference shares | *27* | – | 3,825 |
| Business development expenses | | (1,119) | (569) |
| Administrative expenses | | (11,666) | (27,760) |
| Research and development expenses | | (31,172) | (61,975) |
| Finance costs | *9* | (1,135) | (2,070) |
| Listing expenses | | (2,746) | (22,283) |
| Other expenses | *7* | (344) | (7,426) |
| Loss before tax | | (34,888) | (109,054) |
| Income tax expense | *10* | – | – |
| Loss and total comprehensive expenses for the year | *11* | (34,888) | (109,054) |
| Loss and total comprehensive expenses for the year attributable to: | | | |
| Owners of the Company | | (34,766) | (108,801) |
| Non-controlling interests | | (122) | (253) |
| | | (34,888) | (109,054) |
| Loss per share (RMB) | *15* | | |
| Basic | | (0.11) | (0.29) |
| Diluted | | N/A | (0.29) |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at 31 December 2018 | As at 31 December 2019 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | *16* | 78,747 | 85,350 |
| Intangible assets | *17* | 2,575 | 7,767 |
| Prepayments, deposits and other receivables | *20* | 10,386 | 14,216 |
| Contract costs | *18* | 1,744 | 1,488 |
| | | 93,452 | 108,821 |
| CURRENT ASSETS | | | |
| Contract costs | *18* | 256 | 256 |
| Inventories | *19* | 2,291 | 4,810 |
| Amount due from a related party | *36* | 750 | 750 |
| Amounts due from shareholders | *36* | 69 | – |
| Prepayments, deposits and other receivables | *20* | 8,373 | 20,087 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | *21* | 45,690 | – |
| Bank balances and cash | *22* | 128,332 | 282,247 |
| | | 185,761 | 308,150 |
| CURRENT LIABILITIES | | | |
| Contract liabilities | *23* | 710 | 710 |
| Trade and other payables | *24* | 14,489 | 23,134 |
| Amount due to a related party | *36* | 929 | – |
| Lease liabilities | *25* | 2,896 | 3,786 |
| Deferred government grants | *26* | – | 6,433 |
| Convertible redeemable preference shares | *27* | – | 172,107 |
| | | 19,024 | 206,170 |
| NET CURRENT ASSETS | | 166,737 | 101,980 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 260,189 | 210,801 |

| | NOTES | As at 31 December 2018 | As at 31 December 2019 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| NON-CURRENT LIABILITIES | | | |
| Contract liabilities | *23* | 4,824 | 4,114 |
| Lease liabilities | *25* | 30,958 | 35,214 |
| Deferred government grants | *26* | 8,110 | 1,138 |
| | | 43,892 | 40,466 |
| NET ASSETS | | 216,297 | 170,335 |
| CAPITAL AND RESERVES | | | |
| Share capital | *28* | 69 | 677 |
| Reserves | | 214,582 | 168,265 |
| Equity attributable to owners of the Company | | 214,651 | 168,942 |
| Non-controlling interests | | 1,646 | 1,393 |
| TOTAL EQUITY | | 216,297 | 170,335 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | As at 31 December 2018 | 2019 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | |
| Investments in subsidiaries | *37* | 38,083 | 56,520 |
| Property, plant and equipment | *16* | – | 3,636 |
| Prepayments, deposits and other receivables | *20* | – | 446 |
| Amount due from a subsidiary | *36* | – | 21,828 |
| | | 38,083 | 82,430 |
| CURRENT ASSETS | | | |
| Amounts due from shareholders | *36* | 69 | – |
| Prepayments, deposits and other receivables | *20* | 2,501 | 8,318 |
| Bank balances and cash | *22* | 71,034 | 250,262 |
| | | 73,604 | 258,580 |
| CURRENT LIABILITIES | | | |
| Other payables | *24* | 6,150 | 12,054 |
| Lease liabilities | *25* | – | 148 |
| Convertible redeemable preference shares | *27* | – | 172,107 |
| | | 6,150 | 184,309 |
| NET CURRENT ASSETS | | 67,454 | 74,271 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 105,537 | 156,701 |
| NON-CURRENT LIABILITY | | | |
| Lease liabilities | *25* | – | 488 |
| NET ASSETS | | 105,537 | 156,213 |
| CAPITAL AND RESERVES | | | |
| Share capital | *28* | 69 | 677 |
| Reserves | *29* | 105,468 | 155,536 |
| TOTAL EQUITY | | 105,537 | 156,213 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Paid-in/ share capital | Share premium | Capital reserve | Statutory surplus reserve | Share option reserve | Accumulated losses | Subtotal | Non-controlling interests | Total |
| | *RMB'000* | *RMB'000* | *(Note i) RMB'000* | *(Note iv) RMB'000* | *(Note 31) RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2018 | 18,204 | – | 46,541 | 2,001 | – | (30,381) | 36,365 | 1,768 | 38,133 |
| Loss and total comprehensive expenses for the year | – | – | – | – | – | (34,766) | (34,766) | (122) | (34,888) |
| Capital injections *(Note ii)* | 4,551 | – | 145,449 | – | – | – | 150,000 | – | 150,000 |
| Deemed capital contribution *(Note 2)* | – | – | 100 | – | – | – | 100 | – | 100 |
| Issue of ordinary shares *(Note 28)* | 69 | – | – | – | – | – | 69 | – | 69 |
| Adjustment arising from the group reorganisation *(Note iii)* | (22,755) | – | 22,755 | – | – | – | – | – | – |
| Deemed distribution as part of the group reorganisation *(Note iii)* | – | – | (34,496) | – | – | – | (34,496) | – | (34,496) |
| Issue of ordinary shares *(Note 28)* | – | – | 101,599 | – | – | – | 101,599 | – | 101,599 |
| Transaction costs attributable to issue of ordinary shares *(Note 28)* | – | – | (4,220) | – | – | – | (4,220) | – | (4,220) |
| At 31 December 2018 | 69 | – | 277,728 | 2,001 | – | (65,147) | 214,651 | 1,646 | 216,297 |
| Loss and total comprehensive expenses for the year | – | – | – | – | – | (108,801) | (108,801) | (253) | (109,054) |
| Issue of ordinary shares *(Note 28)* | 543 | – | – | – | – | – | 543 | – | 543 |
| Issue of ordinary shares *(Note 28)* | 65 | 166,271 | (101,599) | – | – | – | 64,737 | – | 64,737 |
| Transaction costs attributable to issue of ordinary shares *(Note 28)* | – | (6,813) | 4,220 | – | – | – | (2,593) | – | (2,593) |
| Recognition of equity-settled share-based payment | – | – | – | – | 405 | – | 405 | – | 405 |
| At 31 December 2019 | 677 | 159,458 | 180,349 | 2,001 | 405 | (173,948) | 168,942 | 1,393 | 170,335 |

*Notes:*

i Capital reserve as at 1 January 2018 represents the capital reserve of Immunotech Applied Science Limited* (北京永泰生物制品有限公司) ("**Beijing Yongtai**"), being the difference of the capital contribution from two investors of Beijing Yongtai and new paid-in capital issued to the two investors.

ii In March 2018, six individual third-party investors entered into agreements with Beijing Yongtai to subscribe new paid-in capital of RMB4,551,000 of Beijing Yongtai, in aggregate, at cash consideration of RMB150,000,000. On 23 March 2018, Beijing Yongtai's registered capital changed from RMB18,204,000 to RMB22,755,000 and the six individual third-party investors became shareholders of Beijing Yongtai. The cash consideration of RMB150,000,000 was settled in September 2018. The excess of RMB145,449,000 between the cash consideration of RMB150,000,000 and the new paid-in capital of RMB4,551,000 was recorded in capital reserve.

iii On 28 August 2018, as part of the group reorganisation as set out in Note 2 to the Historical Financial Information, Ankang Ruihe Biomedical Technology (Beijing) Co Ltd* (安康瑞和生物醫藥技術(北京)有限公司) ("**AK Ruihe**"), a subsidiary of the Company, acquired 100% equity interest of Beijing Yongtai from the shareholders of the Group at cash consideration of RMB34,496,000 and then became 100% shareholder of Beijing Yongtai. The then issued capital of Beijing Yongtai of RMB22,755,000 was transferred to capital reserve upon the completion of the group reorganisation. The cash consideration paid to the shareholders of the Group are accounted for as a deemed distribution to owners and debited to capital reserve.

iv Pursuant to the relevant laws and regulations in the People's Republic of China (the "**PRC**"), the Group's PRC subsidiaries with limited liability are required to make annual appropriations to statutory surplus reserve of 10% of after-tax profits at each year end until the balance reaches 50% of the relevant PRC entity's registered capital.

* *English names are for identification purpose only*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | NOTES | For the year ended 31 December 2018 | 2019 |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| OPERATING ACTIVITIES | | | |
| Loss before tax | | (34,888) | (109,054) |
| Adjustment for: | | | |
| Fair value gains on financial assets at FVTPL | 8 | (560) | (1,087) |
| Interest income | 7 | (234) | (440) |
| Gain on exchange rate changes | | (4,974) | (6,434) |
| Depreciation of property, plant and equipment | 11 | 4,172 | 10,590 |
| Amortisation of intangible assets | 11 | 341 | 355 |
| (Gain) loss on disposal of property, plant and equipment | 8 | (73) | 38 |
| Loss on early termination of leases | 8 | – | 10 |
| Finance costs | 9 | 1,135 | 2,070 |
| Impairment loss on intangible assets | 8 | – | 1,714 |
| Fair value gain of convertible redeemable preference shares | 27 | – | (3,825) |
| Issue costs for convertible redeemable preference shares | 7 | – | 7,018 |
| Government grants related to plant and machinery credited to income | 7 | (45) | (134) |
| Share-based payment expense | 11 | – | 405 |
| Operating cash flows before movements in working capital | | (35,126) | (98,774) |
| Movements in working capital: | | | |
| Increase in prepayments and other receivables | | (13,046) | (9,411) |
| Increase in inventories | | (1,665) | (2,519) |
| Decrease in contract costs | | 256 | 256 |
| Decrease in contract liabilities | | (710) | (710) |
| Increase in trade and other payables | | 974 | 14,257 |
| Increase in deferred government grants | | 5,238 | 1,432 |
| Net cash used in operating activities | | (44,079) | (95,469) |

| | NOTES | For the year ended 31 December 2018 | 2019 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Investing activities | | | |
| Interest received | | 202 | 377 |
| Payments for purchase of property, plant and equipment | | (35,070) | (13,762) |
| Payments for intangible assets | | – | (7,261) |
| Payments for rental deposits | | (1,134) | (468) |
| Refund of rental deposit at end of a lease | | – | 79 |
| Proceeds from disposal of property, plant and equipment | | 109 | – |
| Payments for early termination of leases | | – | (1) |
| Purchase of financial assets at FVTPL | | (50,000) | – |
| Proceeds from disposal of financial assets at FVTPL | | 14,899 | 46,777 |
| Loans to a related party | | (1,200) | (6,000) |
| Repayments from a related party | | 21,200 | 6,000 |
| Loan to third parties | | (16,000) | (5,000) |
| Repayments from third parties | | 16,000 | 5,000 |
| Loan to a company related to a non-controlling shareholder of the Company | | – | (19,000) |
| Repayment from a company related to a non-controlling shareholder of the Company | | – | 19,000 |
| Government grants received | | 1,317 | – |
| Advances to a related party | | (723) | – |
| Net cash (used in)/from investing activities | | (50,400) | 25,741 |
| Financing activities | | | |
| Deemed distribution to owners pursuant to the group reorganisation | | (33,567) | (929) |
| Capital injection to the Company | | 101,599 | 65,349 |
| Capital injections to Beijing Yongtai | *2* | 150,000 | – |
| Capital contribution to a subsidiary by nominal equity holders | *2* | 100 | – |
| Payments of share issue cost for initial public offering ("**IPO**") | | (346) | (4,359) |
| Payment of transaction costs attributable of issue of ordinary shares | | – | (6,813) |
| Advance from equity investors | | 42,500 | – |
| Repayment to equity investors | | (42,500) | – |
| Advance from a related party | | – | 6,000 |
| Repayment to a related party | | – | (6,000) |
| Proceeds on issue of convertible bonds | *27* | – | 85,587 |
| Proceeds on issue of convertible redeemable preference shares | *27* | – | 90,345 |

| | NOTES | For the year ended 31 December 2018 | 2019 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| Payments of issue costs for convertible bonds and convertible redeemable preference shares | | – | (7,018) |
| Repayment of lease liabilities | | (2,204) | (2,883) |
| Interest paid | | (1,135) | (2,070) |
| Net cash from financing activities | | 214,447 | 217,209 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 119,968 | 147,481 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 3,390 | 128,332 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | | 4,974 | 6,434 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 128,332 | 282,247 |

## NOTES TO THE FINANCIAL INFORMATION

*FOR EACH OF THE YEARS ENDED 31 DECEMBER 2018 AND 2019*

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 (Law of 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 April 2018. The address of the Company's registered office is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-Technological Development Area, Beijing, the People's Republic of China (the "**PRC**" ).

The Company is an investment holding company. Its subsidiaries are principally engaged in research and development, manufacturing and commercialisation of immune cell products for treatments of cancers in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company and its subsidiaries.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in jurisdiction where there is no statutory audit requirements.

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the group reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "**Reorganisation**"), the operations of the Group were mainly carried out by Beijing Yongtai and its subsidiary in the PRC.

For the purpose of the proposed listing on the Stock Exchange, the Group underwent the Reorganisation which comprised the following steps:

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 April 2018 with an authorised share capital of United States Dollars ("**US$**") 50,000 divided into 50,000 shares of a par value of US$1.00 each. In August 2018, the Company issued a total of 9,999 ordinary shares for a subscription price of US$1.00 per share proportionately to holding companies owned by the then shareholders or beneficial owners of Beijing Yongtai.

On 19 April 2018 Hamiyang LTD ("**Hamiyang**") was incorporated in the British Virgin Islands ("**BVI**") with an authorised share capital of US$50,000 divided into 50,000 shares of a par value of US$1.00 each, which one share was issued to the Company on incorporation. Hamiyang is wholly-owned by the Company.

On 3 May 2018 JY Research Holding Limited ("**JY Research**") was incorporated in Hong Kong with an issued share capital of Hong Kong Dollar ("**HK$**") 1.00 comprising one share, which was issued to Hamiyang on incorporation. JY Research is wholly-owned by Hamiyang.

On 3 July 2018 AK Ruihe was incorporated in the PRC with a registered capital of HK$43,000,000. AK Ruihe is wholly-owned by JY Research.

In July and August 2018, AK Ruihe entered into equity transfer agreements with the then shareholders of Beijing Yongtai, pursuant to which AK Ruihe agreed to acquire and the then shareholders of Beijing Yongtai agreed to sell their respective equity interest in Beijing Yongtai for an aggregate cash consideration of RMB34,496,000. After the transfer, Beijing Yongtai became a wholly owned subsidiary of AK Ruihe in August 2018.

Upon completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, Hamiyang, JY Research and AK Ruihe between the then shareholders of the Group and Beijing Yongtai. The Group comprising of the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, and accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2018 are prepared as if the current group structure had been in existence throughout the Track Record Period.

**Contractual Arrangements**

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the gene therapy business carried out by a subsidiary of the Group, namely Beijing Yongtai Ruike Biotechnology Company Ltd* (北京永泰瑞科生物科技有限公司) ("**Yongtai Ruike**"), Beijing Yongtai entered into the contractual arrangements (the "**Contractual Arrangements**") with Yongtai Ruike and its equity holders on 10 September 2018, which enable Beijing Yongtai and the Group to:

- expose, or have rights, to variable returns from their involvement with the investee and have ability to affect those returns through its power over Yongtai Ruike;
- exercise equity holders' controlling voting rights of Yongtai Ruike;
- receive substantially all of the economic interest returns generated by Yongtai Ruike in consideration for the business support, technical and consulting services provided by Beijing Yongtai;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in Yongtai Ruike from its equity holders at RMB1 or the lowest price allowed by the PRC laws. Beijing Yongtai may exercise such options at any time until it has acquired all equity interests and/or all assets of Yongtai Ruike. In addition, Yongtai Ruike is not allowed to sell, transfer, or dispose of any assets, or make any distributions to its equity holders without prior consent of Beijing Yongtai; and
- obtain a pledge over the entire equity interest of Yongtai Ruike from its equity holders as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements.

The Group does not have any equity interest in Yongtai Ruike. However, as a result of the Contractual Arrangements, the Group has power over Yongtai Ruike, has rights to variable returns from its involvement with Yongtai Ruike and has the ability to affect those returns through its power over Yongtai Ruike and is considered to have control over Yongtai Ruike. Consequently, the Company regards Yongtai Ruike as an indirect subsidiary for accounting purpose. The Company consolidates the assets, liabilities, income and expenses of Yongtai Ruike upon the execution of the Contractual Arrangements.

The paid-in capital of RMB100,000 of Yongtai Ruike injected by the nominal equity holders is accounted for as a capital contribution to the Group in the Historical Financial Information.

* *English name is for identification purpose only.*

**3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform the IFRSs, the amendments to IFRSs and interpretations, which are effective for the accounting period beginning on 1 January 2019, including IFRS 16 *Leases,* throughout the Track Record Period.

**New and revised IFRSs in issue but not yet effective**

At the date of this report, the following new and amendments to IFRSs have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts[2] |
| Amendment to IFRS16 | Covid-19-Related Rent Concessions[6] |
| Amendments to IFRS 3 | Definition of a Business[3] |
| Amendments to IFRS 3 | Reference of the Conceptual Framework[5] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[5] |
| Amendments to IAS 1 and IAS 8 | Definition of Material[4] |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use[5] |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[5] |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform[4] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018-2020[5] |

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the revised Conceptual Framework for Financial Reporting mentioned below, the Directors anticipate that application of all other new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

**Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards**

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

**Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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.

**Investments in subsidiaries**

The investments in subsidiaries are stated at cost less accumulated impairment loss.

**Revenue from contracts with customers**

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services in accordance with IFRS 15 during the Track Record Period. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and the revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

*Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

***Costs to fulfil a contract***

The Group incurs costs to fulfil a contract in its costs for provision of cell cryopreservation services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the assets relate. The asset is subject to impairment review.

**Leases**

***Definition of a lease***

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***The Group as lessee***

*Short-term leases*

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

*Right-of-use assets*

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, 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 in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

*Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 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 recognises 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 depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

**Borrowing costs**

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

**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 recognised at the rates of exchange 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

**Government grants**

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised as deferred revenue in the historical financial information and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the periods in which they become receivable.

**Retirement benefit costs**

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

**Share-based payments**

***Equity-settled share-based payment transactions***

*Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). In cases where the grant date occurs after the employees to whom the equity instruments were granted have begun rendering services, the Group estimates the grant date fair value of the equity instruments for the purposes of recognising the services received during the period between service commencement date and grant date. Once the grant date has been established, the Group revises the earlier estimation so that the amounts recognised for services are ultimately based on grant date fair value. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statements of profit or loss and other comprehensive income 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 recognised 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 are only recognised 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 assets and liabilities 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 recognises 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 IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

**Property, plant and equipment**

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 recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised, in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as similar assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items 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 derecognised 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 recognised in profit or loss.

**Intangible assets**

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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.

**Impairment on property, plant and equipment (including right-of-use assets), contract costs and intangible assets (other than goodwill)**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment (including right-of-use assets), intangible assets with finite useful lives and contract costs 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 (including right-of-use assets) and intangible assets 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.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related services less the costs which relate directly to providing those services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised 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 recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Research and development expenditure**

Expenditure on research activities is recognised 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 recognised 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 recognised 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 recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised 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 IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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 recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised 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 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***

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised 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.

All other financial assets are subsequently measured at fair value.

***Amortised cost and interest income***

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 recognised by applying the effective interest rate to the amortised 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 recognised 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.

Interest income is recognised in profit or loss and is included in the "other income" line item.

***Financial asset at FVTPL***

Financial assets that do not meet the criteria for being measured at amortised cost 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 recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

***Impairment of financial assets***

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under IFRS 9 (including deposits, other receivables, amount due from a related party/a subsidiary, amounts due from shareholders and bank balances). 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. Assessment 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 both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

***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;
- an actual or expected significant deterioration in the operating results of the debtor; or
- 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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

***Definition of default***

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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.

***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

***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 Groups recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

***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.

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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of other receivables where the corresponding adjustments is recognised through a loss allowance account.

***Derecognition of financial assets***

The Group derecognises 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 recognised the financial assets and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity**

***Classification as debt or equity***

Debt and equity instruments issued by a group entity 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 a group entity are recognised at the proceeds received, net of direct issue costs.

***Financial liabilities***

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

***Convertible redeemable preference shares***

Convertible redeemable preference shares, which contain redemption features and other embedded derivatives, are designated as at financial liabilities at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "fair value gain of convertible redeemable preference shares" line item.

***Financial liabilities at amortised cost***

Financial liabilities including trade and other payables and amount due to a related party are subsequently measured at amortised cost, using the effective interest method.

***Derecognition of financial liabilities***

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, 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 ongoing basis. Revisions to accounting estimates are recognised 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 judgement in applying accounting policies**

The following is the critical judgement, 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 recognised in the Historical Financial Information.

***Research and development expenditures***

Development costs incurred on the Group's immune cell product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline 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 will assess the progress of each of the research and development projects and determine the criteria are met for capitalisation. During the Track Record Period, all development costs are expensed when incurred.

**Key sources of estimation uncertainty**

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, are described below.

***Useful lives and impairment of property, plant and equipment***

The management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

As at 31 December 2018 and 2019, the carrying amounts of property, plant and equipment of the Group are approximately RMB78,747,000 (net of accumulated impairment loss of nil) and RMB85,350,000 (net of accumulated impairment loss of nil), respectively as disclosed in Note 16. Any change in these estimates may have a material impact on the results of the Group.

***Useful lives and impairment of intangible assets***

The management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its intangible assets. This estimate is based on the management's experience of the actual useful lives of intangible assets of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of intangible assets may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

As at 31 December 2018 and 2019, the carrying amounts of intangible assets of the Group are approximately RMB2,575,000 (net of accumulated impairment loss of nil) and RMB7,767,000 (net of accumulated impairment loss of RMB1,714,000), respectively as disclosed in Note 17. Any change in these estimates may have a material impact on the results of the Group.

***Fair value of convertible redeemable preference shares***

The convertible redeemable preference shares of the Company are measured at FVTPL for financial reporting purpose. No quoted prices in an active market are available for these financial liabilities. These financial liabilities were valued by the Directors with reference to valuations carried out by an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experience in valuation of similar financial instruments. The fair value of these financial liabilities is established by using valuation techniques as disclosed in Note 27 and Note 34. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares as assessed by the Directors, possibilities under different scenarios such as initial public offerings, liquidation and redemption, and discount for lack of marketability, require management estimates. The estimates and assumptions by the Directors are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the convertible redeemable preference shares at 31 December 2019 was RMB172,107,000.

## 6. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, the executive directors of the Company, being the chief operating decision makers, review the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one operating and reportable segment and no further analysis of this single segment is presented.

**Geographical information**

The Group did not record any revenue during the Track Record Period and over 90% of the Group's non-current assets are located in the PRC, accordingly, no analysis of geographical segment is presented.

## 7. OTHER INCOME/OTHER EXPENSES

**Other income**

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Income received from provision of cell cryopreservation services *(Note a)* | 710 | 710 |
| Interest income on bank deposits | 127 | 325 |
| Interest income from lease deposits | 32 | 63 |
| Interest income from a company related to a non-controlling shareholder of the Company *(Note c)* | – | 41 |
| Interest income from loans to third parties | 75 | 11 |
| Government grants *(Note b)* | 4,274 | 1,726 |
| Others | – | 12 |
| Total | 5,218 | 2,888 |

**Other expenses**

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Costs for provision of cell cryopreservation services | 341 | 325 |
| Issue costs for convertible redeemable preference shares | – | 7,018 |
| Others | 3 | 83 |
| Total | 344 | 7,426 |

*Notes:*

a. An analysis of the Group's income from cell cryopreservation service as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Types of goods or service** | | |
| Cell cryopreservation services | 710 | 710 |
| **Timing of revenue recognition** | | |
| Over time | 710 | 710 |

During the Track Record Period, the Group generated income from cell cryopreservation services in the PRC. Cell cryopreservation is the process whereby cells are preserved by cooling to very low temperatures. The Group entered into ten-year agreements with individuals to help them preserve immunocytes extracted from their bodies. The provision of cell cryopreservation services is not considered the principal business of the Group. The Group ceased to enter into new contracts with new customers since November 2017.

Income relating to cell cryopreservation services is recognised over time since customers simultaneously receive and consume the benefits as the Group provides the cell cryopreservation services. The Group required 100% upfront payments from its customers which gives rise to a contract liability recognised at the commencement of a contract and contract liability is released on a straight line basis over the period of services, i.e. 10 years.

b.

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Government grants related to | | |
| – Research and development activities | 4,229 | 1,568 |
| – Plant and machinery | 45 | 134 |
| – Others | – | 24 |
| | 4,274 | 1,726 |

Government grants include subsidies from local PRC governments which are specifically for (i) the subsidies for the Group's research and development activities, which are recognised upon compliance with the attached conditions; (ii) compensations of the capital expenditure incurred for purchase of plant and machinery in relation to research and development of immune cell products, which are recognised over the useful life of the related assets; and (iii) subsidies to provide immediate financial support to the Group with no conditions attached which are recognised in profit or loss when the subsidies are received.

c. On 11 November 2019, the Group made a loan to a company related to a non-controlling shareholder of the Company, which owns 3.43% ordinary shares of the Company. The loan was unsecured, bore interest at 4.35% per annum and was fully repaid on 29 November 2019.

## 8. OTHER GAINS AND LOSSES, NET

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Exchange gain, net | 7,740 | 7,042 |
| Fair value gains on financial assets at FVTPL | 560 | 1,087 |
| Gain (loss) on disposal of property, plant and equipment | 73 | (38) |
| Loss on early termination of leases | – | (10) |
| Impairment loss on intangible assets | – | (1,714) |
| Others | (297) | (51) |
| Total | 8,076 | 6,316 |

## 9. FINANCE COSTS

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Interest expenses on lease liabilities | 1,135 | 2,070 |

## 10. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from income tax.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the Track Record Period.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

Beijing Yongtai has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities in September 2015 for a term of three years, and has been registered with the local tax authorities for enjoying the reduced 15% EIT rate. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authorities in the PRC for every three years, Beijing Yongtai has renewed the new "High and New Technology Enterprise" certificate on 31 October 2018. Accordingly, the profits derived by the subsidiary is subject to 15% EIT rate for the Track Record Period.

No provision for PRC income tax was made as the Group's PRC subsidiaries incurred tax losses during the Track Record Period.

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Current PRC corporate income tax | – | – |

The tax expense for the year is reconciled to the loss before tax per consolidated statements of profit or loss and other comprehensive income as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Loss before tax | (34,888) | (109,054) |
| Tax at the applicable tax rate of 25% | (8,722) | (27,264) |
| Effect of non-taxable income | (1,986) | (2,924) |
| Effect of expenses not deductible for tax purpose | 373 | 8,214 |
| Effect of accelerated deduction for research and development expenses *(Note)* | (3,149) | (10,875) |
| Effect of unrecognised tax losses | 13,484 | 32,849 |
| | – | – |

*Note:* Pursuant to Caishui 2018 circular No. 99, Beijing Yongtai, Yongtai Ruike and Beijing Weixiao Biotechnology Development Limited* (北京緯曉生物技術開發有限責任公司) ("**Beijing Weixiao**") enjoy accelerated deduction of 175% on qualifying research and development expenditures from 1 January 2018 to 31 December 2020.

As at 31 December 2018 and 2019, the Group had estimated unused tax losses of approximately RMB75,721,000 and RMB207,115,000, respectively, which are available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses as at 31 December 2018 and 2019 due to the unpredictability of future profit streams.

The unused tax losses will be expired as follows:

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| 2021 | 1,350 | 1,350 |
| 2022 | 20,435 | 20,435 |
| 2023 | 53,936 | 53,936 |
| 2024 | – | 131,394 |
| Total | 75,721 | 207,115 |

## 11. LOSS FOR THE YEAR

**The Group**

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Loss for the year has been arrived at after charging: | | |
| Staff costs, including directors' remuneration | | |
| – salaries and other allowances | 9,501 | 28,583 |
| – retirement benefits | 564 | 2,004 |
| – equity-settled share-based payment expense | – | 405 |
| Total staff costs | 10,065 | 30,992 |
| Auditor's remuneration | 30 | 64 |
| Depreciation of property, plant and equipment | 4,172 | 10,590 |
| Amortisation of intangible assets | 341 | 355 |
| Short-term lease expense | – | 308 |
| Cost of inventories included in research and development expenses | 4,000 | 9,159 |
| Sub-contracting costs included in research and development expenses | 14,942 | 20,022 |

## 12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as chief executives and directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

**Year ended 31 December 2018**

| | **Fees** | **Salaries and other allowances** | **Retirement benefits** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive directors: | | | | |
| Mr. Tan, Zheng *(Note a)* | – | 144 | 5 | 149 |
| Mr. Jung, Hyun Chul *(Note b)* | – | 661 | 5 | 666 |
| Total | – | 805 | 10 | 815 |

**Year ended 31 December 2019**

| | Fees | Salaries and other allowances | Equity-settled share-based payment expense | Retirement benefits | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive directors: | | | | | |
| Mr. Tan, Zheng *(Note a)* | – | 702 | 58 | 28 | 788 |
| Mr. Jung, Hyun Chul *(Note b)* | – | 636 | – | 28 | 664 |
| Dr Wang, Yu *(Note c)* | – | 606 | 270 | 28 | 904 |
| Sub-total | – | 1,944 | 328 | 84 | 2,356 |
| Non-executive directors: | | | | | |
| Mr. Si, Xiaobing *(Note d)* | – | 26 | – | 7 | 33 |
| Mr. Lu, Yuan *(Note d)* | – | – | – | – | – |
| Mr. Li, Yuezhong *(Note d)* | – | – | – | – | – |
| Sub-total | – | 26 | – | 7 | 33 |
| Total | – | 1,970 | 328 | 91 | 2,389 |

*Notes:*

a. Mr. Tan, Zheng joined the Group in September 2015 as a director of Beijing Yongtai. He was appointed as executive director of the Company in April 2018 and was re-designated as an executive director and the chairman in August 2019.

b. Mr. Jung, Hyun Chul joined the Group in November 2006 and was appointed as an executive director of Beijing Yongtai since then. He was appointed as executive director of the Company in August 2019.

c. Dr Wang, Yu was the chief executive officer between November 2006 and September 2014 of Beijing Yongtai. Dr Wang, Yu re-joined the Group as chief executive officer of the Company in March 2019. She was appointed as executive director of the Company in August 2019.

d. Mr. Si, Xiaobing was appointed as non-executive director of the Company in August 2019. The information disclosed above represented his emoluments since he was appointed as a director. Mr. Lu, Yuan and Mr. Li, Yuezhong was appointed as non-executive directors of the Company in August 2019.

No independent non-executive director was appointed during the Track Record Period. Mr. Wang, Yingdian, Mr. Ng, Chi Kit and Ms. Peng, Sujiu were appointed as an independent non-executive directors in June 2020.

There were no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the Track Record Period.

## 13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group for the Track Record Period included one and two director(s) for the years ended 31 December 2018 and 2019, respectively, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the remaining four and three individuals for the Track Record Period were as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Salaries and other allowances | 844 | 3,201 |
| Retirement benefits | 4 | 37 |
| Equity-settled share-based payment expense | – | 13 |
| Total | 848 | 3,251 |

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *No. of employees* | *No. of employees* |
| Nil to HK$1,000,000 | 4 | 2 |
| HK$1,500,001 to HK$2,000,000 | – | 1 |
| Total | 4 | 3 |

During the Track Record Period, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. DIVIDEND

No dividend was paid nor declared by the Company and its subsidiaries during the Track Record Period.

## 15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Loss** | | |
| Loss for the year attributable to owners of the Company | (34,766) | (108,801) |

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *Shares ('000)* | *Shares ('000)* |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | 327,640 | 379,909 |

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the Track Record Period has been determined on the assumptions that the share subdivision as set out in Note 28(e) and Capitalisation Issue as set out in Note 39 and "Share Capital" section of the Prospectus had been effective since 1 January 2018.

The Group issued the convertible redeemable preference shares, and granted share options under the pre-IPO share option scheme during the year ended 31 December 2019 as set out in Notes 27 and 31, respectively. For the purpose of calculation of diluted loss per share, the convertible redeemable preference shares and share options granted under the pre-IPO share option scheme were not included as their inclusion would result in a decrease in loss per share. The Group does not have any dilutive potential ordinary shares outstanding during the year ended 31 December 2018 and thus no diluted loss per share for the year ended 31 December 2018 is presented.

## 16. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Right-of-use assets | Leasehold improvements | Machinery | Vehicles | Office equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| COST | | | | | | | |
| At 1 January 2018 | 4,251 | 9,790 | 6,128 | 646 | 494 | – | 21,309 |
| Additions | 34,868 | 468 | 4,471 | 309 | 197 | 37,413 | 77,726 |
| Disposals | – | – | (479) | (243) | – | – | (722) |
| At 31 December 2018 | 39,119 | 10,258 | 10,120 | 712 | 691 | 37,413 | 98,313 |
| Additions | 8,632 | 3,785 | 4,339 | – | 860 | – | 17,616 |
| Elimination at end of lease terms | (3,610) | (9,060) | – | – | – | – | (12,670) |
| Transfer | – | 16,835 | 20,378 | – | 200 | (37,413) | – |
| Disposals | – | – | (349) | – | (303) | – | (652) |
| Early termination of leases | (940) | (417) | – | – | – | – | (1,357) |
| At 31 December 2019 | 43,201 | 21,401 | 34,488 | 712 | 1,448 | – | 101,250 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 January 2018 | (2,372) | (8,677) | (4,196) | (400) | (435) | – | (16,080) |
| Provided for the year | (2,533) | (922) | (571) | (121) | (25) | – | (4,172) |
| Disposals | – | – | 455 | 231 | – | – | 686 |
| At 31 December 2018 | (4,905) | (9,599) | (4,312) | (290) | (460) | – | (19,566) |
| Provided for the year | (5,308) | (2,421) | (2,581) | (130) | (150) | – | (10,590) |
| Elimination at end of lease terms | 3,610 | 9,060 | – | – | – | – | 12,670 |
| Disposals | – | – | 332 | – | 282 | – | 614 |
| Early termination of leases | 561 | 411 | – | – | – | – | 972 |
| At 31 December 2019 | (6,042) | (2,549) | (6,561) | (420) | (328) | – | (15,900) |
| CARRYING VALUES | | | | | | | |
| At 31 December 2018 | 34,214 | 659 | 5,808 | 422 | 231 | 37,413 | 78,747 |
| At 31 December 2019 | 37,159 | 18,852 | 27,927 | 292 | 1,120 | – | 85,350 |

**The Company**

| | Right-of-use assets | Leasehold improvements | Machinery | Office equipment | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| COST | | | | | |
| At date of incorporation and 31 December 2018 | – | – | – | – | – |
| Additions | 816 | 208 | 2,715 | 367 | 4,106 |
| At 31 December 2019 | 816 | 208 | 2,715 | 367 | 4,106 |
| ACCUMULATED DEPRECIATION | | | | | |
| At date of incorporation and 31 December 2018 | – | – | – | – | – |
| Provided for the year | (130) | (31) | (274) | (35) | (470) |
| At 31 December 2019 | (130) | (31) | (274) | (35) | (470) |
| CARRYING VALUES | | | | | |
| At 31 December 2019 | 686 | 177 | 2,441 | 332 | 3,636 |

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:

| | |
|---|---|
| Right-of-use assets | Over lease terms |
| Leasehold improvements | Shorter of lease terms and its useful life |
| Machinery | 3 to10 years |
| Vehicles | 5 years |
| Office equipment | 5 years |

The class of right-of-use assets is all for buildings.

**17. INTANGIBLE ASSETS**

| | Acquired clinical trial permission | Patent rights | Software | Total |
|---|---|---|---|---|
| | *RMB'000 (Note 31)* | *RMB'000* | *RMB'000* | *RMB'000* |
| COST | | | | |
| At 1 January 2018 and 31 December 2018 | 2,143 | 1,257 | 69 | 3,469 |
| Addition | – | 7,130 | 131 | 7,261 |
| At 31 December 2019 | 2,143 | 8,387 | 200 | 10,730 |
| AMORTISATION AND IMPAIRMENT | | | | |
| At 1 January 2018 | (107) | (377) | (69) | (553) |
| Charge for the year | (215) | (126) | – | (341) |
| At 31 December 2018 | (322) | (503) | (69) | (894) |
| Charge for the year | (107) | (244) | (4) | (355) |
| Impairment loss recognised in the year *(Note)* | (1,714) | – | – | (1,714) |
| At 31 December 2019 | (2,143) | (747) | (73) | (2,963) |
| CARRYING VALUES | | | | |
| At 31 December 2018 | 1,821 | 754 | – | 2,575 |
| At 31 December 2019 | – | 7,640 | 127 | 7,767 |

*Note:* In June 2019, management of the Group determined to put on hold the clinical trial for 6B11-OCIK, a product for treatment of ovarian cancer, and therefore the remaining balance of associated acquired clinical trial permission recognised as an intangible asset was fully impaired.

The above intangible assets have finite lives and are amortised on a straight-line basis. The useful lives of clinical trail permission, patent rights and software are 10 years, 10 years and 5 years, respectively. The useful lives of patent rights were determined by the management of the Group taking into account of the period over which the assets are expected to be available for use by the Group and the stability of the industry in which the assets operate.

## 18. CONTRACT COSTS

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Costs to fulfill contracts | 2,000 | 1,744 |
| Analysed as: | | |
| Current | 256 | 256 |
| Non-current | 1,744 | 1,488 |
| | 2,000 | 1,744 |

**Movements of contract costs**

| | *RMB'000* |
|---|---|
| At 1 January 2018 | 2,256 |
| Release to other expenses | (256) |
| At 31 December 2018 | 2,000 |
| Release to other expenses | (256) |
| At 31 December 2019 | 1,744 |

Contract costs capitalised relate to incremental initial costs for cell extraction from human bodies and preparation for cryopreservation at the beginning of cryopreservation service as described in Note 7. These costs are amortised over the service periods. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

## 19. INVENTORIES

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Raw materials | 2,291 | 4,810 |

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

**The Group**

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Deposits paid for purchase of property, plant and equipment | 738 | – |
| Prepayments to suppliers | 4,848 | 11,001 |
| Value added tax recoverables | 8,910 | 13,105 |
| Advances to employees | 255 | 133 |
| Rental deposits | 886 | 1,111 |
| Other deposits | 222 | 325 |
| Deferred share issue costs for IPO | 828 | 7,474 |
| Prepayments for listing expenses | 1,673 | 834 |
| Others | 399 | 320 |
| | 18,759 | 34,303 |
| Analysed as: | | |
| Current | 8,373 | 20,087 |
| Non-current | 10,386 | 14,216 |
| | 18,759 | 34,303 |

**The Company**

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Deferred share issue costs for IPO | 828 | 7,474 |
| Prepayments for listing expenses | 1,673 | 834 |
| Rental deposits | – | 143 |
| Value added tax recoverables | – | 303 |
| Other deposits | – | 10 |
| | 2,501 | 8,764 |
| Analysed as: | | |
| Current | 2,501 | 8,318 |
| Non-current | – | 446 |
| | 2,501 | 8,764 |

## 21. FINANCIAL ASSETS AT FVTPL

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL | 45,690 | – |

The Group invested into financial products managed by banks in the PRC which can be redeemed at any time. There is no predetermined or guaranteed return for each product. Such financial products were accounted for as financial assets at FVTPL under IFRS 9. The Group redeemed all the financial products in November 2019.

## 22. BANK BALANCES AND CASH

**The Group**

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Bank balances and cash | | |
| Cash on hand | 210 | 194 |
| Bank balances | 128,122 | 282,053 |
| | 128,332 | 282,247 |
| Bank balances and cash denominated in: | | |
| RMB | 57,290 | 31,977 |
| HK$ | 71,042 | 249,583 |
| Korean Won ("**KRW**") | – | 607 |
| US$ | – | 80 |
| | 128,332 | 282,247 |

Bank balances carry interest at market rates which range from 0.13% to 0.35% and from 0.01% to 0.35% per annum as at 31 December 2018 and 2019, respectively.

**The Company**

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Bank balances | 71,034 | 250,262 |
| Bank balances denominated in: | | |
| HK$ | 71,034 | 249,575 |
| KRW | – | 607 |
| US$ | – | 80 |
| | 71,034 | 250,262 |

Bank balances carry interest at market rates which are 0.13% and range from 0.01% to 0.12% per annum as at 31 December 2018 and 2019, respectively.

## 23. CONTRACT LIABILITIES

| | As at 1 January | As at 31 December | |
|---|---|---|---|
| | 2018 | 2018 | 2019 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Provision of cryopreservation service | 6,244 | 5,534 | 4,824 |
| Current | | 710 | 710 |
| Non-current | | 4,824 | 4,114 |
| | | 5,534 | 4,824 |

Income relating to cryopreservation service is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for income relating to the cryopreservation service at the time of the initial sales transaction and is released over the service period.

Income from cryopreservation service that was included in the contract liabilities balance at the beginning of the year was RMB710,000 and RMB710,000 for the years ended 31 December 2018 and 2019, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and 2019 and the expected timing of recognising income are as follows:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Within one year | 710 | 710 |
| More than one year but no more than two years | 710 | 710 |
| More than two years | 4,114 | 3,404 |
| | 5,534 | 4,824 |

## 24. TRADE AND OTHER PAYABLES

**The Group**

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Trade payables | 752 | 4,632 |
| Payables for acquisition of property, plant and equipment | 6,140 | 624 |
| Payables for ordinary shares issue costs *(Note 28)* | 4,220 | – |
| Accrued salaries and other allowances | 1,121 | 3,006 |
| Government grants repayable *(Note 26)* | – | 1,837 |
| Accrued listing expenses | 1,447 | 9,275 |
| Accrued share issue costs for IPO | 482 | 2,769 |
| Others | 327 | 991 |
| | 14,489 | 23,134 |

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Within 1 year | 462 | 4,601 |
| 1 year to 2 years | 22 | 11 |
| 2 year to 3 years | 268 | 20 |
| | 752 | 4,632 |

**The Company**

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Payables for ordinary shares issue costs | 4,220 | – |
| Accrued listing expenses | 1,447 | 9,275 |
| Accrued share issue costs for IPO | 482 | 2,769 |
| Others | 1 | 10 |
| | 6,150 | 12,054 |

## 25. LEASE LIABILITIES

**The Group**

The Group leases properties to operate its business. These leases are typically made for fixed terms of 3-10 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. The lease liabilities are measured at the present value of the lease payments that are not yet paid. The incremental borrowing rates applied by the relevant group entities range from 5.94% to 6.13% per annum and 4.91% to 6.37% per annum for lease liabilities as at 31 December 2018 and 2019, respectively.

The exposure of the Group's lease liabilities are as follows:

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Analysed for reporting purposes as: | | |
| Current liabilities | 2,896 | 3,786 |
| Non-current liabilities | 30,958 | 35,214 |
| | 33,854 | 39,000 |

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Lease liabilities payable: | | |
| Within one year | 2,896 | 3,786 |
| More than one year, but not exceeding two years | 2,982 | 3,904 |
| More than two years, but not exceeding five years | 9,534 | 13,400 |
| More than five years | 18,442 | 17,910 |
| | 33,854 | 39,000 |
| Less: Amounts due for settlement within one year (shown under current liabilities) | (2,896) | (3,786) |
| Amounts due for settlement after one year | 30,958 | 35,214 |

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The Group's lease agreements did not contain any contingent rent nor any extension, or early termination option or purchase option for leasee.

The total cash outflow for leases amounted to RMB3,339,000 and RMB5,261,000 (including total cash outflow for short-term leases amounted to RMB308,000) for the years ended 31 December 2018 and 31 December 2019, respectively.

**The Company**

During the year ended 31 December 2019, the Company leased an office from Pharos Vaccine Inc. ("**Vaccine**"), an entity controlled by Mr. Jung, Hyun Chul, a major shareholder and an executive director of the Company, to operate its research and development activities in the Republic of Korea. The lease liability is measured at the present value of the lease payments that are not yet paid for a fixed term of 5 years. The lease obligation is denominated in KRW. The incremental borrowing rate applied by the Company is 4.91% per annum for the year ended 31 December 2019.

The exposure of the Company's lease liability is as follows:

| | **As at 31 December 2019** |
|---|---|
| | *RMB'000* |
| Analysed for reporting purposes as: | |
| Current liabilities | 148 |
| Non-current liabilities | 488 |
| | 636 |

| | As at 31 December 2019 |
|---|---|
| | *RMB'000* |
| Lease liabilities payable: | |
| Within one year | 148 |
| More than one year, but not exceeding two years | 155 |
| More than two years | 333 |
| | 636 |
| Less: Amounts due for settlement within one year (shown under current liabilities) | (148) |
| Amounts due for settlement after one year | 488 |

The total cash outflow for lease amounted to RMB175,000 for the year ended 31 December 2019. An interest expense of RMB35,000 arising from the accretion of the lease liability was charged to profit or loss for the year ended 31 December 2019.

## 26. DEFERRED GOVERNMENT GRANTS

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Current | – | 6,433 |
| Non-current | 8,110 | 1,138 |
| | 8,110 | 7,571 |

**Movements of government grants**

| | Government grants related to | | |
|---|---|---|---|
| | Plant and machinery | Research and development activities | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2018 | – | 1,600 | 1,600 |
| Government grants received | 1,317 | 9,467 | 10,784 |
| Release of deferred government grants to profit or loss | (45) | (4,229) | (4,274) |
| At 31 December 2018 | 1,272 | 6,838 | 8,110 |
| Government grants received | – | 3,000 | 3,000 |
| Release of deferred government grants to profit or loss | (134) | (1,568) | (1,702) |
| Transfer out to other payables *(Note)* | – | (1,837) | (1,837) |
| At 31 December 2019 | 1,138 | 6,433 | 7,571 |

*Note:*

In 2018, the Group received a government subsidy of RMB3,600,000 in relation to research and development of 6B11-OCIK product. The subsidy can be used for the first phase of clinical research on 6B11-OCIK product. In June 2019, the Group determined to put on hold the research and development of 6B11-OCIK product and the remaining unused subsidy of RMB1,837,000 is repayable to local government and was transferred to other payables.

## 27. CONVERTIBLE REDEEMABLE PREFERENCE SHARES AND ISSUE AND REDEMPTION OF CONVERTIBLE BONDS

**Issue and redemption of convertible bonds**

On 9 April 2019, the Company issued secured guaranteed convertible bonds with principal amount of HK$100,000,000 (equivalent to RMB85,587,000) (the "**Convertible Bonds**") to Poly Platinum Enterprises Limited (the "**Poly Platinum**"). The Convertible Bonds have a maturity of one year. The Convertible Bonds were secured by certain shareholders' shares in the Company and guaranteed by certain shareholders.

The key terms of the Convertible Bonds are summarised as follows:

**(a) Conversion option**

The Convertible Bonds will, at the option of the holder or upon a qualified IPO as defined in the subscription agreements of the Convertible Bonds, be convertible to the new ordinary shares issued by the Company prior to the IPO based on post-money valuation of HK$4.1 billion (equivalent to 2.4% of issued ordinary shares of the Company, on an as-if converted basis and subject to anti-dilution adjustments).

**(b) Redemption on maturity**

Poly Platinum shall have the rights to require the Company or its major ordinary shareholders to repurchase all the outstanding principle of the Convertible Bonds plus interest at an interest rate of 10% per annum.

The Convertible Bonds were redeemed by the Company at consideration of HK$100,000,000 on 12 June 2019. The consideration was settled by offsetting the consideration payable by Poly Platinum for the subscription of the convertible redeemable preference shares as described below.

**Issue of convertible redeemable preference shares**

On 3 June 2019, Poly Platinum entered into a preference shares subscription agreement ("**Preference Shares Agreement**") with the Company in relation to a subscription of 5,000 preference shares (the "**Preference Shares**") of the Company at consideration of HK$200,000,000. The Preference Share Agreement was supplemented by a first supplemental subscription agreement dated 12 June 2019. The consideration was fully settled on 12 June 2019. The Preference Shares are secured by certain shareholders' shares in the Company and guaranteed by certain shareholders.

The details of the Preference Shares are as follows:

| | Date of issue | Total number of preference shares issued | Subscription price per share | Total | Total in RMB |
|---|---|---|---|---|---|
| | | | *HK$* | *HK$'000* | *RMB'000* |
| Preference Shares | 12 June 2019 | 5,000 | 40,000 | 200,000 | 175,932 |

On 23 August 2019, a written resolution of the shareholders of the Company was passed, pursuant to which each Preference Share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision of share capital of the Company, the number of the Preference Shares was increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

The key terms of the Preference Shares are summarised as follows:

**(a) Dividends rights**

The Preference Shares investor rank senior to any ordinary shares or any other issued shares in the capital of the Company, including the right to receive all dividends and distributions which may thereafter be declared, made or paid from time to time.

**(b) Conversion feature**

Upon the closing of a qualified IPO as defined in the Preference Shares Agreement, the Preference Shares are convertible into ordinary shares of the Company at a conversion rate of 1 Preference Share to 1 ordinary share, and shall be subject to adjustment and readjustment (including but not limited to share splits and combinations, capital reorganisation or reclassification, and adjustment upon issuance of new securities for consideration per shares less than the issue price of the Preference Shares) from time to time. As at 31 December 2019, the applicable conversion rate was 1:1.

**(c) Put Option**

Poly Platinum has the right to exercise put option if the Company has not consummated the following conditions: 1) the Company fails to achieve a qualified IPO within twelve months after the closing date of the issue of Preference Shares; 2) the total number of shares issued by the Company exceeds 10% of the total number of issued and outstanding ordinary shares (taking into account the effect of any share splits, share consolidations or analogous restructuring of the issued share capital of the Company from time to time and excluding any shares issued in an IPO); 3) fail to meet other business performance requirements as set out in the Preference Shares Agreement and 4) upon the occurrence of an event of default as defined in the Preference Shares Agreement which includes but not limited to events such as liquidation, dissolution or winding up of the Company.

Poly Platinum can exercise the put option rights in part or in full to the Company and/or the major shareholders of the Company as defined in the Preference Shares Agreement. The put price shall be determined in accordance with the following formulae:

Put price = (A x (1 + 10% x n) + B x (1 + 10% x y)) x C

where

A = HK$100,000,000;

n = the number of days from and including 9 April 2019 to and including the completion date of the put option / 365; and

B = HK$100,000,000

y = the number of days from and including 12 June 2019, and including the completion date of the put option / 365; and

C = the number of shares put divided by the number of the Preference Shares outstanding.

**(d) Voting rights**

Poly Platinum is entitled to the number of votes equal to the number of ordinary shares into which the Preference Shares are convertible. Poly Platinum and ordinary shareholders shall vote together as a single class.

**Presentation and Classification**

The Group and the Company have designated the convertible redeemable preference shares as financial liabilities at FVTPL. The fair value change of the Preference Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during the Track Record Period is immaterial.

The fair value of the Preference Shares at 31 December 2019 is as follows:

**The Group and the Company**

| | **Preference Shares** | **Shown in the Historical Financial Information as** |
|---|---|---|
| | *HK$'000* | *RMB'000* |
| As 1 January 2018 and 31 December 2018 | – | – |
| Issue of Preference Shares | 200,000 | 175,932 |
| Change in fair value *(Note a)* | (7,869) | (3,825) |
| At 31 December 2019 | 192,131 | 172,107 |

*Note:*

a. Change in fair value presented in RMB also includes the exchange effect on translation from HK$ balances into RMB.

The Preference Shares were valued by the Directors with reference to an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experiences in valuation of similar instruments.

Back-solve model was used to determine the underlying equity value of the Company. As the issue of Preference Shares was considered an arm's length transaction, the underlying equity value of the Company was back-solved based on the issue price.

Hybrid method was adopted to allocate the equity value amongst different classes of shares of the Company at the end of the reporting period. The hybrid method is a hybrid between the probability-weighted expected return method ("**PWERM**") and the option pricing method ("**OPM**"), estimating the probability-weighted value across multiple scenarios but using the OPM to estimate the allocation of value within one or more of those scenarios.

Under a PWERM, the value of various equity securities are estimated based upon an analysis of future values for the enterprise, assuming various future outcomes. Share value is based upon the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each share class. Common future outcomes model might include an IPO or liquidation.

The OPM treats the rights of the Preference Shares holders and ordinary shares as equivalent to that of call options on the Company's equity value, with strike prices based on the liquidation preferences as disclosed above, redemption provisions and automatic conversion of the Preference Shares. Thus, the equity value of the ordinary shares can be determined by estimating the value of its portion of each of these call option rights.

Key valuation assumptions used to determine the fair value of the Preference Shares are as follows:

| | **As at 31 December 2019** |
|---|---|
| Time to IPO | 0.5 |
| Time to liquidation | 0.5 |
| Risk-free interest rate | 1.9% |
| Volatility | 34% |
| Dividend yield | 0% |
| Possibilities under redemption scenario | 10% |
| Possibilities under liquidation scenario | 5% |
| Possibilities under IPO Scenario | 85% |

## 28. PAID-IN CAPITAL/SHARE CAPITAL

**The Group**

For the purpose of presenting the paid-in capital/share capital of the Group prior to the completion of the Reorganisation as disclosed in Note 2, the balance at 1 January 2018 represented the paid-in capital of Beijing Yongtai.

The share capital as at 31 December 2018 and 2019 represented the issued share capital of the Company.

**The Company**

| | Number of shares | Share capital |
|---|---|---|
| | | *US$* |
| **Ordinary shares** | | |
| Ordinary shares of US$1 each | | |
| **Authorised** | | |
| As at 11 April 2018 (date of incorporation) | 50,000 | 50,000 |
| Increase *(Note a)* | 4,950,000 | 4,950,000 |
| At 31 December 2018 | 5,000,000 | 5,000,000 |
| Reclassification and re-designation on issuance of Preference Shares *(Note b)* | (1,000,000) | (1,000,000) |
| Share subdivision *(Note e)* | 3,996,000,000 | – |
| At 31 December 2019 | 4,000,000,000 | 4,000,000 |
| **Issued and fully paid** | | |
| As at 11 April 2018 (date of incorporation) | 1 | 1 |
| Issue of ordinary shares *(Note c)* | 9,999 | 9,999 |
| At 31 December 2018 | 10,000 | 10,000 |
| Issue of ordinary shares *(Note c)* | 80,000 | 80,000 |
| Issue of ordinary shares *(Note d)* | 10,000 | 10,000 |
| Share subdivision *(Note e)* | 99,900,000 | – |
| At 31 December 2019 | 100,000,000 | 100,000 |

| | 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Presented as | 69 | 677 |

*Notes:*

a. Pursuant to resolutions passed by the shareholders of the Company on 23 October 2018, the authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares of a par value of US$1.00 each to US$5,000,000 divided into 5,000,000 shares of a par value of US$1.00 each by the creation of an additional 4,950,000 shares with a par value of US$1.00.

b. On 12 June 2019, the Company re-designated and reclassified 1,000,000 shares into preference shares.

c. In August 2018, the Company issued 9,999 ordinary shares with a par value of US$1 each at consideration of US$1 per share to its shareholders, which are entities owned by the then shareholders or beneficial owners of Beijing Yongtai with details set out in Note 2.

In January 2019, the Company further issued 80,000 ordinary shares with a par value of US$1 each at consideration of US$1 per share to its shareholders.

d. During the year ended 31 December 2018, the Company agreed with four investors in relation to subscription of 10% of the Company's ordinary shares at cash consideration of HK$200,000,000.

In May 2018, the Company received cash consideration of HK$125,000,000 (equivalent to RMB101,599,000) from an investor which was credited to capital reserve during the year ended 31 December 2018. Related share issue costs of RMB4,220,000 is debited to capital reserve during the year ended 31 December 2018 and subsequently transferred to share premium in January 2019 upon issuance of shares as set out below.

In January 2019, the Company received aggregate cash consideration of HK$75,000,000 (equivalent to RMB64,737,000) from the remaining three investors, the difference between the consideration received (including the consideration of RMB101,599,000 previously recorded in capital reserve) and the par value of ordinary shares issued of RMB166,271,000 is credited to share premium. Share issue cost of RMB6,813,000 (including share issue costs of RMB4,220,000 previously recorded in capital reserve) is debited to share premium.

In January 2019, the Company issued aggregate 10,000 ordinary shares of US$1 each to the abovementioned four investors.

e. On 23 August 2019, a written resolution of the shareholders of the Company was passed, pursuant to which each issued and unissued ordinary share of the Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each. Following the subdivision of share capital of the Company, the number of issued ordinary shares of the Company was increased from 100,000 of US$1.00 each to 100,000,000 of US$0.001 each.

## 29. RESERVES

**The Company**

| | Share premium | Capital reserve | Share option reserve | Retained earnings/ (accumulated loss) | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *(Note 31) RMB'000* | *RMB'000* | *RMB'000* |
| At the date of incorporation | – | – | – | – | – |
| Profit and total comprehensive income for the period | – | – | – | 8,089 | 8,089 |
| Issue of ordinary shares | – | 101,599 | – | – | 101,599 |
| Transaction costs attributable to issue of ordinary shares *(Note 28)* | – | (4,220) | – | – | (4,220) |
| At 31 December 2018 | – | 97,379 | – | 8,089 | 105,468 |
| Loss and total comprehensive expenses for the year | – | – | – | (12,416) | (12,416) |
| Issue of ordinary shares *(Note 28)* | 166,271 | (101,599) | – | – | 64,672 |
| Transaction costs attributable to issue of ordinary shares *(Note 28)* | (6,813) | 4,220 | – | – | (2,593) |
| Recognition of equity-settled share-based payment | – | – | 405 | – | 405 |
| At 31 December 2019 | 159,458 | – | 405 | (4,327) | 155,536 |

## 30. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the years ended 31 December 2018 and 2019 amounted to RMB564,000 and RMB2,004,000, respectively.

## 31. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to a written resolution of the Directors on 31 December 2019, a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") of the Company was approved. The Pre-IPO Share Option Scheme was established to encourage the participants to contribute to the Group for the long-term benefits of the Group. The maximum number of shares that may be granted under the Pre-IPO Share Option Scheme shall not exceed 37,500,000 shares, representing approximately 7.50% of the total number of shares in issue immediately upon completion of the IPO.

This Pre-IPO Share Option Scheme shall take effect subject to and is conditional upon:

(a) the passing of the resolutions by the shareholders of the Company to approve and adopt the rules of the Pre-IPO Share Option Scheme;

(b) the listing committee of the Stock Exchange granting approval of listing of, and permission to deal in, the shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Pre-IPO Share Option Scheme; and

(c) the commencement of dealings in the ordinary shares of the Company on the Stock Exchange.

If the conditions abovementioned are not satisfied within six calendar months from the approval date of the Pre-IPO Share Option Scheme (or such later date as the Board may decide):

(a) the Pre-IPO Share Option Scheme shall forthwith be cancelled; and

(b) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Pre-IPO Share Option Scheme or any option.

On 31 December 2019, the Company offered 7 senior managements and 25 eligible employees (collectively, the "**Grantees**") and the Grantees accepted 37,500,000 share options (the "**Pre-IPO Share Options**"). Options may be exercised at any time from vesting date to the seventh anniversary of the date of offer.

The details of the Company's Pre-IPO Share Options granted to the senior managements and employees of the Group are as follows:

| Type | Date of offer | Number of shares subject to the option | Vesting proportion | Vesting period | Exercise price per share |
|---|---|---|---|---|---|
| Executive director: ("**Share Option A**") | | | | | |
| Mr. Tan, Zheng | 31/12/2019 | 5,000,000 | 50% | 2019.12.31-2020.12.31 | 50% of the global offering offer price (the "**Offer Price**") |
| | | | 50% | 2019.12.31-2021.12.31 | 50% of the Offer Price |
| Dr. Wang, Yu | 31/12/2019 | 23,450,000 | 50% | 2019.12.31-2020.12.31 | 50% of the Offer Price |
| | | | 50% | 2019.12.31-2021.12.31 | 50% of the Offer Price |
| Senior managements: ("**Share Option B**") | 31/12/2019 | 3,500,000 | 30% | 2019.12.31-2020.12.31 | 50% of the Offer Price |
| | | | 30% | 2019.12.31-2021.12.31 | 50% of the Offer Price |
| | | | 40% | 2019.12.31-2022.12.31 | 50% of the Offer Price |
| Employees: ("**Share Option C**") | 31/12/2019 | 2,550,000 | 50% | 2019.12.31-2020.12.31 | 50% of the Offer Price |
| | | | 50% | 2019.12.31-2021.12.31 | 50% of the Offer Price |
| Employees: ("**Share Option D**") | 31/12/2019 | 3,000,000 | 30% | 2019.12.31-2020.12.31 | 50% of the Offer Price |
| | | | 30% | 2019.12.31-2021.12.31 | 50% of the Offer Price |
| | | | 40% | 2019.12.31-2022.12.31 | 50% of the Offer Price |
| **Total** | | **37,500,000** | | | |

The number of outstanding options was 37,500,000 and none of them was exercisable as at 31 December 2019.

The fair values of Share Option A, Share Option B, Share Option C and Share Option D determined at the date of offer using the Binomial Option Pricing Model are HK$178,945,000 (equivalent to RMB160,296,000), HK$22,330,000 (equivalent to RMB20,003,000), HK$14,573,000 (equivalent to RMB13,054,000), and HK$17,727,000 (equivalent to RMB15,880,000) respectively.

The following assumptions were used to calculate the fair values of the Pre-IPO Share Options:

| | Share Option A | Share Option B | Share Option C | Share Option D |
|---|---|---|---|---|
| Offer date share price *(Note)* | HK$10.5 | HK$10.5 | HK$10.5 | HK$10.5 |
| Exercise price | HK$6.8 | HK$6.8 | HK$6.8 | HK$6.8 |
| Expected volatility | 53.0% | 53.0% | 53.0% | 53.0% |
| Option life | 7 years | 7 years | 7 years | 7 years |
| Dividend yield | 0% | 0% | 0% | 0% |
| Risk-free interest rate | 1.8% | 1.8% | 1.8% | 1.8% |
| Sub-optional factor | 2.8 | 2.2 | 2.8 | 2.2 |

*Note:* The Group has used the back-solve method to determine the underlying equity value of the Company and adopted the equity value allocation model to determine the fair value of the ordinary shares based on the issue price of the Preference Shares. Number of shares in issue used in calculation of share price has taken into account of the Capitalisation Issue as set out in Note 39.

The expected volatility measured at the standard deviation is based on the historical data of the daily share price movement of comparable companies. The fair value of an option varies with different variables of certain subjective assumptions.

The Group and the Company recognised a share-based payment expense of RMB405,000 in respect of the Pre-IPO Share Options for the year ended 31 December 2019.

A written resolution by the shareholders of the Company was passed on 6 June 2020 (the "**Grant Date**") to approve and adopt the Pre-IPO Share Option Scheme. The Directors are still in the process of assessing the fair value of the Share Options at the Grant Date as at the date of this report.

## 32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders 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 lease liabilities, amount due to a related party and convertible redeemable preference shares as disclosed in Notes 25, 36 and 27, respectively, net of cash and cash equivalents, and equity attributable to owners of the Group, comprising share capital/paid-in capital and reserves.

The Directors reviews the capital structure on a continuous basis taking into account 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 new share issues as well as the issue of new debts.

## 33. FINANCIAL INSTRUMENTS

### The Group

***Categories of financial instruments***

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Financial assets** | | |
| Amortised cost | 130,913 | 284,886 |
| Financial assets at FVTPL | 45,690 | – |
| | 176,603 | 284,886 |
| **Financial liabilities** | | |
| Amortised cost | 14,297 | 20,128 |
| Financial liabilities at FVTPL | – | 172,107 |
| | 14,297 | 192,235 |

### The Company

***Categories of financial instruments***

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Financial assets** | | |
| Amortised cost | 71,103 | 272,243 |
| **Financial liabilities** | | |
| Amortised cost | 6,150 | 12,054 |
| Financial liabilities at FVTPL | – | 172,107 |
| | 6,150 | 184,161 |

**Financial risk management objectives and policies**

The Group's major financial instruments include deposits and other receivables, amounts due from shareholders, amount due from and due to a related party, bank balances and cash, financial assets at FVTPL, trade and other payables, lease liabilities and convertible redeemable preference shares. The Company's major financial instruments include deposits, amounts due from shareholders, amount due from a subsidiary, bank balances and cash, other payables, lease liabilities and convertible redeemable preference shares. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risk***

*(i) Currency risk*

**The Group**

As at the end of each reporting period, the Group had the following financial assets and financial liabilities, which are bank balances and cash, deposits and other receivables, trade and other payables, convertible redeemable preference shares, denominated in currencies other than RMB.

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Assets | | |
| HK$ | 71,387 | 249,583 |
| US$ | 69 | 80 |
| KRW | – | 760 |
| Liabilities | | |
| HK$ | 6,150 | 178,541 |
| US$ | – | 5,035 |
| KRW | – | 10 |

**The Company**

As at the end of each reporting period, the Company had the following financial assets and financial liabilities, which are bank balances and cash, deposits, other payables, convertible redeemable preference shares, denominated in currencies other than RMB.

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Assets | | |
| HK$ | 71,034 | 249,575 |
| US$ | 69 | 80 |
| KRW | – | 760 |
| Liabilities | | |
| HK$ | 6,150 | 178,541 |
| US$ | – | 5,035 |
| KRW | – | 10 |

Sensitivity analysis

The Group and the Company were primarily subject to foreign currency risk from the movement of the exchange rates between RMB against HK$, US$ and KRW. At the end of each reporting period, if the exchange rate of RMB had been weaken against HK$, US$ or KRW by 5% and all other variables were held constant, the Group's post-tax loss and the Company's post-tax profit/loss for each reporting period would decrease/increase as follow:

**The Group**

| | Decrease (increase) in post-tax loss | |
|---|---|---|
| | For the year ended 31 December | |
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| HK$ | 3,262 | 3,552 |
| US$ | 3 | (248) |
| KRW | – | 38 |

**The Company**

| | Increase in post-tax profit for the year ended 31 December | Decrease (increase) in post-tax loss for the year ended 31 December |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| HK$ | 3,244 | 3,552 |
| US$ | 3 | (248) |
| KRW | – | 38 |

*(ii) Interest rate risk*

The Group's and the Company's fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 25). The Group and the Company are also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 22) which carry prevailing market interests. 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 interest rate risk is presented as management consider the sensitivity on interest rate risk on bank balances is insignificant.

***Credit risk and impairment assessment***

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position (including bank balances, financial assets at FVTPL, amounts due from shareholders, amount due from a related party, deposits and other receivables). The Group does not hold any collaterals or other credit enhancement to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the Group monitors the exposure to credit risk on an ongoing basis and review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group and the Company's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description | Financial assets |
|---|---|---|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | 12-months ECL |
| Watch list | Debtor frequently usually repays after due dates but settle the amounts in full | 12-months 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 |
| Loss | There is evidence indicating the asset is 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 |

**The Group**

*Bank balances and financial assets at FVTPL*

The Group's bank balances and financial assets at FVTPL are placed with state-owned banks or commercial banks with high credit ratings assigned by international credit-rating agencies in the Mainland China, Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts RMB173,521,000 and RMB282,053,000 as at 31 December 2018 and 2019, respectively. Therefore, the credit risks on bank balances and financial assets at FVTPL are limited.

The Group has concentration risk with approximately 55% and 89% of the Group's bank balances placed with a bank at 31 December 2018 and 2019, respectively.

*Deposits and other receivables, amounts due from shareholders, and amount due from a related party*

The Group assessed the ECL for its deposits and other receivables, amounts due from shareholders, and amount due from a related party individually based on internal credit rating which, in the opinion of the Directors, there is no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. No 12m ECL was made for deposits and other receivables with gross carrying amounts of RMB1,763,000 and RMB1,889,000, amounts due from shareholders with gross carrying amounts of RMB69,000 and nil, and amount due from a related party with gross carrying amounts of RMB750,000 and RMB750,000, as at 31 December 2018 and 2019, respectively, as the counterparties involved are considered with limited credit risk and the ECL involved is not material.

Other than the concentration of credit risks of bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

**The Company**

*Bank balances*

The Company's bank balances are placed with commercial banks with high credit ratings assigned by international credit-rating agencies in Hong Kong and international banks in the Republic of Korea with aggregate gross carrying amounts of RMB71,034,000 and RMB250,262,000 as at 31 December 2018 and 2019, respectively. Therefore, the credit risks on bank balances are limited.

The Company has concentration risk with over 99% of the Company's bank balances placed with a bank at 31 December 2018 and 2019, respectively.

*Deposits, amounts due from shareholders and amount due from a subsidiary*

The Company assessed the ECL for its deposits, amounts due from shareholders and amount due from a subsidiary individually based on internal credit rating which, in the opinion of the Directors, there is no significant increase in credit risk since initial recognition. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. No 12m ECL was made for deposits with gross carrying amounts of nil and RMB153,000 and for amounts due from shareholders with gross carrying amounts of RMB69,000 and nil and for amount due from a subsidiary with gross carrying amounts of nil and RMB21,828,000 as at 31 December 2018 and 2019, respectively, as the counterparties are considered with limited credit risk and the ECL involved is not material.

Other than the concentration risks of bank balances and amount due from a subsidiary mentioned above, the Company does not have any other significant concentration of credit risk.

***Liquidity risk***

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group relies on shareholders' investment as a significant source of liquidity.

The following table details the Group's and the Company'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 and the Company can be required to pay. The table includes both interest and principal cash flows.

**The Group**

| | Interest rates | On demand | Within 180 days | 181 days to 365 days | 1-5 years | >5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2018** | | | | | | | | |
| Trade and other payables | N/A | – | 13,144 | 224 | – | – | 13,368 | 13,368 |
| Amount due to a related party | N/A | 929 | – | – | – | – | 929 | 929 |
| Lease liabilities | 5.94-6.13 | – | 2,323 | 2,585 | 18,711 | 21,214 | 44,833 | 33,854 |
| | | 929 | 15,467 | 2,809 | 18,711 | 21,214 | 59,130 | 48,151 |

| | Interest rates | On demand | Within 180 days | 181 days to 365 days | 1-5 years | >5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2019** | | | | | | | | |
| Trade and other payables | N/A | 1,837 | 18,291 | – | – | – | 20,128 | 20,128 |
| Lease liabilities | 4.91-6.37 | – | 3,097 | 2,909 | 23,754 | 19,749 | 49,509 | 39,000 |
| Convertible redeemable preference shares | 10 | – | 198,642 | – | – | – | 198,642 | 172,107 |
| | | 1,837 | 220,030 | 2,909 | 23,754 | 19,749 | 268,279 | 231,235 |

**The Company**

| | Interest rates | On demand | Within 180 days | 181 days to 365 days | 1-5 years | >5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2018** | | | | | | | | |
| Other payables | N/A | – | 6,150 | – | – | – | 6,150 | 6,150 |

| | Interest rates | On demand | Within 180 days | 181 days to 365 days | 1-5 years | >5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2019** | | | | | | | | |
| Other payables | N/A | – | 12,054 | – | – | – | 12,054 | 12,054 |
| Lease liabilities | 4.91 | – | 87 | 88 | 525 | – | 700 | 636 |
| Convertible redeemable preference shares | 10 | – | 198,642 | – | – | – | 198,642 | 172,107 |
| | | – | 210,783 | 88 | 525 | – | 211,396 | 184,797 |

## 34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group and the Company determine fair values of various financial assets and financial liabilities.

Some of the Group's and the Company's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data of the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Except for financial assets at FVTPL and financial liabilities at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

**The Group**

***Financial asset***

| | | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs |
|---|---|---|---|---|---|
| | *NOTE* | **31/12/2018** | **31/12/2019** | | |
| | | *RMB'000* | *RMB'000* | | |
| Financial assets at FVTPL | *21* | 45,690 | – | Level 2 | Redemption value quoted by banks with reference to the expected return of the underlying assets |

**The Group and Company**

***Financial liabilities***

| | | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationships of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | *NOTE* | **31/12/2018** | **31/12/2019** | | | | |
| | | *RMB'000* | *RMB'000* | | | | |
| Convertible redeemable preference shares | *27* | – | 172,107 | Level 3 | Set out in Note 27 | Volatility | Expected volatility of 34%, taking into account historical of the comparable companies *(Note)* |

*Note:* A slight increase in the expected volatility used in isolation would result in a slight decrease in the fair value measurement of convertible redeemable preference shares, and vice versa. If the volatility was 5% higher to 39% or 5% lower to 29% while holding all other variables constant, the carrying amount of the convertible redeemable preference shares would decrease by RMB1,117,000 or increase by RMB1,357,000 as at 31 December 2019.

Details of reconciliation of Level 3 fair value measurement for the Preference Shares are set out in Note 27.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position of the Group and the statements of financial position of the Company, together with the interest accruals, approximate their respective fair values at the end of each reporting period. The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

## 35. RECONCILIATION OF LIABILITIES OR ARISING FROM FINANCING ACTIVITIES

### The Group

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. 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.

| | Lease liabilities | Amount due to a related party | Convertible redeemable preference shares | Convertible bonds | Payables for costs of convertible bonds/ convertible redeemable preference shares | Accrued share issue costs for IPO | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2018 | 1,714 | – | – | – | – | – | 1,714 |
| Financing cash flows | (3,339) | (33,567) | – | – | – | (346) | (37,252) |
| Inception of lease | 34,344 | – | – | – | – | – | 34,344 |
| Interest expenses recognised | 1,135 | – | – | – | – | – | 1,135 |
| Reorganisation consideration | – | 34,496 | – | – | – | – | 34,496 |
| Deferred share issue costs for IPO | – | – | – | – | – | 828 | 828 |
| At 31 December 2018 | 33,854 | 929 | – | – | – | 482 | 35,265 |
| Financing cash flows | (4,953) | (929) | 90,345 | 85,587 | (7,018) | (4,359) | 158,673 |
| Inception of lease | 8,468 | – | – | – | – | – | 8,468 |
| Interest expenses recognised | 2,070 | – | – | – | – | – | 2,070 |
| Fair value changes | – | – | (3,825) | – | – | – | (3,825) |
| Transfer | – | – | 85,587 | (85,587) | – | – | – |
| Early termination of leases | (439) | – | – | – | – | – | (439) |
| Deferred share issue costs for IPO | – | – | – | – | – | 6,646 | 6,646 |
| Share/bond issue costs incurred | – | – | – | – | 7,018 | – | 7,018 |
| At 31 December 2019 | 39,000 | – | 172,107 | – | – | 2,769 | 213,876 |

## 36. RELATED PARTY BALANCES AND TRANSACTIONS

**a.** Names and relationship with related parties are as follows:

| Name | Relationship |
|---|---|
| Immunotech Beijing Limited* (北京賽諾泰生物科技有限公司) ("**Beijing Sainuotai**") | Entity controlled by Mr. Jung, Hyun Chul, a major shareholder and executive director of the Company |
| Nosong Life Science Inc ("**Life Science**") | Entity controlled by Mr. Jung, Hyun Chul's daughters |
| Vaccine | Entity controlled by Mr. Jung, Hyun Chul |
| Mr. Tan, Xiao Yang | A shareholder of the Company |

* English name is for identification purpose only

**b.** During the Track Record Period, the Group entered into the following transactions with a related party:

**The Group**

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Purchase of technical services from related parties** | | |
| Beijing Sainuotai | 1,038 | – |
| Life Science | 3,378 | – |

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Purchase of patent rights from a related party** | | |
| Beijing Sainuotai | – | 7,130 |

**c.** The following balances were outstanding at the end of each reporting period:

**The Group**

| | As at 1 January | As at 31 December | |
|---|---|---|---|
| | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Amount due from a related party** | | | |
| Non-trade nature | | | |
| Beijing Sainuotai | 27 | 750 | 750 |

The maximum amounts outstanding during the years ended 31 December 2018 and 2019 were RMB750,000 and RMB750,000, respectively. The balance was subsequently settled in January 2020.

Amount due from a related party as of 31 December 2018 and 2019 are unsecured, interest-free and repayable on demand.

| | As at 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| **Amount due to a related party** | | |
| Non-trade nature | | |
| Beijing Sainuotai | 929 | – |

Amount due to a related party as of 31 December 2018 was unsecured, interest-free and repayable on demand.

**The Group and the Company**

| | As at 1 January | As at 31 December | |
|---|---|---|---|
| | **2018** | **2018** | **2019** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Amounts due from shareholders** | | | |
| Non-trade nature | – | 69 | – |

Amounts due from shareholders as at 31 December 2018 were unsecured, interest free and repayable on demand. The maximum amounts outstanding during the years ended 31 December 2018 and 2019 were RMB69,000 and RMB612,000, respectively.

**d. Other loans (included in amount due from a subsidiary)/other borrowings**

**The Group**

During the Track Record Period, the Group entered into the following transactions with a related party:

| | As at 1 January 2018 | Addition during the year | Repayment during the year | As at 31 December 2018 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans to Beijing Sainuotai | 20,000 | 1,200 | (21,200) | – |

The amounts are unsecured, non-interest bearing and repayable on demand.

| | As at 1 January 2019 | Addition during the year | Repayment during the year | As at 31 December 2019 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Advance from Beijing Sainuotai | – | (6,000) | 6,000 | – |

The amounts are unsecured, non-interest bearing and repayable on demand.

| | As at 1 January 2019 | Addition during the year | Repayment during the year | As at 31 December 2019 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans to Mr. Tan, Xiao Yang | – | 6,000 | (6,000) | – |

The amounts are unsecured, non-interest bearing and repayable on demand.

**The Company**

During the Track Record Period, the Company entered into the following transactions with a subsidiary:

| | As at 1 January 2019 | Addition during the year | Repayment during the year | As at 31 December 2019 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Loan to Beijing Yongtai | – | 21,828 | – | 21,828 |

In August 2019, the Company entered into a loan agreement with Beijing Yongtai, pursuant to which, the Company provided a loan of RMB40,000,000 to Beijing Yongtai. The loan is interest free and will mature in 10 years. The loan is measured at amortised cost using effective interest method. The interest rate applied is 6.37%. The amount of RMB18,437,000, being the difference of the nominal value of the loan of RMB40,000,000 and its carrying value of RMB21,563,000 is accounted for as a deemed investment in a subsidiary. The Company recognised interest income of RMB265,000 for the year ended 31 December 2019.

**e. The Group and the Company**

The Company leases an office from Vaccine starting from 20 February 2019. Details of the lease of arrangement with Vaccine are set out in Note 25.

**f. Compensation of key management personnel**

The emoluments of key management during the Track Record Period are as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2018** | **2019** |
| | *RMB'000* | *RMB'000* |
| Salaries and other allowances | 974 | 5,706 |
| Retirement benefits | 12 | 154 |
| Equity-settled share-based payment expense | – | 349 |
| | 986 | 6,209 |

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2018 and 2019, the investments in subsidiaries of the Company comprises i) the investment on Hamiyang, at an amount of US$1 (equivalent to RMB6.87); ii) an interest-free loan of HK$43,422,000 (equivalent to RMB38,083,000) to Hamiyang, which was subsequently waived during the year ended 31 December 2018 and the waiver of the loan to Hamiyang is accounted for as a deemed investment in a subsidiary and iii) a deemed investment to Beijing Yongtai of RMB18,437,000 as set out in Note 36(d).

| Name of subsidiary | Place/date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Shareholding/ equity interests attributable to the Company 31 December 2018 | 31 December 2019 | Principal activities |
|---|---|---|---|---|---|
| Hamiyang *(Note a)* | British Virgin Island 19 April 2018 | Registered capital of US$50,000 and paid-in capital of US$1 | 100% | 100% | Investment holding |
| JY Research *(Note b)* | Hong Kong 3 May 2018 | Issued and paid-in capital of HK$1 | 100% | 100% | Investment holding |
| AK Ruihe *(Note e)* | PRC 3 July 2018 | Registered capital of HK$43,000,000 and paid-in capital of HK$43,000,000 | 100% | 100% | Investment holding |
| Beijing Yongtai *(Note c)* | PRC 20 November 2006 | Registered and paid-in capital of RMB22,755,000 | 100% | 100% | Biomedical technology development |

| Name of subsidiary | Place/date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Shareholding/ equity interests attributable to the Company 31 December 2018 | 31 December 2019 | Principal activities |
|---|---|---|---|---|---|
| 上海永泰免疫生物製品有限公司 ("**Shanghai Yongtai Immunobiological Products Co Ltd***") *(Note d)* | PRC 2 July 2018 | Registered capital of RMB10,000,000 and paid-in capital of RMB1,100,000 | 100% | 100% | Inactive |
| Beijing Weixiao *(Note e)* | PRC 15 July 2016 | Registered capital of RMB26,000,000 and paid-in capital of RMB5,000,000 | 70% | 70% | Inactive |
| 廣州永瑞免疫生物製品科技有限公司 ("**Guangzhou Yongrui Immunobiological Technology Co Ltd***") *(Note d)* | PRC 27 February 2019 | Registered capital of RMB10,000,000 and paid-in capital of nil | N/A | 100% | Inactive |
| Yongtai Ruike *(Note e)* | PRC 8 June 2018 | Registered and paid-in capital of RMB100,000 | 100% | 100% | Biomedical technology development |

All subsidiary now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

*Notes:*

a. No audited statutory financial statements were available for the period ended 31 December 2018 since its date of incorporation and for the year ended 31 December 2019 as there is no statutory audit requirement.

b. The statutory financial statements of JY Research for the period from its establishment (3 May 2018) to 31 May 2019 prepared in accordance with IFRSs. Pursuant to a board resolution of JY Research in February 2020, the financial year end of JY Research was changed to 31 December. The statutory financial statements of JY Research for the period from its establishment (3 May 2018) to 31 May 2019 and for the year ended 31 December 2019 were audited by Ascenda Cachet CPA Limited, certified public accountants registered in Hong Kong.

c. The statutory financial statements of Beijing Yongtai for the years ended 31 December 2018 and 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by certified public accountants registered in the PRC, namely Beijing Xinyong C.P.A. Partnership (北京欣永會計師事務所有限公司) ("**Xinyong**").

d. No audited statutory financial statements were available for the period/year ended 31 December 2018 and/or 31 December 2019 as there is no requirement to issue audited accounts by the local authorities.

e. No audited statutory financial statements were available for the year/period ended 31 December 2018 as there is no requirement to issue audited accounts by the local authorities. The statutory financial statements for the year ended 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and audited by Xinyong.

* *English names are for identification purpose only.*

## 38. CAPITAL COMMITMENTS

| | As at 31 December | |
|---|---|---|
| | 2018 | 2019 |
| | *RMB'000* | *RMB'000* |
| Capital expenditure in respect of the acquisition of equipments, machineries and leasehold improvements contracted for but not provided in the Historical Financial Information | 8,139 | 512 |

## 39. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, events and transactions took place subsequent to 31 December 2019 are detailed as below:

The outbreak of a respiratory illness caused by COVID-19 in China including Hong Kong, has affected many businesses to different extent. Owing to the outbreak of COVID-19, the Group has suspended the enrolment of new patients and treatment to existing patients for its phase II clinical trial of the Group' s core product candidate, namely expanded activated lymphocytes ("**EAL**"), since the Chinese New Year in January 2020. The Group started to resume its clinical trial for EAL in March 2020.

Even though the outbreak of COVID-19 may result in the delay of commercialisation of the EAL product and the Group may incur additional research and development costs, having considered the current cash position of the Group against the expected cash flow requirements for continuing the clinical trial for EAL, the Directors are of the view that the outbreak of COVID-19 will not result in material adverse changes of the financial condition and results of operation of the Group. However, given the inherent unpredictable nature relating to COVID-19 and its pervasive impact, the Group's business could be affected to a different level than it expected and the Directors will closely monitor the development of the disease.

On 6 June 2020, a written resolution of the shareholder of the Company was passed, pursuant to which the Directors were authorised to allot and issue a total of 295,000,000 shares credited as fully paid at par to the shareholders whose names appear on the register of members of the Company at the close of business on the business day preceding the listing date in proportion to their respective shareholdings by way of capitalisation of the sum of US$295,000 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"), and the shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all respects with the existing issued shares.

## 40. 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 31 December 2019.

*The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 31 December 2018 and 2019 (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2019 or any future date following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

| | Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 | Estimated net proceeds from Global offering | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 per Share | |
|---|---|---|---|---|---|
| | *RMB'000 (Note 1)* | *RMB'000 (Note 2)* | *RMB'000* | *RMB (Note 3)* | *HK$ (Note 4)* |
| Based on an Offer Price of HK$9.45 per Share, after making a Downward Offer Price Adjustment of 10% | 161,175 | 804,648 | 965,823 | 2.01 | 2.19 |
| Based on an Offer Price of HK$10.5 per Share | 161,175 | 896,388 | 1,057,563 | 2.20 | 2.40 |
| Based on an Offer Price of HK$11.0 per Share | 161,175 | 940,074 | 1,101,249 | 2.29 | 2.50 |

*Notes:*

1. The amount is calculated based on the consolidated net assets of the Group attributable to owners of the Company as at 31 December 2019 amounting to approximately RMB168,942,000, with adjustments for intangible assets of the Group as at 31 December 2019 of RMB7,767,000 extracted from the Accountants' Report.

2. The estimated net proceeds from the Global Offering are based on 100,000,000 new shares to be issued at the Offer Price of HK$10.5 and HK$11.0 per new Share, respectively, and also based on an Offer Price of HK$9.45 per Share after making a Downward Offer Price Adjustment of 10%, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by us, other than those expenses which had been recognised in profits or loss prior to 31 December 2019. The calculation of such estimated net proceeds does not take into account any Shares (i) which may be allotted and issued pursuant to the exercise of the Over-allotment Option or (ii) which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in "Share Capital — 8. General Mandate to Issue Shares" or "Share Capital — 9. General Mandate to Repurchase Shares" or (iii) which may be issued under Share Option Schemes. The estimated net proceeds from the Global Offering are converted from Hong Kong Dollars into Renminbi at an exchange rate of HK$1 to RMB0.91496, which was the People's Bank of China rate prevailing on 19 June 2020. No representation is made that Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 480,952,381 Shares outstanding immediately following completion of the Global Offering and the Capitalisation Issue. It does not take into account any Shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in "Share Capital — 8. General Mandate to Issue Shares" or "Share Capital — 9. General Mandate to Repurchase Shares" or (iii) which may be issued under Share Option Schemes or (iv) the conversion of the Preference Shares as stated in Note 5 below.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from Renminbi to Hong Kong Dollars at the rate of RMB0.91496 to HK$1. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong Dollars, or vice versa, at that rate or at any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 to reflect any operating result or other transactions of the Group entered into subsequent to 31 December 2019. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on II-1 have not been adjusted to illustrate the effect of the conversion of the Convertible Preference Shares into ordinary Shares. The conversion of the Convertible Preference Shares upon completion of the Global Offering would then have reclassified the RMB172,107,000 Convertible Preference Shares to equity. The conversion of the Convertible Preference Shares would have increased the total share in issue stated in Note 3 from 480,952,381 shares to a total of 500,000,000 Shares in issue. The adjustment to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after conversion of the Convertible Preference Shares would be as follows:

| | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 after conversion of the Convertible Preference Shares** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2019 after conversion of the Convertible Preference Shares** | |
|---|---|---|---|
| | *RMB'000* | *RMB* | *HK$ (Note 4)* |
| Based on an Offer Price of HK$9.45 per Share, after making a Downward Offer Price Adjustment of 10% | 1,137,930 | 2.28 | 2.49 |
| Based on an Offer Price of HK$10.5 per Share | 1,229,670 | 2.46 | 2.69 |
| Based on an Offer Price of HK$11.0 per Share | 1,273,356 | 2.55 | 2.78 |

## B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

Deloitte. 德勤

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

**To the Directors of Immunotech Biopharm Ltd**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Immunotech Biopharm Ltd (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 June 2020 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed initial listing of shares of the Company (the "**Global Offering**") on the Group's financial position as at 31 December 2019 as if the Global Offering had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 December 2018 and 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
29 June 2020

## SUMMARY OF THE CONSTITUTION OF THE COMPANY

### 1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 6 June 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Delivered To The Registrar Of Companies And Available For Inspection".

### 2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 6 June 2020 and include provisions to the following effect:

### 2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$5,000,000 divided into 5,000,000,000 Shares of US$0.001 each.

### 2.2 Directors

*(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preference, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any

such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

### 2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### 2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preference or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

**2.6 Special resolution – majority required**

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

**2.7 Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### 2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Hong Kong Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

**2.9 Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

**2.10 Auditors**

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

**2.11 Notice of meetings and business to be conducted thereat**

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be

reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavour to cause a notice of such postponement to be placed on the Company's website and published on the Hong Kong Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

**2.12 Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Hong Kong Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Hong Kong Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

**2.13 Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

**2.14 Power of any subsidiary of the Company to own shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

**2.15 Dividends and other methods of distribution**

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus

represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

**2.16 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified

copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

**2.17 Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

**2.18 Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Hong Kong Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

**2.19 Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

**2.20 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

**2.21 Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### 2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Hong Kong Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

### 1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 April 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

### 3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless

immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**4 Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

**5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

**6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

### 7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

### 8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### 9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

### 10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## 11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

## 12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

## 13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

## 14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

## 15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

## 16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

## 17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

## 18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

## 19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

## 20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

## 21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

### 1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 11 April 2018. Our registered office address is at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III in this prospectus.

Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 May 2019. Our corporate headquarters and principal place of business in Hong Kong is at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms Leung Shui Bing, has been appointed as our authorised representative for the acceptance of service of process and notices in Hong Kong. The address of service of process is at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As the date of this prospectus, our Company's head office in the PRC was located at 8/F, Block 1, Guosheng Technology Park, No.1 Kangding Street, Beijing Economic-technological Development Area, Beijing, the PRC.

### 2. Changes in the share capital of our Company

As of 11 April 2018, being the date of incorporation of the Company, our authorised share capital was US$50,000, divided into 50,000 shares with a par value of US$1.00 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

(a) On 11 April 2018, our Company issued 1 share of US$1.00 to Sertus Nominees (Cayman) Limited as initial subscriber, at par. On the same date, Sertus Nominees (Cayman) Limited transferred the one subscriber share to Evodevo for US$1.0.

(b) On 30 August 2018, our Company issued a total of 9,999 shares of US$1.00 each at par fully paid, in the following manner:

(1) 3,935 shares to Evodevo;

(2) 720 shares to Tan Zheng Ltd;

(3) 1,344 shares to Tan Xiao Yang Ltd;

(4) 1,216 shares to Zhang Jun Zheng Ltd;

(5) 400 shares to Hui Shi Dan Kun Ltd;

(6) 400 shares to Tan Yue Yue Ltd;

(7) 400 shares to Wang Shu Hui Ltd;

(8) 304 shares to Xiao O ltd;

(9) 200 shares to Yu Ning Ltd;

(10) 160 shares to Ke Shi Ltd;

(11) 120 shares to Song Ai Ping Ltd;

(12) 400 shares to Wang Min Hui Ltd;

(13) 200 shares to Rnng Ltd; and

(14) 200 shares to Bei Ni Ltd.

(c) On 23 October 2018, our Company increased the authorised share capital from US$50,000 divided into 50,000 shares of US$1.00 each to US$5.0 million divided into 5,000,000 shares of US$1.00 each by the creation of an additional 4,950,000 shares of US$1.00 each to rank pari passu in all respects with the then existing shares.

(d) On 11 January 2019, pursuant to the Equity Financing Subscription Agreement, our Company allotted and issued an aggregate of 10,000 shares of US$1.0 each for a total subscription price of HK$200 million, as follows:

| **Subscriber** | **Number of shares** | **Subscription price** |
|---|---|---|
| | | *(HK$)* |
| Bei Ni Ltd | 6,250 | 125.0 million |
| NKY HK | 2,000 | 40.0 million |
| Brim Elite | 1,250 | 25.0 million |
| Great Edge | 500 | 10.0 million |

For details of the allotment and issue of the shares above, and see “History, Reorganisation and Corporate Structure — 4. Reorganisation and 6. Pre-IPO Investments”.

(e) On 11 January 2019, our Company issued an aggregate of 80,000 shares of US$1.00 each at par fully paid, in the following manner:

(1) 31,488 shares to Evodevo;

(2) 10,752 shares to Tan Xiao Yang Ltd;

(3) 9,728 shares to Zhang Jun Zheng Ltd;

(4) 1,600 shares to Rnng Ltd;

(5) 960 shares to Song Ai Ping Ltd;

(6) 5,760 shares to Tan Zheng Ltd;

(7) 1,280 shares to Ke Shi Ltd;

(8) 2,432 shares to Xiao O Ltd;

(9) 3,200 shares to Wang Min Hui Ltd;

(10) 1,600 shares to Yu Ning Ltd;

(11) 3,200 shares to Wang Shu Hui Ltd;

(12) 3,200 shares to Hui Shi Dan Kun Ltd;

(13) 3,200 shares to Tan Yue Yue Ltd; and

(14) 1,600 shares to Bei Ni Ltd.

(f) On 12 June 2019, our Company re-designated its share capital in the following manner:

(1) all the 100,000 issued shares as ordinary shares of US$1.00 each;

(2) the 3,900,000 authorised but unissued shares as ordinary shares of US$1.00 each; and

(3) the 1,000,000 authorised but unissued shares as convertible preference shares of US$1.00 each.

(g) On 12 June 2019, our Company issued an aggregate of 5,000 convertible preference shares of US$1.00 each, fully paid, to Poly Platinum.

(h) On 23 August 2019, each issued and unissued ordinary and convertible preference share of our Company of US$1.00 each was sub-divided into 1,000 shares of US$0.001 each and following the subdivision of share capital of our Company, the number of issued (i) ordinary shares of our Company was increased from 100,000 of US$1.00 each to 100,000,000 of US$0.001 each, and (ii) convertible preference shares of our Company was increased from 5,000 of US$1.00 each into 5,000,000 of US$0.001 each.

(i) The 5,000,000 Convertible Preference Shares issued to Poly Platinum are expected to be converted into 5,000,000 ordinary Shares of US$0.001 each upon Listing.

For details of our Company's authorised and issued share capital, and consideration relating to the allotment of the ordinary shares above, please see "History, Reorganisation and Corporate Structure — 4. The Reorganisation".

Save as disclosed above, there has been no alternation in our Company's share capital within the two years immediately preceding the date of this prospectus.

**3. Changes in share capital of our subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in note 37 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

***Beijing Yongtai***

On 23 March 2018, the registered capital of Beijing Yongtai was increased from RMB18.2 million to RMB22.8 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

**4. Resolutions in writing of all our Shareholders passed on 6 June 2020**

Written resolutions of our Shareholders were passed on 6 June 2020, pursuant to which, among others:

(a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as set out in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Hong Kong Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and our Company:

(1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorised to determine the Offer Price for, and to allot and issue, the Offer Shares;

(2) (i) all the issued and unissued Convertible Preference Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles, (ii) upon the re-designation and re-classification of the share capital of the Company referred to in paragraph (i) above and subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Global Offering, our Directors be authorised to allot and issue a total of 295,000,000 Shares credited as fully paid at par value to the Shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of US$295,000 standing to the credit of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares, in each case to be effective on the Listing Date;

(3) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the Share Option Schemes or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20.00% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(4) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Hong Kong Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares as will represent up to 10.00% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(5) the general unconditional mandate as mentioned in paragraph (2) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (3) above up to 10.00% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(6) the acknowledgement by the holders the Convertible Preference Shares of the agreed conversion number as applicable before the Capitalisation Issue and the resolution not to exercise the right to further adjustment of conversion ratio; and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(3), (a)(4) and (a)(5) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

## 5. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

### *(a) Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarised below:

*(i) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must

be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 6 June 2020, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, with a total nominal value up to 10.00% of the aggregate nominal value of our Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option or Share Option Schemes), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

*(ii) Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law.

*(iii) Trading restrictions*

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10.00% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5.00% or more than the average closing market price for the five preceding trading

days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

*(iv) Status of repurchased shares*

The listing of all purchased securities (whether on the Hong Kong Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

*(v) Suspension of repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core connected persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Hong Kong Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

***(b) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

***(c) Funding of repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

***(d) General***

The exercise in full of the Repurchase Mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, but assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 50,000,000 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. As at the Latest Practicable Date, Mr Tan and Tan Zheng Ltd had deemed interests in 180,480,000 Shares under Part XV of the SFO, representing an approximate total of 36.10% of the existing issued share capital of the Company. In the event that the Repurchase Mandate should be exercised in full, the aggregate interests of Mr Tan and Tan Zheng Ltd will be increased to approximately 37.60% of the issued share capital of the Company. Such exercise of the Repurchase Mandate may give rise to an obligation on Mr Tan and the Passive Minority Shareholders to make a mandatory offer under Rule 26 of the Takeovers Code, because they, being parties to the Proxy Agreement, will be regarded as having acquired voting rights exceeding the 2% creeper. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 20.00% of the Shares then in issue could only be implemented if the Hong Kong Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

(a) an exclusive option and equity entrustment agreement dated 10 September 2018 entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders, pursuant to which (i) Beijing Yongtai, or any Designee, was granted an irrevocable and exclusive right to purchase from each of the Registered Shareholders all or any part of their equity interests in Yongtai Ruike at the Exercise Price and/or from Yongtai Ruike all or any part of its assets or interests in any of its assets at the Exercise Price, and (ii) Yongtai Ruike and the Registered Shareholders irrevocably entrusted their equity interest in Yongtai Ruike and the equity interests or rights held by Yongtai Ruike to Beijing Yongtai or any Designee;

(b) an exclusive business cooperation agreement dated 10 September 2018 entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders, pursuant to which Yongtai Ruike and the Registered Shareholders agreed to engage Beijing Yongtai as its exclusive provider of management, consultancy, technical support, business support and logistics support services, and other services at agreed service fees;

(c) a share pledge agreement dated 10 September 2018 entered into among Beijing Yongtai, Yongtai Ruike and the Registered Shareholders, pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Yongtai Ruike to Beijing Yongtai as collateral security to guarantee performance of the contractual obligations of Yongtai Ruike and/or the Registered Shareholders under the series of contractual agreements including the Exclusive Option and Equity Entrustment Agreement, the Exclusive Business Cooperation Agreement, and the Powers of Attorney;

(d) an irrevocable power of attorney dated 10 September 2018 entered into between Mr Tan and Beijing Yongtai, pursuant to which Mr Tan agreed to, among others, authorise Beijing Yongtai or its designated persons to exercise all of his rights as a shareholder of Yongtai Ruike;

(e) an irrevocable power of attorney dated 10 September 2018 entered into between Dr Wang and Beijing Yongtai, pursuant to which Dr Wang agreed to, among others, authorise Beijing Yongtai or its designated persons to exercise all of her rights as a shareholder of Yongtai Ruike;

(f) the share subscription agreement dated 11 December 2018 entered into among our Company, NKY HK, Brim Elite, Bei Ni Ltd, Jung Hyunchul (鄭鉉哲), Tan Xiaoyang (譚曉陽), Zhang Junzheng (張軍政), Song Aiping (宋愛平), Ni Gang (倪剛), Tan Zheng (譚錚), Ke Shaobin (柯少彬), Ma Xiaoou (馬曉鷗), Wang Minhui (王敏慧), Wang Yuning (王玉寧), Zhang Beini (張蓓妮), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月), Evodevo LTD, TAN XIAO YANG LTD, ZHANG JUN ZHENG LTD, RNNG LTD, SONG AI PING LTD, TAN ZHENG LTD, KE SHI LTD, XIAO O LTD, WANG MIN HUI LTD, YU NING LTD, WANG SHU HUI LTD, Hui Shi Dan Kun LTD, and TAN YUE YUE LTD, pursuant to which, NKY HK, Brim Elite and Bei Ni Ltd agreed to subscribe for 2,500 shares, 1,250 shares and 6,250 shares, respectively, in our Company at the respective investment amounts of HK$50.0 million, HK$25.0 million and HK$125.0 million;

(g) the letter dated 11 December 2018 entered into among our Company, NKY HK and Great Edge in relation to the Company's allotment and issue of 500 ordinary shares in our Company to Great Edge;

(h) the convertible bond subscription agreement dated 29 March 2019 entered into among Poly Platinum, our Company, Tan Xiaoyang (譚曉陽), Mr Tan, Zhang Junzheng (張軍政), Ma Xiaoou (馬曉鷗), Song Aiping (宋愛平), Ke Shaobin (柯少彬), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月) and Wang Yuning (王玉寧), pursuant to which, Poly Platinum subscribed for a convertible bond in our Company in the principal amount of HK$100.0 million;

(i) the subscription agreement dated 3 June 2019 entered into among Poly Platinum, our Company, Tan Xiaoyang (譚曉陽), Mr Tan, Zhang Junzheng (張軍政), Ma Xiaoou (馬曉鷗), Song Aiping (宋愛平), Ke Shaobin (柯少彬), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月) and Wang Yuning (王玉寧), pursuant to which Poly Platinum agreed to subscribe for convertible preference shares in our Company for HK$200.0 million;

(j) the first supplemental subscription agreement dated 12 June 2019 entered into among Poly Platinum, our Company, Tan Xiaoyang (譚曉陽), Mr Tan, Zhang Junzheng (張軍政), Ma Xiaoou (馬曉鷗), Song Aiping (宋愛平), Ke Shaobin (柯少彬), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月) and Wang Yuning (王玉寧), in relation to the agreement referred to in (i) above, pursuant to which the number, valuation and formula relating to the issuance of convertible preference shares were adjusted;

(k) the put option deed dated 12 June 2019 entered into among our Company, Tan Xiaoyang (譚曉陽), Mr Tan, Zhang Junzheng (張軍政), Ma Xiaoou (馬曉鷗), Song Aiping (宋愛平), Ke Shaobin (柯少彬), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月) and Wang Yuning (王玉寧) and Poly Platinum in relation to a put option granted by our Company, Tan Xiaoyang (譚曉陽), Mr Tan, Zhang Junzheng (張軍政), Ma Xiaoou (馬曉鷗), Song Aiping (宋愛平), Ke Shaobin (柯少彬), Wang Shuhui (王淑慧), Li Yunhui (李昀慧), Tan Yueyue (譚月月) and Wang Yuning (王玉寧) to purchase or redeem all or any portion of the Convertible Preference Shares from Poly Platinum;

(l) the deed of indemnity dated 6 June 2020 and executed by TAN ZHENG LTD and Mr Tan in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional;

(m) a cornerstone investment agreement dated 12 June 2020 and a supplemental agreement dated 19 June 2020, entered into between our Company, Poly Platinum, CCB International Capital Limited and Guosen Securities (HK) Capital Company Limited, pursuant to which Poly Platinum agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$20.0 million at the Offer Price;

(n) a cornerstone investment agreement dated 12 June 2020 entered into between our Company, Tasly (Hong Kong) Pharmaceutical Investment Limited, CCB International Capital Limited, Guosen Securities (HK) Capital Company Limited and Haitong International Securities Company Limited, pursuant to which Tasly (Hong Kong) Pharmaceutical Investment Limited agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$10.0 million (minus brokerage and levies) at the Offer Price;

(o) the cornerstone investment agreement dated 16 June 2020 entered into by and among our Company, 季洪昌 (Ji Hongchang), CCB International Capital Limited and Guosen Securities (HK) Capital Company Limited, pursuant to which 季洪昌 (Ji Hongchang) agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$5.0 million at the Offer Price, through an asset manager which is a qualified domestic institutional investor;

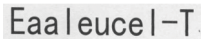
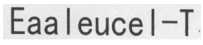
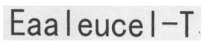
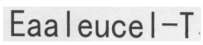
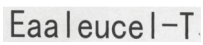
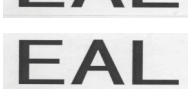
(p) a cornerstone investment agreement dated 18 June 2020 entered into between our Company, China Lesso Group Holdings Limited, CCB International Capital Limited and Guosen Securities (HK) Capital Company Limited, pursuant to which China Lesso Group Holdings Limited agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$5.0 million at the Offer Price; and

(q) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights

### *(a) Trademarks*

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks in the PRC, which we consider material to our business:

| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|---|---|---|---|---|---|
| 1. |  | Beijing Yongtai | 5 | 13370551 | 27 February 2025 |
| 2. |  | Beijing Yongtai | 10 | 13370550 | 6 March 2025 |
| 3. |  | Beijing Yongtai | 35 | 13370549 | 20 January 2025 |
| 4. |  | Beijing Yongtai | 44 | 13370548 | 20 January 2025 |
| 5. |  | Beijing Yongtai | 42 | 13370547 | 20 January 2025 |
| 6. |  | Beijing Yongtai | 5 | 13370552 | 27 February 2025 |
| 7. |  | Beijing Yongtai | 35 | 13370553 | 20 January 2025 |
| 8. |  | Beijing Yongtai | 10 | 13370554 | 6 March 2025 |
| 9. |  | Beijing Yongtai | 42 | 6285053 | 20 June 2030 |
| 10. |  | Beijing Yongtai | 44 | 6285055 | 6 March 2031 |
| 11. |  | Beijing Yongtai | 42 | 7526483 | 20 December 2030 |
| 12. |  | Beijing Yongtai | 44 | 7526506 | 27 November 2030 |
| 13. |  | Beijing Yongtai | 5 | 13370537 | 27 February 2025 |
| 14. |  | Beijing Yongtai | 35 | 13370536 | 27 January 2025 |
| 15. |  | Beijing Yongtai | 10 | 13370535 | 6 March 2025 |
| 16. |  | Beijing Yongtai | 44 | 7526498 | 27 November 2030 |
| 17. |  | Beijing Yongtai | 10 | 13370545 | 6 March 2025 |
| 18. |  | Beijing Yongtai | 35 | 13370544 | 27 January 2025 |

As of the Latest Practicable Date, we are the registered owner of the following trademark in Hong Kong:

| Trademark | Registered Owner | Place of Registration | Class(es) | Trade Mark Number | Registration Date |
|---|---|---|---|---|---|
|  | The Company | Hong Kong | 1,5,42 | 304909735 | 30 April 2019 |

***(b) Domain names***

As of the Latest Practicable Date, our Group had registered the following domain names:

| Domain Name | Registrant | Expiry Date |
|---|---|---|
| **eaal.cn** | Beijing Yongtai | 11 October 2021 |
| **eaal.com.cn** | Beijing Yongtai | 11 October 2021 |
| **eaal.net** | Beijing Yongtai | 20 October 2020 |

***(c) Patents applications***

For a discussion of the details of the material patent applications we have filed in connection with our clinical and pre-clinical products, please refer to "Business — 8. Intellectual Property".

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS

### 1. Particulars of Directors' service contracts and appointment letters

Our Company entered into a service contract with each of our executive Directors, and a letter of appointment with each of our non-executive Directors and INEDs, all with effect upon the date of this prospectus.

Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the date of this prospectus (subject to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the service contract or appointment letter or by either party giving to the other not less than three month's prior notice in writing.

Under the respective service contract and appointment letters of our Board members, (i) our executive Directors, namely, Mr Tan, Dr Wang and Mr Jung, are entitled to an annual director's fee of RMB800,000, RMB800,000 and RMB1.42 million, respectively; (ii) except for Mr Si Xiaobing, who is entitled to an annual director's fee of RMB110,000, the other non-executive Directors are not entitled to any director's fee; and (iii) for each of our INEDs, the annual director's fee is HK$300,000.

Details of the Company's remuneration policy is described in "Directors and Senior Management — 8. Directors' and Senior Management's Remuneration ".

## 2. Disclosure of Interests

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Schemes), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its 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/or short positions (as applicable) which he/she 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

### (i) Interest of Shares

| Name of director | Capacity/ Nature of interest | Number of underlying Shares immediately following completion of the Global Offering | Approximate % of interest in our Company immediately following completion of the Global Offering |
|---|---|---|---|
| Mr Tan[(1)] | Interest in controlled corporation | 180,480,000 | 36.10%[(3)] |
| Mr Jung[(2)] | Interest in controlled corporation | 134,948,571 | 26.99% |

*Notes:*

(1) These Shares are held by Tan Zheng Ltd in its capacity as a beneficial owner and as a party to the Proxy Agreement, as the case may be. Tan Zheng Ltd is a company wholly-owned by Mr Tan, the Chairman, an executive Director and a Controlling Shareholder. Accordingly, Mr Tan is deemed to be interested in the Shares held by Tan Zheng Ltd.

(2) These Shares are held by Evodevo, a company wholly-owned by Mr Jung, an executive Director and chief strategy officer of our Company. Accordingly, Mr Jung is deemed to be interested in the Shares held by Evodevo.

(3) Pursuant to the Proxy Agreement, the Passive Minority Shareholders have irrevocably entrusted their voting rights at any general meeting of our Company to Tan Zheng Ltd, such that it may exercise such voting rights with absolute discretion and hence it is deemed to be interested in the Shares held by the Passive Minority Shareholders. For further details on the shareholdings of the Passive Minority Shareholders, please refer to "History, Reorganisation and Corporate Structure — 10. Corporate Structure Immediately Upon Completion of the Global Offering".

**(ii) Interest in associated corporations**

| Name of Director | Nature of Interest | Associated corporation | Amount of registered capital | Percentage of shareholding in the associated corporation |
|---|---|---|---|---|
| Mr Tan | Beneficial owner | Yongtai Ruike | RMB60,000 | 60.00% |
| Dr Wang | Beneficial owner | Yongtai Ruike | RMB40,000 | 40.00% |

Save as disclosed above, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the 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 into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

**3. Disclaimers**

Save as disclosed in this prospectus:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(ii) none of the Directors or proposed Directors or the experts named in the section headed "— D. Other Information — 5. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(iii) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

## D. SHARE OPTION SCHEMES

### 1. Pre-IPO Share Option Scheme

Pursuant to the written resolutions of the Shareholders passed on 6 June 2020, the terms of the Pre-IPO Share Option Scheme were approved and adopted. The key terms are summarised below:

#### *(a) Purpose*

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and its Shareholders and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to its key employees.

#### *(b) Terms*

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

(i) The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 37,500,000 Shares, representing approximately 7.50% of the issued share capital of the Company immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

(ii) An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment RMB1.00 (or such other sum in any currency as the Board may determine).

(iii) Save for the options which have been granted on or before 31 December 2019, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date and the terms which govern such further grant of options are accordingly removed.

(iv) The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 50.00% of the Offer Price.

(v) The share options granted will vest in multiple tranches in same or different proportions as determined by our Directors. All share options will be expired after 7 years since the grant date.

### *(c) Outstanding options granted under the Pre-IPO Share Option Scheme*

As at the Latest Practicable date, options to subscribe for an aggregate of 37,500,000 Shares (representing approximately 7.50% of the issued share capital of the Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) have been granted to 32 grantees under the Pre-IPO Share Option Scheme. All options under the Pre-IPO Share Option Scheme were granted on or before 31 December 2019 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme.

For the outstanding options conditionally granted to the 32 grantees under the Pre-IPO Share Option Scheme, (i) the exercise price is set 50.00% of the Offer Price; (ii) the consideration paid for each option is RMB1.00; (iii) the date of the grant is 31 December 2019; (iv) and the option period is seven years. Further particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Scheme are set out below:

| Name of Grantee | Residential address | Title/Position | Vesting period | Number of Shares subject to the option | Percentage of issued share capital of the Company immediately following the completion of the Global Offering[(1)] |
|---|---|---|---|---|---|
| Tan Zheng (譚錚) | Room 108, Building 6, Lihuayuan Community, Vanke City Garden, Beijing Airport Industrial Zone | Chairman and executive Director | Two equal tranches on 31 December 2020 and 2021, respectively | 5,000,000 | 1.00% |
| Wang Yu (王畲) | 38 Xueyuan Road, Haidian District, Beijing | Executive Director, CEO and co-CTO | Two equal tranches on 31 December 2020 and 2021, respectively | 23,450,000 | 4.69% |
| Zhang Jian (張鍵) | Room 803, Building 3, 76 Keji Road, Yanta District, Xi'an, Shaanxi Province | Senior vice president | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 1,000,000 | 0.20% |

| Name of Grantee | Residential address | Title/Position | Vesting period | Number of Shares subject to the option | Percentage of issued share capital of the Company immediately following the completion of the Global Offering[(1)] |
|---|---|---|---|---|---|
| Zhang Yu (張毓) | Health Science Centre, Peking University, 38 Xueyuan Road, Haidian District, Beijing | Chief scientist | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 400,000 | 0.08% |
| Yang Ning (楊寧) | Room 1005, Building 22, Chaoyangmen South Street, Chaoyang District, Beijing | Chief financial officer | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 1,000,000 | 0.20% |
| Zhang Lingmin (張靈敏) | Room 602, Unit 1, Building 41, Nandachang, Nancheng District, Baoding, Hebei Province | Senior vice president | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 600,000 | 0.12% |
| Zhao Yu (趙宇) | Room 301, Unit 1, Building 12, Heiyaochang East Street, Xicheng District, Beijing | Chief human resources officer | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 500,000 | 0.10% |
| Wu Fang Fang (毋芳芳) | Room 101, Unit 1, Building 2,Xingyunli, Guangkaisi Road, Nankai District, Tianjin | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 200,000 | 0.04% |
| Jiang Qian (姜謙) | Room 1301, Unit 1, Building 12, 1 Zhongxing Road, Yangzhuangzi Community, Xicheng District, Dingzhou, Hebei Province | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 50,000 | 0.01% |
| Xu Xiaona (徐曉娜) | No. 105, District 3, Kongcun, Fangshunqiao Town, Mancheng County, Baoding, Hebei Province | Manager | Two equal tranches on 31 December 2020 and 2021, respectively | 200,000 | 0.04% |

| Name of Grantee | Residential address | Title/Position | Vesting period | Number of Shares subject to the option | Percentage of issued share capital of the Company immediately following the completion of the Global Offering[(1)] |
|---|---|---|---|---|---|
| Liang Yanrong (梁豔榮) | No. 105, District 2, Zhaogezhuang Village, Hancunhe Town, Fangshan District, Beijing | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| Zhang Yonghua (張永華) | No. 197, Huashan Village, Xiwanbao Township, Huai'an County, Zhangjiakou, Hebei Province | Manager | Two equal tranches on 31 December 2020 and 2021, respectively | 700,000 | 0.14% |
| Zhao Yonghong (趙永紅) | Group 6, Fanchuan Village, Heishan Town, Shangzhou District, Shangluo, Shaanxi Province | Deputy manager | Two equal tranches on 31 December 2020 and 2021, respectively | 250,000 | 0.05% |
| Shang Wei (商偉) | No. 13, West Section 1, Douying Street, Changziying Town, Daxing District, Beijing | Supervisor | Two equal tranches on 31 December 2020 and 2021, respectively | 200,000 | 0.04% |
| Wang Lan (王嵐) | Room 132, Building 2, Yiyuan Dongli Community, Yongshun Town, Tongzhou District, Beijing | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| Zhao Jianqing (趙建清) | Room 5302, Building D3, Zizhuyuan, Yanjiao Development Zone, Sanhe, Hebei Province | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 50,000 | 0.01% |
| Sun Lei (孫磊) | Room 808, Unit 2, Building 1, Wanliu Fengniao Homeland, Haidian District, Beijing | Assistant to general manager | Two equal tranches on 31 December 2020 and 2021, respectively | 600,000 | 0.12% |
| Zang Zhiwei (臧志偉) | No. 5-018, Luofugou Village, Luofugou Township, Jianping County, Liaoning Province | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| Xu Qilong (徐其龍) | No. 32, Wudian Group, Chunqiu Village, Dingyuan Township, Luoshan County, Henan Province | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 250,000 | 0.05% |

| Name of Grantee | Residential address | Title/Position | Vesting period | Number of Shares subject to the option | Percentage of issued share capital of the Company immediately following the completion of the Global Offering[(1)] |
|---|---|---|---|---|---|
| Li Xuejiao (李雪姣) | No. 006, District 4, Beizhudong Street, Xiaodian Town, Boye County, Baoding,Hebei Province | Deputy manager | Two equal tranches on 31 December 2020 and 2021, respectively | 250,000 | 0.05% |
| Sun Jiaojun (孫嬌鈞) | Room 901, Unit 3, Building 1, Saide Plaza,Hongqi Road, Nankai District, Tianjin | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 150,000 | 0.03% |
| Li Heping (李賀平) | Room 303, Unit 1, Building 15, Shuizhuizi East Road, Chaoyang District, Beijing | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 200,000 | 0.04% |
| Guo Jianhai (郭建海) | Room F2502, Zhongmei Apartment, Yanjiao Development Zone, Sanhe, Hebei Province | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 150,000 | 0.03% |
| Li Shufen (李淑芬) | Room 302, Unit 3, Building 104, Huayu Building, Yuandali, Lubei District, Tangshan, Hebei Province | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 150,000 | 0.03% |
| Cao Chunuhi (曹春輝) | No. 1842, Xiqutou Village, Qixinzhuang Town, Sanhe, Hebei Province | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| Sun Xuenan (孫雪南) | Room 1113, Building 10, District 8, 305 Guang'anmenwai Street, Xuanwu District, Beijing | Manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 400,000 | 0.08% |
| Yu Xiaodan (于小丹) | 409 Xiqing Road, Xiqing District, Tianjin | Manager | Two equal tranches on 31 December 2020 and 2021, respectively | 200,000 | 0.04% |
| Li Yingchun (李迎春) | Room 1001, Unit 1, Building 12, 2 Anshun Road, Yongshun Town, Tongzhou District, Beijing | Medical director | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 400,000 | 0.08% |

| Name of Grantee | Residential address | Title/Position | Vesting period | Number of Shares subject to the option | Percentage of issued share capital of the Company immediately following the completion of the Global Offering[(1)] |
|---|---|---|---|---|---|
| Shi Pengyu (史鹏宇) | Room 401, Building 5, 6 Jiahua Xinyuan, Chenglin Road, Hedong District, Tianjin | Clinical operation director | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 400,000 | 0.08% |
| Wang Xiaojing (王小靜) | Room 502, Unit 4, Building 9, Meiranjiayuan, Jiugong Town, Daxing District, Beijing | Deputy manager | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 150,000 | 0.03% |
| Li Ruinan (李瑞囡) | Room 503, West Unit, Building 3, Wenfeng Community, 1 Farm Machinery Road, Jingshan Town, Huaiyuan County, Bengbu, Anhui Province | Chairman assistant | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| Yin Mengyang (尹夢洋) | No. 405, Qianzhao Village, Yanjiao Development Zone, Sanhe, Hebei Province | Chairman assistant and joint company secretary | Three tranches of 30%, 30% and 40% on 31 December 2020, 2021 and 2022, respectively | 100,000 | 0.02% |
| **Total:** | | | | 37,500,000 | 7.50% |

*Note:*

(1) Assuming the Over-allotment Option is not exercised and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme are not exercised

If all aforementioned options granted under the Pre-IPO Share Option Scheme are exercised, the shareholding of the Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), would be diluted by approximately 7.0%. The consequent impact on the earnings per Share for the two years ended 31 December 2019 is nil and nil respectively, being the incremental impact to diluted earnings per Share, since the options would not be included in the calculation of diluted earnings per Share due to anti-dilution.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the 37,500,000 Shares to be issued upon full exercise of options granted under the Pre-IPO Share Option Scheme representing approximately 7.50% of the issued share capital of the Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

**2. Post-IPO Share Option Scheme**

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on 6 June 2020.

***(a) Purpose***

The purpose of the Post-IPO Share Option Scheme is to attract and retain employees of the Group and to reward our eligible employees, our Directors and other selected participants for their past contribution to the Group. Our Directors consider the Post-IPO Share Option Scheme will provide incentives to the employees of the Group to further contribute to the Company and the Group Companies and to align their interests with the best interests of the Company and the Shareholders as a whole. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case-by-case basis as provided in the relevant offer letter, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors in accordance with the applicable laws and regulations, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

***(b) Who may join***

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any employee, officer, director, contractor, advisor or consultant of the Group who is notified by the Board that he or she is eligible to the option under the Post-IPO Share Option Scheme by reason of his or her contribution to the Group, to the extent that an offer of an award to or a receipt of such award by him or her is permitted under the applicable laws, rules of any applicable stock exchange (including without limitation the Listing Rules) and regulations or accounting or tax rules and regulations, to take up options to subscribe for Shares.

The eligibility of any of these participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

***(c) Maximum number of Shares***

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30.00% of the issued share capital of our Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10.00% of the Shares in issue on the day on which trading of the Shares commence on the Hong Kong Stock Exchange, such 10.00% limit represents 50,000,000 Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the Over-allotment Option.

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share options scheme of our Group shall not exceed 10.00% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option scheme of our Group) previously granted under the Post-IPO Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under the Listing Rules.

***(d) Maximum entitlement of each participant***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1.00% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

***(e) Grant of options to connected persons***

(i) Any grant of options under the Post-IPO Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our INEDs (excluding any INED who is the proposed grantee of the options).

(ii) Where any grant of options to a Substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(1) representing in aggregate over 0.10% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the Shares in issue; and

(2) having an aggregate value, based on the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of HK$5.0 million (or such other higher amount as may from time to time be specified by the Hong Kong Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

***(f) Time of acceptance and exercise of option***

An option may be accepted by a participant from the date of the offer of grant of the option within the offer period as set out in the relevant offer letter issued to by the Company to such participant.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-IPO Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

***(g) Performance targets***

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

***(h) Subscription price for Shares and consideration for the option***

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Hong Kong Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before Listing), or if the Shares are not so quoted or traded, the fair market value of a Share as determined by the Compensation Committee of the Board.

***(i) Ranking of Shares***

(i) Shares allotted and issued upon the exercise of an option will be subject to the provisions of the Memorandum and Articles and will rank pari passu with the fully paid Shares in issue as from the date of exercise of the option and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option, provided always that when the date of exercise of the option falls on a date upon which the register of members of the Company is closed then the exercise of the option shall become effective on the first business day on which the register of members of the Company is re-opened. A Share issued upon the exercise of a granted option shall not carry voting rights until the registration of the Grantee (or such other person as may succeed to the Grantees' title by operation of the applicable laws and in compliance with the terms of the Post-IPO Share Option Scheme) as the holder thereof.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

***(j) Restrictions on the time of grant of options***

No offer for grant of options shall be made after inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Hong Kong Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

***(k) Period of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme will remain in force for a maximum period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

***(l) Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO Share Option Scheme.

***(m) Rights on ceasing employment***

Subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options, if the grantee of an option is Eligible Employee and ceases to be an Eligible Employee for any reason other than death or illness, or for termination for cause before exercising his or her option in full, the unvested option (to the extent not already exercised) will immediately lapse on the date of cessation. The Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested options until later of: (i) 90 days after the date when the options become exercisable as set for sub-paragraph (n) below, or (ii) 30 days after the date of cessation of employment or directorship, or such longer period as the Board may otherwise determine. Any vested option not exercised prior to the expiry of the above-mentioned period shall immediately lapse.

***(n) Rights on death or illness***

Subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options and subject to sub-paragraph (o) below, if a Grantee ceases to be an Eligible Employee by reason of:

– the Grantee's death; or the Grantee's serious illness or injury which, in the opinion of the Board, renders the Grantee concerned unfit to perform the duties of his or her employment and which in the normal course would render the Grantee unfit to continue performing the duties under his or her employment contract with the relevant member of our Group or Companies provided such illness or injury is not self-inflicted or as a result of alcohol or drug abuse;

then any unvested option will immediately lapse. The Grantee or his or her personal representatives (if appropriate) may exercise all his or her vested option until the later of:

(1) 90 days after the date when the option become exercisable, or (ii) six (6) months after the date of cessation of employment or directorship, or such longer period as the Board may determine. Any vested option not exercised prior to the expiry of the above- mentioned period shall lapse.

***(o) Rights on termination for cause***

If the Board determines that any Grantee ceasing to be an employee of one or more Group Companies by any of the following reason, (i) any act of grave misconduct or willful default or willful neglect in the discharge of duties of the Grantee with the Group; (ii) without prejudice to the generality of (i) above, being proven to have carried out any fraudulent activity or have fraudulently failed to carry out any activity whether or not in connection with the affairs of the Group; (iii) being convicted of any offence; (iv) being proved to take advantages of such Grantee's position to make interest for him/herself or for others; (v) being proved to appropriate assets of the Group; (vi) serious violation or persistent breach of any terms of the employment agreement, the confidentiality and intellectual property rights assignment agreement, the non-compete and non-solicitation agreement, the anti-bribery agreement or any other agreements entered into by and between such Grantee and any member of the Group; (vii) repeated drunkenness or use of illegal drugs or being addicted to gambling which adversely interferes with or is reasonably expected to adversely interfere with the performance of such Grantee's obligations and duties of employment; and (viii) any other conduct which, as the Board determines in good faith, would justify the termination of his or her Contract, then any option (whether vested or unvested) held by the Grantee shall immediately lapse (unless the Board resolves otherwise in its absolute discretion).

***(p) Rights on a reorganisation of capital structure and other corporate events***

An unexercised option may lapse as provided in the case of a general offer or a corporate transaction as specified as follows:

(i) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all shareholders of the Company (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person associated with or acting in connect with the offeror), the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them which at the time vested, shareholders of the Company. If such offer becomes or is declared unconditional or such scheme or arrangements is formally proposed to shareholders of the Company, the Grantee shall, notwithstanding any other terms on which his or her option were granted (provided that any performance condition must first be satisfied), be entitled to exercise his or her vested option at any time up until (i) the close of such offer (or any revised offer); or (ii) the record date for entitlements under a scheme of arrangement, as applicable, and any unexercised option will immediately lapse on the close of business on such date; and

(ii) in the event of a corporate transaction (including a change in control) unless otherwise provided in the relevant offer letter or any other written agreement between the Company or any Grantee or unless otherwise expressly provided by the Board at the time of grant of the option, then, notwithstanding any other provision of the Post-IPO Share Option Scheme,

the Board may take one or more of the following actions with respect to granted option, contingent upon the closing or completion of the corporate transaction:

(1) arrange for the surviving entity or acquiring company (or the surviving or acquiring company's parent company) to assume or continue the option or to substitute a similar award for the option (including, but not limited to, an option to acquire the same consideration paid to the Shareholders pursuant to the corporate transaction);

(2) accelerate the vesting, in whole or in part, of the option (and, if applicable, the time at which the option may be exercised) to a date prior to the effective time of such corporate transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the corporate transaction), with any such option terminating if not exercised (if applicable) at or prior to the effective time of the corporate transaction; provided, however, that the Board may require Grantees to complete and deliver to the Company a notice of exercise before the effective date of a corporate transaction, which exercise is contingent upon the effectiveness of such corporate transaction;

(3) cancel or arrange for the cancellation of the option, to the extent not vested prior to the effective time of the corporate transaction, and pay such cash consideration (or no consideration) as the Board, in its sole discretion, may consider appropriate; and

(4) make a payment for each vested option, in such form as may be determined by the Board equal to the excess, if any, of (x) the per share amount payable to holders of Shares in connection with the corporate transaction, over (y) the exercise price, if any, payable by such holder in connection with such exercise, multiplied by the number of vested Shares under the option. This payment may be $0 if the per share amount payable in respect of a Share in the corporate transaction is equal to or less than the Subscription Price. In addition, any escrow, holdback, earn-out or similar provisions in the definitive agreement for the corporate transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Shares.

The Board need not take the same action or actions with respect to all granted options or portions thereof or with respect to all Grantees in a corporate transaction. The Board may take different actions with respect to the vested and unvested portions of the option.

***(q) Rights on winding up***

If notice is duly given of a resolution for the voluntary winding-up of the Company, vested option may, subject to the applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise of the options, be exercised prior to the date of the resolution. The Grantee shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her option, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolutions.

***(r) Adjustments to the subscription price***

In the event of any alteration in the capital structure of the Company whilst any granted option remains outstanding, whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division, or reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party or an issue of shares pursuant to, or in connection with, any share option plan, share appreciation rights plan or any arrangement for remunerating or incentivising any employee, consultant or adviser to the Company or any member of our Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the granted option so far as unexercised or unsettled;

(ii) the Subscription Price of any option;

or any combination thereof, as an independent financial adviser or the auditors shall confirm to the Board in writing, either generally or with regard to any particular Grantee, to have given a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a share would be issued at less than its nominal value. The capacity of the independent financial adviser or auditors (as the case may be) in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Hong Kong Stock Exchange.

***(s) Cancellation of options***

Any option granted but not exercised within the prescribed period as specified in the relevant offer letter shall be cancelled. Prior to the expiry of the option period, any cancellation of options granted but not exercised shall require the approval of the Board and the Grantee in question. If the Company cancels options and issues new ones to the same Grantee, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders and granted in compliance with the terms of the Post-IPO Share Option Scheme, the Listing Rules and applicable law.

***(t) Termination of the Post-IPO Share Option Scheme***

The Board may at any time terminate the operation of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted, but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All options granted prior to such termination shall continue to be valid and exercisable despite of the termination in accordance with the terms of the Post-IPO Share Option Scheme.

***(u) Lapse of option***

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period as stated in the offer letter in respect of such option;

(ii) the date on which the grantee commits a breach of the provision which restricts the Grantee to transfer or assign an option granted under the Post-IPO Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an option on the death of the Grantee to his personal representative(s) in accordance with the terms of this Scheme; or

(iii) subject to sub-paragraphs (m) to (q), on a Grantee ceasing to be an Eligible Employee.

***(v) Others***

The Post-IPO Share Option Scheme shall take effect upon all of the following having been satisfied:

(i) the passing of a resolution by the Board to approve and adopt the Post-IPO Share Option Scheme, and to authorise the Board to grant option hereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Post-IPO Share Option Scheme;

(ii) the passing of a resolution by the Shareholders in general meeting to approve and adopt the Post-IPO Share Option Scheme;

(iii) the Company is satisfied that all legal matters in connection with the issuance and delivery of the Shares under the option have been addressed and resolved (including without limitation the publishing of an announcement on the outcome of the shareholders' meeting for the adoption of the Post-IPO Share Option Scheme in accordance with the Listing Rules); and

(iv) the approval of the Listing Committee of the Hong Kong Stock Exchange for the listing of and permission to deal any Shares to be issued and allotted pursuant to the exercise of options under the Post-IPO Share Option Scheme.

The Company may require, as a condition to the exercise of a granted option or the delivery of Shares under a granted option, such representations or agreements as the advisors for the Company may consider appropriate to avoid violation of any applicable laws and regulations.

The terms and conditions of the Post-IPO Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting. Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Hong Kong Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The amended terms of the Post-IPO Share Option Scheme or the options shall comply with the relevant requirements of the Listing Rules and the applicable laws. Any change to the authority of our Directors in relation to any alteration to the terms of the Post-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

***(w) Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

***(x) Grant of options***

As of the date of this prospectus, no options have been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme.

## E. OTHER INFORMATION

### 1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 2. Deed of indemnity

Our Controlling Shareholders have entered into the deed of indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from any income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional.

### 3. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

### 4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as disclosed in this prospectus (including Shares that may be issued upon exercise of any options which may be granted under the Share Option Schemes).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of HK$7.4 million for acting as the sponsor for the Listing.

## 5. Consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included:

| Name | Qualifications |
|---|---|
| CCB International Capital Limited | a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Guosen Securities (HK) Capital Company Limited | a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Commerce & Finance Law Offices | Qualified PRC Lawyers |
| Deloitte Touche Tohmatsu | Certified Public Accountants<br>Registered Public Interest Entity Auditors |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Industry Consultant |
| Maples and Calder (Hong Kong) LLP | Cayman Islands attorneys-at-law |

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## 6. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## 7. Bilingual prospectus

The English language and Chinese language versions of this prospectus 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).

## 8. Preliminary expenses

Our preliminary expenses were RMB26,400, which had been paid by us.

## 9. Other disclaimers

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no commissions has been paid, or was payable, for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries; and

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus; and (iii) the written consents referred to in "Statutory and General Information — E. Other information — 5. Consents of Experts" in Appendix IV to this prospectus.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Eric Chow & Co. in association with Commerce & Finance Law Offices at 29/F, 238 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the accountants' report of the Group for the two financial years ended 31 December 2018 and 2019 prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of the companies comprising our Group for the two years ended 31 December 2018 and 2019;

(d) the report received from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the PRC legal opinion issued by Commerce & Finance Law Offices, our legal advisers on PRC law, in respect of certain aspects of our Group in the PRC;

(f) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisers on Cayman Islands laws, summarising certain aspects of the Cayman Companies Law referred to in "Summary of the Constitution of our Company and Cayman Companies Law" in Appendix III to this prospectus;

(g) the Cayman Companies Law;

(h) the independent market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(i) the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(j) the written consents referred to in "Statutory and General Information — E. Other Information — 5. Consents of Experts" in Appendix IV to this prospectus;

(k) the rules of the Pre-IPO Share Option Scheme;

(l) the rules of the Post-IPO Share Option Scheme; and

(m) a full list of all the grantees who have been granted options under the Pre-IPO Share Option Scheme, containing the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Immunotech Biopharm Ltd

永泰生物製藥有限公司