创胜集团
TRANSCENTA

Transcenta Holding Limited
創勝集團醫藥有限公司

(registered by way of continuation in the Cayman Islands with limited liability)

Stock Code: 6628

GLOBAL OFFERING

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

Goldman Sachs

CICC 中金公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI

China Renaissance 华兴资本

IMPORTANT

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

Transcenta Holding Limited
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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**40,330,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**4,033,000 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**36,297,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$16.00 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$0.0001 per Share**
Stock code	**:**	**6628**

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

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A copy of this document, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document 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 us on or around Friday, September 17, 2021. If, for any reason, the Offer Price is not agreed by Tuesday, September 21, 2021, the Global Offering will not proceed and will lapse. The Offer Price will be no more than HK$16.00 per Offer Share and is currently expected to be no less than HK$15.80 per Offer Share unless otherwise announced.

The Joint Representatives may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk factors".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs pursuant to an exemption from registration under Rule 144A of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.transcenta.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 14, 2021

Your application must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	8,080.62	7,000	113,128.62	50,000	808,061.60	700,000	11,312,862.40
1,000	16,161.23	8,000	129,289.86	60,000	969,673.92	800,000	12,928,985.60
1,500	24,241.85	9,000	145,451.09	70,000	1,131,286.24	900,000	14,545,108.80
2,000	32,322.46	10,000	161,612.32	80,000	1,292,898.56	1,000,000	16,161,232.00
2,500	40,403.08	15,000	242,418.48	90,000	1,454,510.88	1,500,000	24,241,848.00
3,000	48,483.70	20,000	323,224.64	100,000	1,616,123.20	2,000,000	32,322,464.00
3,500	56,564.31	25,000	404,030.80	200,000	3,232,246.40	2,016,500[(1)]	32,589,124.33
4,000	64,644.93	30,000	484,836.96	300,000	4,848,369.60		
4,500	72,725.54	35,000	565,643.12	400,000	6,464,492.80		
5,000	80,806.16	40,000	646,449.28	500,000	8,080,616.00		
6,000	96,967.39	45,000	727,255.44	600,000	9,696,739.20		

Note:

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejects.

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 websites of the Stock Exchange at www.hkexnews.hk and our Company at www.transcenta.com.

Hong Kong Public Offering commences ..... 9:00 a.m. on Tuesday, September 14, 2021

Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways[(2)]

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** ..... 11:30 a.m., Friday, September 17, 2021

Application lists of the Hong Kong Public Offering open[(3)] ..... 11:45 a.m., Friday, September 17, 2021

Latest time for (a) giving **electronic application instructions** to HKSCC and (b) completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)[(4)] ..... 12:00 noon, Friday, September 17, 2021

Application lists of the Hong Kong Public Offering close[(3)] ..... 12:00 noon, Friday, September 17, 2021

Expected Price Determination Date[(5)] ..... Friday, September 17, 2021

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; and the basis of allocation of the Hong Kong Public Offering to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.transcenta.com** on or before[(6)(8)] ..... Tuesday, September 28, 2021

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 the section headed "How to Apply for Hong Kong Public Offer Shares – 11. Publication of Results" in this Prospectus) from[(8)] ..... Tuesday, September 28, 2021

Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function[8] . . . . . Tuesday, September 28, 2021

Dispatch/Collection of Share certificates or deposit of Share certificates into CCASS and Dispatch/Collection of refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions (if applicable) on or before[7][8] . . . . . Tuesday, September 28, 2021

Dealings in Shares on the Stock Exchange expected to commence at[8] . . . . . 9:00 a.m., Wednesday, September 29, 2021

The application for the Hong Kong Public Offering will commence on Tuesday, September 14, 2021 until Friday, September 17, 2021. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Wednesday, September 29, 2021. Such time period is longer than the normal market practice. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, September 28, 2021. In addition, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be longer than the normal market practice but in any event not more than seven business days after the Price Determination Date. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, September 29, 2021.

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., 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 a "black" rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 17, 2021, the application lists will not open and will close on that day. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this Prospectus.

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offer Shares – 6. Applying through **CCASS EIPO** Service" in this Prospectus.

(5) The Price Determination Date is expected to be on or about Friday, September 17, 2021, and in any event, not later than Tuesday, September 21, 2021. 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 Tuesday, September 21, 2021, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this Prospectus.

(7) Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Tuesday, September 28, 2021, but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Wednesday, September 29, 2021. 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.

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

(8) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, September 14, 2021 to Wednesday, September 29, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/HK eIPO White Form e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Public Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this Prospectus, respectively.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public 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 Public Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Public 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 document to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorised by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors." In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China. We adopt a global approach to maximize operational efficiency. Concurrently, we leverage the efficient regulatory approval pathway to accelerate the Investigational New Drug (IND) applications and early-phase clinical trials in the United States and to advance clinical trials in the indications with significant unmet medical needs from the large patient population in China. We design trials that allow clinical data from each trial to be used for pooled analysis and for supporting registration, including China, the United States and countries in Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated in the countries and regions where we plan for.

We have developed a unique antibody discovery platform, the Immune Tolerance Breaking (IMTB) technology platform, which enables us to generate antibodies to both non-conserved and conserved proteins that are difficult to generate in rodents and to discover hidden epitopes that are challenging to discover by using conventional platforms. Our IMTB technology platform allows us to obtain lead candidate antibodies with expanded epitope diversity, differentiated biological properties (specificity, affinity and pharmacokinetics) and desirable CMC (chemistry, manufacturing and controls) profiles, resulting in selecting candidate molecules with enhanced druggability attributes and intellectual property position. Leveraging this IMTB technology platform, we have generated TST001, which targets a conserved epitope on Claudin 18.2, and MSB2311, an antibody targeting programmed death-ligand 1 (PD-L1), a type of protein that controls immune responses, and binding to an epitope that conferred MSB2311 with pH-dependent antigen binding property. **We may not be able to ultimately successfully develop and market any of our drug candidates, including our core product, MSB2311**. Furthermore, we established a translational research team that is capable of (i) conducting an IHC-based protein expression analysis of the drug target protein in both human and animal tissue samples of various disease models or cell lines; (ii) conducting studies to evaluate the *in vivo* disease intervention activities of the investigational agents using tumor models grown in mouse or models of bone and kidney diseases; and (iii) analyzing the pharmacokinetics and pharmacodynamics profile of the investigational agents. Our translational research team enables us to model tumor responses to our investigational agents and to better understand pharmacokinetics/pharmacodynamics (PK/PD) profiles, which guides design and conduct of clinical study and evaluates the options of combination therapy with agents targeting different signaling disease pathways. We also have a platform that allows us to screen antibodies for target-detection using immunohistochemistry and to develop

immunohistochemistry detection assay for patient selection in clinical trials, which allows us to maximize potential trial success by enrolling patients with a high probability of responding to the drug treatment in selected indications.

Our discovery and global development capabilities have enabled us to build diversified pipeline of innovative and promising antibodies in therapeutic areas with unmet medical needs including oncology, nephrology and bone diseases. As of the Latest Practicable Date, we have discovered and developed eight of nine drug candidates in-house, covering both validated, partially validated and novel biological pathways. In particular, we have one core product: MSB2311, a humanized PD-L1 monoclonal antibody (mAb) candidate for TMB-H solid tumors; and four key drug candidates: TST001, a humanized Claudin 18.2 mAb candidate for solid tumors such as gastric cancer; TST005, a PD-L1/TGF-β (transforming growth factor beta is a multipotent growth factor affecting cell differentiation, proliferation, apoptosis and matrix production) bi-functional antibody candidate for solid tumors including certain lung cancers; TST002 (Blosozumab), a humanized sclerostin mAb candidate for osteoporosis; and TST004, a humanized MASP-2 (mannan-binding lectin serine protease 2, an indispensable enzyme for the activation of the lectin pathway of complement) mAb candidate for IgA kidney diseases. In addition to the above drug candidates, we are also developing a number of early-stage innovative biotherapeutic candidates. For example, we are developing TST003, a potentially the first therapeutic antibody candidate around the world targeting a novel immune regulatory protein produced by tumor-associated fibroblasts or tumor cells with mesenchymal phenotype. In addition, we have developed TST008, a tri-functional antibody combining a MASP2 antibody fused with a truncated transmembrane activator and CAML interactor (TACI) protein, which has the potential for the treatment of autoimmune disease such as systemic lupus erythematosus (SLE).

Our CMC function is capable of developing efficient manufacturing processes to support speed to clinical trial and speed to market while ensuring products meet regulatory requirements and are safe, efficacious and consistent between batches throughout product life cycle. We have established a modular GMP (good manufacturing practice) facility, T-BLOC, in Hangzhou, which has two 500L and one 2,000L single use bioreactor and two downstream purification trains. This highly flexible facility supports both fed-batch and continuous perfusion processes with an overall projected annual capacity of over one metric ton (1,000 kg). To increase productivity of conventional fed-batch processes, we have implemented intensified fed-batch processes (high seeding cell density using perfusion seed bioreactor), in which we have demonstrated increases in process output by greater than 100% over conventional fed-batch processes. To maximize facility output with significant lower cost of goods, improve process robustness and minimize operational risks, we are developing and implementing a continuous manufacturing platform called Integrated Continuous Bioprocessing (ICB), where a proprietary and highly productive continuous upstream perfusion process will be integrated with an automated and continuous downstream process that we are co-developing with Merck. By leveraging the power of ultra-high cell density continuous perfusion process and our proprietary cell culture media, we have demonstrated industry leading volumetric productivities of over 6 g/L-day and output increases for multiple cell lines of up to 10 to 20-fold when compared to conventional fed-batch processes. As of the Latest Practicable Date, we have successfully implemented continuous upstream perfusion process into GMP manufacturing for TST005 and TST001. According to the CIC Report, we are one of the only three companies in China that has implemented continuous perfusion process for GMP clinical supply. This platform can also enhance the control of product quality and can produce both stable and less stable antibodies such as some multi-specific antibodies or novel protein formats, which facilitates standardization of biomanufacturing.

Our core management team members have an average of greater than 15 years of industry experience with proven track record and a well-balanced combination of expertise spanning research, clinical development, manufacturing, planning and financing. Our shareholders consist of global and Chinese biotechnology-focused specialist funds and biopharmaceutical platforms experienced in supporting and growing biopharmaceutical companies. Therefore, we benefit from their resources and industry expertise. As of the Latest Practicable Date, in relation to our core product, we owned one issued patent in each of China, the United States, Macau, Russia and Hong Kong, one pending patent application in each of China and the United States and six pending patent applications in other jurisdictions. As of the Latest Practicable Date, in relation to our key products, we owned three PCT priority applications, two pending PCT applications and two pending patent applications in Taiwan, and co-owned one PCT priority application with our collaborator, Beijing Cancer Hospital. In addition, we also in-licensed one issued Chinese patent in relation to TST002.

OUR STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from other biopharmaceutical companies in China:

- Integrated biopharmaceutical platform
- Highly synergistic oncology portfolio with competitive commercial potentials
- Diversified portfolio focusing on indications with significant unmet medical needs
- CMC team with global experience, bioprocessing platform and infrastructure
- Visionary management and shareholders

OUR STRATEGIES

To realize our vision to deliver high quality and affordable innovative biologics to patients around the world, we will pursue the following strategies:

- Rapidly advance our oncology franchise through clinical development
- Accelerate the development of our other IND-enabling and pre-clinical drug candidates
- Enhance our pipeline through in-house discovery and business development efforts
- Maximize the global value of our drug candidates
- Expand our manufacturing facilities to support our upcoming and expanding pipeline
- Continue strengthening our commercialization capabilities

OUR BUSINESS MODEL

Our drug candidates

As of the Latest Practicable Date, we have discovered and developed eight of our nine drug candidates in-house, covering validated, partially validated and novel biological pathways. MSB2311, a humanized PD-L1 monoclonal antibody (mAb) candidate for solid tumors, is our core product. We discovered and developed MSB2311 based on the IMTB technology platform and our in-house antibody library. We are adopting a fast-to-market approach for MSB2311 and plan to develop it for new indications. We submitted an End of Phase 1 analysis report to the NMPA and received the permission to conduct a Phase 2 trial for patients with TMB-H solid tumors in January 2021. Apart from the core product, we also have four key products: TST001 (a humanized Claudin 18.2 targeting antibody), TST005 (a humanized PD-L1/TGF-β bi-functional antibody-fusion protein), TST004 (a humanized MASP2 targeting antibody) and TST002 (a humanized sclerostin targeting antibody). All of MSB2311, TST001, TST005 and TST004 are developed in house.

The only in-licensed drug candidate is Blosozumab (TST002), a humanized sclerostin monoclonal antibody candidate for osteoporosis. We in-licensed the Greater China rights of Blosozumab (TST002) from Eli Lilly in 2019. Eli Lilly has completed the Phase 2 development of Blosozumab in the United States. TST002 is currently at the IND-enabling stage in China. We filed an IND application in China in June 2021 and the application was formally accepted by the NMPA on July 6. We plan to leverage clinical data from Eli Lilly to speed up the regulatory process in China. In addition, we formed a joint venture with Alebund Pharmaceuticals to co-develop TST004, a humanized MASP-2 monoclonal antibody candidate that we developed in-house for nephrology, for certain indications in Greater China region. We retain the rights for the rest of world and the rights to develop TST004 for indications other than licensed indications in Greater China region.

The following chart summarizes drug candidates that are currently under development in China and worldwide across various therapeutic areas:

	Drug candidate	Target	Pathway[1]	Indications[2]	Clinical trial region	Preclinical	IND	Phase 1a	Phase 1b/ Phase 2a	Pivotal Phase 2b /Phase 3	Rights	Partner
Oncology	MSB2311*	PD-L1	Validated	TMB-H solid tumors	China	Monotherapy					Global	In-house
				Other solid tumors	China	Monotherapy						
				Solid tumors	China	Combo with VEGFRi						
				Solid tumors	United States	Monotherapy						
	TST001†	Claudin 18.2	Partially validated	Solid tumors	Global[3]	Monotherapy					Global	In-house
				Late-line gastric cancer	China	Monotherapy						
				Second-line gastric cancer	Global[3]	Combo with chemo						
				First-line gastric cancer	Global[3]	Combo with chemo						
				Other solid tumors[4]	Global[3]	Monotherapy						
	TST005†	PD-L1/TGF-β Bi-functional	Partially validated	Solid tumors (HPV+ and NSCLC, etc.)	Global[3]	Monotherapy					Global	In-house
	MSB0254	VEGFR2	Validated	Solid tumors	China	Monotherapy					Global	In-house
	TST003	BMP Antagonist (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
	TST006	Claudin 18.2/PD-L1 Bi-specific (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
Non-Oncology	TST002†	Sclerostin	Validated	Osteoporosis	China	Monotherapy					Greater China	In-licensed from Eli Lilly
	TST004†	MASP2	Partially validated	IgA nephropathy TMA	Global[3]	Monotherapy					Global	Co-development with Alebund in Greater China[5]
	TST008	MASP2-TACI Tri-functional (FIC)	Novel	SLE	Global[3]	Monotherapy					Global	In-house

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First in class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFRi=Vascular endothelial growth factor receptor 2 inhibitor

(1) Validated=At least one successful registration-enabling clinical trial has been implemented for the corresponding target; Partially validated=At least one proof of concept clinical trial has been implemented; Novel=No successful proof of concept clinical trial has been implemented.

(2) Solid tumors in the "Indications" column include all the tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidences. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section for the specific tumor types targeted for clinical development.

(3) Represents Asia (including China), United States, European Union and Oceania.

(4) Represent Claudin 18.2 expressing solid tumor types other than gastric cancer, such as esophageal cancer, pancreatic cancer and biliary tract cancer.

(5) A substantial shareholder of our Company, LAV Group, holds less than 30% of shares in Alebund Pharmaceuticals. TST004 is discovered by us and will be further developed by a joint venture established by Alebund Pharmaceuticals and us. Greater China represents mainland China, Hong Kong SAR, Macau SAR and Taiwan.

* *Denotes a core product. We obtained an umbrella approval from the NMPA to conduct Phase 1b studies for MSB2311 as monotherapy in China on various types of solid tumors. For TMB-H solid tumors, we also obtained the permission from the NMPA to conduct a Phase 2 trial. For solid tumors other than TMB-H tumors, we are currently conducting Phase 1b studies, which essentially have the same scope with Phase 2a studies. Before we start Phase 2b studies for solid tumors other than TMB-H tumors, we will communicate with the NMPA to obtain approvals.*

† *Denotes a key product.*

Oncology drug candidates

MSB2311

MSB2311, our core product, is a second-generation PD-L1 inhibitor with unique differentiation from other PD-(L)1[(1)] antibodies. MSB2311 is the first and only "recycling" PD-L1 antibody based on its pH-dependent PD-L1 binding property, which allows for significantly higher drug-target residence time in tumor and improved *in vivo* tumor killing activity. As of June 18, 2020, in the Phase 1 study conducted in China, 16 solid tumor patients were evaluable for efficacy with prior biomarker selection, including high tumor mutation burden (TMB-H), Epstein-Barr Virus (EBV), microsatellite instability high (MSI-H) or PD-(L)1 expression. Five patients achieved confirmed partial response (PR, which means at least a 30% decrease in the sum of diameter of all target tumor lesions compared to the baseline) with an objective response rate (ORR) of 31.3%: 1/7 (14.3%) at 10 mg/kg Q2W and 4/9 (44.4%) at 20 mg/kg Q3W, respectively. Additionally, one patient achieved sustained immune partial response (iPR) evaluated by the Immune Response Evaluation Criteria in Solid Tumors (iRECIST, a consensus guideline used in cancer immunotherapy trials to ensure consistent design and data collection) and was not included in the ORR of 31.3%.

ORR is an important parameter to demonstrate the efficacy of a treatment in oncology. The ORR is valuable for clinical decision making in routine practice and a significant end-point for reporting the results of clinical trials. ORR represents the proportion of patients in a trial whose tumor is destroyed or significantly reduced by a drug. ORR is generally defined as the sum of complete responses, i.e. patients with no detectable evidence of a tumor over a specified time period, and partial responses, i.e. patients with at least a 30% decrease in the sum of diameter of all target lesions, taking as reference the baseline sum of diameters. Improved ORR offers tangible proof that the drug is working. Novel immunotherapeutics have been seen to trigger different response patterns in tumors than classic chemotherapy drugs, including the so-called "pseudoprogressions", leading to concerns about assessing changes in tumors using existing tools as an objective evaluation of response to the treatment and disease progression. The iRECIST approach allows responses not typically observed in traditional systemic treatment to be identified and better documented. An immune-related partial response (iPR) is a 30% drop in tumor burden from baseline.

In 2017, MSB2311 was awarded as a sub-project in the National Major Scientific and Technological Special Project for "Significant New Drugs Development" (MSB2311入選"重大新藥創製"國家科技重大專項) by the Development Center for Medical Science & Technology of National Health and Family Planning Commission of the People's Republic of China. In addition, MSB2311 has been under patent protection as a pH dependent PD-L1 antibody in both the United States and Greater China. MSB2311 has patent life of more than 15 years from the date of this document.

In 2020, the prevalence of solid tumors around the globe and in China are 45.5 million and 8.4 million, respectively. Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, colon and rectum, liver and esophageal cancers, are responsive to the treatment of PD-(L)1 class of drugs. Taking into account of the other cancer types (such as bladder, melanoma and kidney cancers) that are also responsive to the PD-(L)1 class, the overall annual incidence of cancers potentially responsive to the treatment of PD-(L)1 antibodies in China was over three million in 2019, while the prevalence was over 7.5 million, according to the CIC Report. In China, eight PD-(L)1 antibodies have been approved for marketing use as of March 2021, but none of these antibodies was approved for TMB-H tumors. MSB2311 was one of the only two PD-(L)1 drug candidates in China under clinical development, in which TMB-H tumors have been included in the trial as of the Latest Practicable Date. Although MSB2311 was one of the only two drug candidates targeting TMB-H tumors in China as of the Latest Practicable Date, other clinical stage competitor drug candidates may be developed for TMB-H tumors in the future, which will increase the competition. In the United States, there was only one product, Keytruda from MSD, approved in June 2020 for unresectable or metastatic TMB-H solid tumors in the second line setting.

(1) Consistent with industry usage of the term, unless otherwise indicated, PD-(L)1 refers to either PD-1 or PD-L1.

Therefore, MSB2311 is potentially among the leaders in the development of this indication. Although no patients from mainland China were enrolled in the registrational trial of Keytruda for TMB-H solid tumors in the United States, MSD may seek the opportunity to develop Keytruda in China for TMB-H tumors, in which case it would be a potential competitor of MSB2311 in China. As of the Latest Practicable Date, several PD-(L)1 mAbs had been approved globally. See "Industry Overview" for the approved drugs targeting PD-(L)1 in China and the United States. According to the CIC Report, the market size for PD-(L)1 antibodies for the treatment with TMB-H tumors in China is expected to grow from US$15.4 million in 2025 to US$500.2 million in 2035, representing a CAGR of 42%, and the market size for PD-(L)1 antibodies in China is expected to increase from RMB6.1 billion in 2019 to RMB65.5 billion in 2030, representing a CAGR of 24.1%. See "Business – Our Drug Pipeline – Core Product – MSB2311 – Market opportunity and competition" and "Industry Overview" for more information.

We are adopting a fast-to-market approach for MSB2311 and plan to develop it for new indications. We submitted an End of Phase 1 analysis report to the NMPA and received the permission to conduct a Phase 2 trial for patients with TMB-H solid tumors in January 2021. Contingent on the positive result of the Phase 2 trial, we plan to file for permission to initiate the registrational part of the Phase 2 trial for MSB2311 in TMB-H pan solid tumors in the first half of 2022. Thus, we expect to initiate the registrational portion of the Phase 2 trial in the second half of 2022 in China and complete the trial by 2024. In addition, we may also conduct further trials in China and potentially the rest of the world to evaluate the potential combination of MSB2311 with anti-angiogenic inhibitor(s) for patients who failed previous treatment such as cervical cancer, SCLC, esophageal cancer and colorectal cancer. In 2020, the prevalence of patients with cervical cancer around the globe and in China are 1.5 million and 297.3 thousand, respectively; the prevalence of SCLC around the globe and in China are 390.7 thousand and 132.5 thousand, respectively; the prevalence of esophageal cancer around the globe and in China are 666.4 thousand and 347.9 thousand, respectively; the prevalence of CRC around the globe and in China are 5.3 million and 1.4 million, respectively. In addition, we may also evaluate combining MSB2311 with TST001 for gastric cancer. See "Business – Our Drug Pipeline – Core Product – MSB2311 – Clinical development plan" for more information.

Notwithstanding its unique pH-dependent PD-L1 binding property, MSB2311 is still at an early stage development and only has the potential to be the first and only "recycling" PD-L1 antibody, and its development and commercialization is subject to, among other things, the findings of its clinical trials as well as evaluation by the relevant government authorities. Even if MSB2311 is eventually approved and commercialized, it still faces intense competition from existing products and/or product candidates targeting PD-L1.

TST001

TST001, one of the key products in our oncology pipeline, is a high-affinity antibody specifically targeting and binding to Claudin 18.2, a tight-junction protein that is commonly expressed in multiple cancers, including gastric cancer, pancreatic cancer, esophageal cancer, and other cancer. Claudin 18.2 is a membrane protein with highly conserved protein sequence cross-species.

Compared to Zolbetuximab (IMAB362) of Astellas Pharmaceuticals, which validated Claudin 18.2 as an anti-tumor therapeutic target, TST001 binds to a slightly different epitope and results in distinct orientation relative to that of Zolbetuximab (IMAB362) binding, which results in an enhanced binding affinity to tumor cells and increased the efficiency of engaging with NK cells. These properties of TST001 lead to a potent antibody-dependent cellular cytotoxicity (ADCC) mediated anti-tumor cell killing activity of tumor cells with both high and low to medium Claudin 18.2 expression. In rodent xenograft tumor models, TST001 displayed potent dose-dependent anti-tumor activities and induced more tumor regression at the same dose comparing to Zolbetuximab (IMAB362) analog under the same condition in animal model. Differentiated from Zolbetuximab (IMAB362), which mainly targets tumor with high level expression of Claudin 18.2 (in >75% of the tumor cells with 2++ intensity, which accounts for 20% of the first-line gastric cancer patients), TST001 is potentially targeting much

broader patient population with its higher affinity specifically to Claudin 18.2 and enhanced anti-tumor activity demonstrated in tumors with medium to high Claudin 18.2 expression (in >40% of the tumor cells with 2++ intensity, which accounts for about 50% of the first line gastric cancer patients).

Claudin 18.2 has been shown to be expressed in various types of cancers, including gastric cancer, pancreatic cancer and esophageal cancer. In 2020, the prevalence of gastric cancer around the globe and in China are 1.8 million and 688.6 thousand, respectively, the prevalence of pancreatic cancer around the globe and in China are 380.0 thousand and 95.5 thousand, respectively, and the prevalence of esophageal cancer around the globe and in China are 666.4 thousand and 347.9 thousand, respectively, according to the statistics of WHO. These indications also represent unmet medical needs simply due to the lack of effective treatment options for patients with Claudin 18.2 expression. Evidently, patients with Claudin 18.2 expressing cancers often do not respond to checkpoint inhibitors and/or other targeted therapies because of a lack of expression of PD-L1 and/or HER2 in their tumors.

As of March 2021, there was no Claudin 18.2 targeted biologics or small molecule drugs approved globally. TST001 is the second leading Claudin 18.2-targeting monoclonal antibody that is being developed globally following Zolbetuximab (IMAB362), which is undergoing phase 3 clinical development (SPOTLIGHT and GLOW) globally. As of March 2021, there were five Claudin 18.2 targeted biologic candidates under clinical development in China, with IMAB362 from Astellas under Phase III clinical trial and four other products under phase I clinical trial, including TST001; and there were three Claudin 18.2 targeted biologic candidates under clinical development in the United States, with IMAB362 from Astellas under Phase III clinical trial and two other products under phase I clinical trial, including TST001. See "Industry Overview" for more detailed information regarding these biologic candidates. See "Business – Our Drug Pipeline – Key Products – TST001 – Market opportunity and competition" and "Industry Overview" for more information.

TST001 is currently in Phase 1 trials in United States and China to evaluate its safety and tolerability as well as its anti-tumor activities in patients with late-line solid tumors including but not limited to gastric cancer and pancreatic cancer. In August 2021, we completed the Phase 1a trial for TST001 in China and started a Phase 2a trial for late-line gastric cancer. The first patient was dosed on August 17, 2021. See "Business – Our Drug Pipeline – Key Products – TST001 – Clinical development plan" for more information.

TST005

TST005, one of our key products, is a bi-functional antibody designed to simultaneously target two immuno-suppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system. We discovered and developed TST005 in-house. TST005 consists of a high affinity PD-L1 antibody fused with a TGF-β Receptor Type II in its c-terminal. Differentiated from Merck's M7824, which has a wild type Fc region, mutations were engineered into TST005's Fc region to eliminate FcR binding, and reduce the FcR mediated clearance of TST005 and the killing of activated effector T-cells. We use an engineered TGF-β trap structure in TST005 which demonstrated enhanced stability with TGF-β trap. TST005's PD-L1 binding activity and enhanced TGF-β trap stability enable targeted delivery of TGF-β trap into PD-L1 expressing tumors, thereby minimizing off-target toxicities of systemic inhibition of TGF-β.

TST005 displayed potent activity *in vitro* in reversing TGF-β induced T-cells suppression. In multiple syngeneic tumor models, TST005 induced significant increase of CD8 T-cell infiltration into PD-L1 expressing tumors and displayed dose-dependent tumor growth inhibition. TST005 is well tolerated in non-human primate and displayed a linear PK profile. In addition, perfusion bioprocessing technology is used in the production of TST005 clinical and commercial supply to ensure high product quality and cost-effective production.

TST005 has significant market potential as a treatment option in a number of cancer indications. The size of the PD-L1/TGF-β bi-functional antibodies market in the United States and in China is expected to reach US$7.3 billion and US$5.9 billion, respectively, in 2030. In 2020, the prevalence of lung cancer (including NSCLC and SCLC) around the globe and in China are 2.6 million and 883.1 thousand, respectively; the prevalence of pancreatic cancer around the globe and in China are 380.0 thousand and 95.5 thousand, respectively; the prevalence of gallbladder and biliary tract cancer around the globe and in China are 286.6 thousand and 97.0 thousand, respectively; the prevalence of HPV-related cancer around the globe and in China are 1.5 million and 277.6 thousand respectively. As of the Latest Practicable Date, there was no PD-L1/TGF-β bi-functional antibodies approved globally. As of the Latest Practicable Date, there were six PD-L1/TGF-β bi-functional biologic candidates under clinical development in China and the United States with M7824 from Merck under Phase III clinical trial in China and the United States and other five candidates under phase I and II clinical trials in China and the United States. See "Industry Overview" for more detailed information regarding these biologic candidates. See "Business – Our Drug Pipeline – Key Products – TST005 – Market opportunity and competition" and "Industry Overview" for more information.

We plan to simultaneously develop TST005 both in China and the United States. We filed an IND application for TST005 with the United States Food and Drug Administration (FDA) in March 2021 and obtained IND clearance from the FDA in April 2021. The first site of the Phase I trial in the United States was activated and the first patient was enrolled in July 2021. We also filed an IND application for TST005 with the NMPA in China in September 2021. See "Business – Our Drug Pipeline – Key Products – TST005 – Clinical development plan" for more information.

Non-oncology drug candidates

TST002

TST002, one of our key products, is a monoclonal antibody that binds to sclerostin, a negative regulator of osteoblast activity and new bone formation. Blocking sclerostin activity in human treated with anti-sclerostin antibody or with naturally occurring genetic deletion has been shown to be an effective approach in increasing bone mineral density (BMD) and reducing bone fracture. We in-licensed Blosozumab, an anti-sclerostin drug candidate, from Eli Lilly for development and commercialization in Greater China in 2019 after Eli Lilly completed phase 2 studies of Blosozumab in the United States and Japan. According to the CIC Report, the market size of anti-sclerostin drugs in China is expected to reach US$4.4 billion by 2035.

Similar to EVENITY (Romosozumab), a competitor product that was developed by Amgen and approved in the United States, Japan and Europe, Blosozumab has a dual effect possessing both anabolic and anti-resorptive effects, which stimulates bone formation and inhibits bone absorption that lead to fast action in increasing bone density and bone strength. In a randomized, double-blind, placebo-controlled multicenter Phase 2 clinical trial of Blosozumab conducted by Eli Lilly in postmenopausal women with low BMD, Blosozumab treatment resulted in statistically significant dose-dependent increases in spine, femoral neck, and total hip BMD as compared with placebo. In the highest dose group, BMD increased by 17.7% at the spine, and 6.2% at the total hip from baseline within 12 months.

In China, the incidence of osteoporosis reached 83.4 million in 2014, and expanded to 101.0 million in 2019. The prevalence of osteoporosis is estimated to be 19.2% in people over 50 years old (6.0% in men, 32.1% in women, 16.2% in urban areas and 20.7% in rural areas). The prevalence of osteoporosis is estimated to be 32.0% in people over 65 years old (10.7% in men, 51.6% in women, 25.6% in urban areas and 35.3% in rural areas). Due to the relatively more serious aging problem, the compound annual incidence rate of osteoporosis patients in China was higher than the global average in the past five years. As of the Latest Practicable Date, no anti-sclerostin antibody was approved in China, and there was one anti-sclerostin antibody, SHR-1222 from Hengrui, under clinical development in China. See "Business – Our Drug Pipeline – Key Products – TST002 – Market opportunity and competition" and "Industry Overview" for more information.

Since the in-licensing of Blosozumab (with an internal product code of TST002) in 2019, we have completed technology transfer and developed manufacturing process for the application of approval to initiate clinical study in China. We filed an IND application in China in June 2021 and the application was formally accepted by the NMPA on July 6. We plan to leverage clinical data from Eli Lilly to speed up the regulatory process in China and initiate a Phase 1 study in patients with osteoporosis upon IND clearance. See "Business – Our Drug Pipeline – Key Products – TST002 – Clinical development plan" for more information.

TST004

TST004 is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) and designed to prevent the lectin pathway complement-mediated inflammation. We discovered and developed TST004 in-house and plan to develop TST004 for IgA nephropathy (IgAN), a highly prevalent chronic kidney disease with very limited treatment options. The prevalence of IgAN in China increased from less than 1.3 million in 2015 to more than 1.4 million in 2019, far exceeding the prevalence of IgAN in Europe and the United States. The prevalence of IgAN around the globe was over 6.2 million in 2019. Current treatment methods for IgAN are still based on angiotensin converting enzyme inhibitors (ACEI) and angiotensin receptor blockers (ARB), supportively combined with corticosteroids and other immunosuppressive therapies, the toxicity of which is too high, and the long-term use of these drugs can cause additional risk to the patients. However, as these drugs can effectively reduce the urinary protein, they are still the only choices for patients. There are currently no approved biologics for the treatment of IgAN globally. As of the Latest Practicable Date, there was only one clinical stage biologic candidate, RC18 of RemeGen, was under clinical development (phase 2) in China for IgAN. Due to the shortage of IgAN drugs on the market, the market size for IgAN biologics in China is estimated to reach US$0.2 billion in 2028 and is expected to further grow to US$2.6 billion in 2035, representing a CAGR of 46.5% from 2028 to 2035, according to the CIC Report. See "Business – Our Drug Pipeline – Key Products – TST004 – Market opportunity and competition" and "Industry Overview" for more information.

TST004 also has therapeutic potential in a number of other indications, such as thrombotic microangiopathy (TMA), representing significant market potential. We plan to develop TST004 with both subcutaneous and intravenous injection formulations to target patients with both acute and chronic diseases. In addition, we are developing biomarker strategy to enrich patients that are more likely responding to TST004. Currently, we are collaborating with Alebund Pharmaceuticals for the development and commercialization of TST004 for the treatment of certain indications related to TMA, renal diseases and blood disorders in Greater China region (excluding indications for ophthalmology and infectious diseases), retaining the rights for the rest of the world. We plan to file IND applications for TST004 in both the United States and China by the first half of 2022 and aim to conduct global clinical trials in selected indications. See "Business – Our Drug Pipeline – Key Products – TST004 – Clinical development plan" for more information.

Research and development

We conduct research and development activities primarily by relying on our own resources and expertise. We developed eight out of our nine drug candidates in-house, covering oncology and non-oncology areas and validated, partially validated and novel pathways. As of March 31, 2021, our research and development team had a total of 149 members with 81 in Hangzhou, 40 in Suzhou, 11 in Beijing, four in Shanghai, one in Guangzhou and 12 in the United States. In addition to our own research and development expertise, we also collaborate with third parties in various occasions. For example, we collaborate with Merck to develop next generation technology for continuous downstream manufacturing and co-develop TST004 with Alebund Pharmaceuticals. We also in-licensed Greater China rights of Blosozumab (TST002) from Eli Lilly and are developing this product primarily by ourselves in Greater China. During the course of carrying out research and development activities, we also involve in various other third parties, including contract research organizations, or CROs. We engage in CROs and consultants to support our clinical trials and/or pre-clinical studies in China and

the United States. The CROs provide us with service related to pre-clinical or clinical research project as specified in their agreement or work order with us. We generally enter into a research and development agreement with a CRO for an individual project. We select our CROs weighing various factors, such as their qualifications, track records for their performance, professional experience and industry reputation. See "Risk Factors – Risks Related to Our Reliance on Third Parties – As we rely on third parties to conduct our pre-clinical studies and clinical trials, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed." We supervise these third-party service providers to ensure that they perform their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies. See "Business – Licensing and Collaboration Arrangements" and "Business – Our Platform" for more details on our collaboration with third parties in our research and development activities.

Collaboration arrangements

In March 2019, we entered into a license agreement with Eli Lilly and Company ("Lilly") with respect to certain technology, patent rights and proprietary materials related to certain compounds, in particular the compounds known by Lilly as LY-2541546 (Blosozumab), LY-3108653 and LY-2950913 (each a "Licensed Compound"). Pursuant to this agreement, Lilly grants to us an exclusive, royalty bearing license, with the right to grant sublicenses, under the patents ("Licensed Patents") and the know-how ("Licensed Know-How") that are necessary or reasonably useful for the development, use or commercialization and manufacturing patents/know-how of any Licensed Compound or any pharmaceutical composition or preparation containing or comprising a Licensed Compound (whether or not as the sole active ingredient), including all formulations and dosage forms thereof ("Licensed Product") for all uses in humans in the PRC, Hong Kong, Macau and Taiwan (the "Regions") and Licensed Know-How to research, develop, commercialize, make, have made, use, sell, have sold, offer to sell, and import Licensed Compounds and Licensed Products for all uses in humans in the Region. TST002 is developed pursuant to this agreement. See "Business – Licensing and Collaboration Arrangements – Licensing Arrangement with Eli Lily" for more information.

On November 23, 2020, we entered into a framework collaboration agreement (the "Framework Agreement") with Shanghai Alebund Pharmaceuticals Limited (上海禮邦醫藥科技有限公司) ("Alebund Pharmaceuticals"), pursuant to which we and Alebund Pharmaceuticals will establish a joint venture to carry out pre-clinical researches regarding TST004 in Greater China region. On December 30, 2020, we also entered into a collaboration and licensing agreement (the "Collaboration and Licensing Agreement") with Alebund Pharmaceuticals to further carry out parties' collaboration arrangement under the Framework Agreement. See "Business – Licensing and Collaboration Arrangements – Collaboration with Alebund Pharmaceuticals" for more information.

We entered into a collaboration agreement with Merck on June 29, 2020 to develop an equipment and technology portfolio within the bioprocessing manufacturing industry for the implementation of integrated continuous manufacturing. During the Phase 1 of the collaboration, the parties will focus on the design and delivery of a hardware system and the software program(s) associated therewith to enable continuous flow through polishing (to include post virus inactivation depth filtration, polishing chromatography and virus filtration) for GMP manufacturing. During the Phase 2 of the collaboration, parties will focus on the development and delivery of a fully continuous manufacturing ecosystem including upstream, downstream and digital technologies needed for GMP manufacturing leveraging Merck's BioContinuum™ Platform of technologies. See "Business – Licensing and Collaboration Arrangements – Collaboration with Merck" for more information.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. In any such case, the market price of our Shares could decline, and you may lose all or part of your investments. Some of the major risks we face include:

- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development, and our ability to identify additional drug candidates. If we are unable to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

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

- The regulatory approval processes of the NMPA, FDA, EMA or other comparable regulatory authorities are time-consuming and may evolve over time, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

- The actual market size of our drug candidates might be smaller than expected and our drug 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 face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

- We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, although we may not be successful.

- We have a limited operating history. It may be difficult to evaluate our current business and predict our future performance.

- We do not currently generate revenue from the commercial sales of drug products. We have incurred net losses in each period since our inception and anticipate that we will continue to incur net losses in the near future and may never achieve or maintain profitability.

- Goodwill and intangible assets represent a significant portion of the assets on our consolidated balance sheet. We recorded impairment loss on intangible assets during the Track Record Period. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

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

- As we rely on third parties to conduct our pre-clinical studies and clinical trials, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

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

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

- We enjoy only limited geographical protection with respect to certain patents and may not be able to protect our intellectual property rights throughout the world, including in the PRC.

- No public market currently exists for our Shares; an active trading market for our Shares may not develop and the market price and trading volume of our Shares may decline or became volatile, which could lead to substantial losses to investors.

PRE-IPO INVESTORS

We have entered into multiple rounds of financing and entered into agreements with our Pre-IPO Investors. Our broad and diverse base of Pre-IPO Investors consists of venture capital and private equity funds and investment holding companies, some with specific focus on the healthcare sector. For further details, see "History, development, and corporate structure – Pre-IPO investments". The funds raised from the Pre-IPO Investors amounted to approximately US$258 million. The Pre-IPO Investors will be subject to a lock-up for six months after Listing. Due to such lock-up arrangement and other lock-up arrangements with respect to Dr. Qian's beneficial ownership of the Shares (including any nominee or trustee holding on trust for him and the entities controlled by him) and the Cornerstone Investors, the trading of our Shares after the Listing may experience a short-term liquidity issue. See "Risk Factors – Risks Related to the Global Offering – No public market currently exists for our Shares; an active trading market for our Shares may not develop and the market price and trading volume of our Shares may decline or became volatile, which could lead to substantial losses to investors." As of the date of this document, LAV Group in aggregate held approximately 16.6% equity interest in our Company, and will hold approximately 15.10% upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme) and therefore is and will remain the largest shareholder of the Company.

ACQUISITION OF JUST BIOTHERAPEUTICS ASIA INC.

In December 2018, Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of our Company) and Just Biotherapeutics Asia Inc. (among others) entered into an agreement and plan of merger (the "**Acquisition**") (which was accounted for as an acquisition of business for financing reporting purpose based on the assessment made by the Company with reference to the criteria set out in IFRS 3 Business Combinations), and our Company was renamed as Transcenta Holding Limited. Just Biotherapeutics Asia Inc. not only is a contract development and manufacturing organization (CDMO) service provider, but also has multiple in-house product candidates in development. Prior to the Acquisition, our Company, formerly named Mabspace International Limited, operated as a clinical stage biotech company focused on discovery, clinical research and commercial development of innovative biologic medicines, while Just Biotherapeutics Asia Inc. was dedicated to designing and applying innovative bioprocessing technologies to accelerate biologics R&D and manufacturing. The Acquisition allowed our Company to possess integrated capabilities in research, development, regulatory and manufacturing of biologics. None of our drug candidates in our product pipeline was acquired through the Acquisition. As noted under the section headed "Business – Our platform – CMC", our CMC functions in our platform plays a critical role in our drug development and commercialization, and therefore will be leveraged primarily for the development and commercialization of our drug candidates, and may also be leveraged for provision of CDMO services (which commenced after the Acquisition). Although we will prioritize our production capacity to facilitate the development of our drug candidates, to the extent we have extra production capacity, we will continue to provide CDMO services to third parties in the future.

For further details of the Acquisition, see "History, development, and corporate structure – Corporate development of our Group – Acquisition of Just Biotherapeutics Asia Inc." We recorded goodwill of approximately RMB472 million as a result of the Acquisition and it may be subject to impairment. See "Risk factors – Risks Related to Our Financial Position and Need for Additional Capital – Goodwill and intangible assets represent a significant portion of the assets on our consolidated balance sheet. We recorded impairment loss on intangible assets during the Track Record Period. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our combined financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary combined financial data set forth below should be read together with, and is qualified in its entirety by reference to, the combined financial statements in this document, including the related notes. Our combined financial information was prepared in accordance with IFRSs.

Summary Data from Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the periods indicated, respectively. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,		For the three months ended March 31,	
	2019	**2020**	**2020**	**2021**
		(RMB in thousands)	*(unaudited)*	
Revenue	44,140	80,980	6,810	7,883
Cost of sales	(37,226)	(62,778)	(4,743)	(5,145)
Gross profit	6,914	18,202	2,067	2,738
Other income	7,554	11,944	1,179	7,954
Other gains and losses, net	(93,099)	26,745	15,200	2,898
Selling expenses	(1,302)	(2,759)	(21)	(1,083)
Research and development expenses	(214,563)	(200,312)	(24,677)	(46,988)
Administrative expenses	(121,616)	(155,190)	(15,328)	(19,215)
Listing expenses	–	(5,570)	–	(10,101)
Impairment losses under expected credit loss model	–	–	–	(3,040)
Share of loss of a joint venture	–	–	–	(176)
Finance costs	(10,408)	(16,070)	(3,229)	(3,058)
Loss before tax	(426,520)	(323,010)	(24,809)	(70,071)
Income tax (expense) credit	(10,834)	110	27	27
Loss for the year/period	(437,354)	(322,900)	(24,782)	(70,044)
Other comprehensive (expense) income for the year/period	(266)	3,359	(857)	(539)
Total comprehensive expenses for the year/period	(437,620)	(319,541)	(25,639)	(70,583)
Loss for the year/period attributable to:				
– Owners of the Company	(395,256)	(316,626)	(22,880)	(70,044)
– Non-controlling interests	(42,098)	(6,274)	(1,902)	–

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)		*(unaudited)*	
Total comprehensive expenses for the year/period attributable to:				
– Owners of the Company	(395,522)	(313,267)	(23,737)	(70,583)
– Non-controlling interests	(42,098)	(6,274)	(1,902)	–
Loss per share				
– Basic and diluted *(RMB)*	(6.16)	(4.53)	(0.36)	(0.72)

During the Track Record Period, we derived substantially all of our revenues from providing contract development and manufacturing organization (CDMO) services to customers, primarily pharmaceutical and biotechnology companies, under CDMO contracts. We currently have no product approved for commercial sale and have not generated any revenue from product sales. Our revenue from CDMO services in 2019 and 2020 were RMB44.1 million and RMB81.0 million, respectively. Our revenue from CDMO services in the three months ended March 31, 2020 and 2021 were RMB6.8 million and RMB7.9 million, respectively. Our gross profit from CDMO services in 2019 and 2020 were RMB6.9 million and RMB18.2 million, respectively. Our gross profit from CDMO services in the three months ended March 31, 2020 and 2021 was RMB2.1 million and RMB2.7 million, respectively. Other income consists of bank interest income and government grants. Government grants represent various subsidies granted by the PRC local government authorities to our subsidiaries as incentives for the our research and development activities. We recorded government grants of RMB4.3 million and RMB6.1 million in 2019 and 2020. We recorded government grants of RMB26 thousand and RMB6.7 million in the three months ended March 31, 2020 and 2021, respectively.

Other gains and losses, net primarily consist of net foreign exchange gain or loss, fair value change of financial liabilities at fair value through profit or loss, transaction costs for issuance of preferred shares, impairment loss on intangible asset, loss on disposal of property, plant and equipment and others. Our other gains and losses, net changed from losses of RMB93.1 million in 2019 to gains of RMB26.7 million in 2020, primarily due to the change in fair value of financial liabilities at fair value through profit or loss as a result of our issuance of preferred shares to investors, and the impairment loss on intangible assets incurred in 2019 resulted from the Acquisition, in which the Company suspended the development of one in-process research and development pipeline product and conducted impairment assessment. We had other gains, net of RMB15.2 million and RMB2.9 million in the three months ended March 31, 2020 and 2021, respectively. The decrease in other gains, net was primarily due to the change in fair value of financial liabilities at fair value through profit or loss as a result of the increase in the fair value of our preferred shares, which was partially offset by a gain of RMB17.2 million recognized on deemed disposal of interests in a joint venture. See Notes 20 and 32 to the Accountants' Report in Appendix I to this document for more information.

We have never been profitable and have incurred operating losses in each year during the Track Record Period. Our total comprehensive expenses for the year were RMB437.6 million and RMB319.5 million for the years ended December 31, 2019 and 2020, respectively. Our total comprehensive expenses were RMB25.6 million and RMB70.6 million for the three months ended March 31, 2020 and 2021, respectively. Substantially all of our operating losses resulted from research and development expenses and administrative expenses. Research and development expenses primarily consist of pre-clinical test expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical test expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others.

For the years ended December 31, 2019 and 2020, we recorded RMB35.7 million and RMB23.9 million in research and development expenses for our core product. We incurred less research and development expenses in 2020 primarily because (i) a majority of the research and development expenses related to MSB2311 were incurred in 2018 and 2019, and (ii) cost

control measures taken in the development of our drug products. In 2018 and 2019, we incurred research and development expenses of RMB35.6 million and RMB35.7 million for the development of MSB2311, respectively. In 2020, research and development expenses for MSB2311 were related to the continued dose-expansion study for MSB2311 and relatively small number of new patients enrolled and dosed continuously due to long duration of response. In an effort to control costs, we started to conduct CMC process and production in-house in March 2019, as opposed to using external CDMO companies, which reduced our expenses incurred from CMC related activities. For the three months ended March 31, 2020 and 2021, we recorded RMB3.9 million and RMB11.1 million in research and development expenses for our core product, respectively. For the three months ended March 31, 2020 and 2021, we recorded RMB24.7 million and RMB47.0 million in research and development expenses, respectively. In 2019 and 2020, we incurred in-house CMC cost of RMB5.9 million and RMB0.5 million, respectively. In the three months ended March 31, 2020 and 2021, we incurred in-house CMC cost of nil and RMB6.5 million, respectively. Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses and others.

We expect to incur significant expenses and operating losses for at least the next several years as we further our research and development efforts, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate the integrated platform with an advanced clinical candidate pipeline of products. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our drug candidates, our efforts to obtain regulatory approval and commercialize our drug candidates.

Summary Data from Consolidated Statements of Financial Position

The table below sets forth our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of March 31,
	2019	**2020**	**2021**
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	409,656	449,176	444,581
Intangible assets	96,547	95,781	95,646
Right-of-use assets	16,834	24,057	24,341
Goodwill	471,901	471,901	471,901
Interests in a joint venture	–	–	17,563
Value-added-tax ("VAT") recoverable	57,191	62,954	55,817
Deposits paid for acquisition of property, plant and equipment	19,715	2,169	2,374
Other receivables	–	10,085	11,034
Amounts due from related parties		77,250	78,082
Restricted bank deposits	5,926	6,094	6,098
	1,077,770	1,199,467	1,207,437
Current assets			
Inventories	6,315	7,901	11,746
Trade and other receivables	18,721	31,635	33,476
Contract costs	4,809	38,329	54,722
Bank balances and cash	458,100	813,592	1,038,373
	487,945	891,457	1,138,317

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Current liabilities			
Trade and other payables	49,562	88,690	87,448
Amount due to a director	708	–	–
Contract liabilities	16,576	7,029	6,426
Bank borrowings	79,820	91,312	109,162
Lease liabilities	3,313	7,506	8,251
	149,979	194,537	211,287
Net current assets	337,966	696,920	927,030
Total assets less current liabilities	1,415,736	1,896,387	2,134,467
Non-current liabilities			
Bank borrowings	169,903	145,938	145,938
Lease liabilities	6,136	9,543	8,686
Deferred income	41,100	57,200	63,068
Financial liabilities at fair value through profit or loss ("FVTPL")	1,808,929	2,474,233	2,773,906
Deferred tax liabilities	25,828	25,718	25,691
	2,051,896	2,712,632	3,017,289
Net liabilities	(636,160)	(816,245)	(882,822)
Capital and reserves			
Share capital	44	66	68
Treasury shares	–	–	(2)
Reserves	(837,011)	(816,311)	(882,888)
Equity attributable to owners of the Company	(836,967)	(816,245)	(882,822)
Non-controlling interests	200,807	–	–
Total deficits	(636,160)	(816,245)	(882,822)

Our net current assets increased from RMB338.0 million as of December 31, 2019 to RMB696.9 million as of December 31, 2020, primarily due to (i) an increase of RMB355.5 million in bank balances and cash which primarily consist of cash received from our historical financing activities, (ii) an increase of RMB33.5 million in contract costs resulted from the increase of our provision of CDMO services, and (iii) an increase of RMB12.9 million in trade and other receivables, partially offset by an increase of RMB39.1 million in trade and other payables. Our net liabilities increased from RMB636.2 million as of December 31, 2019 to RMB816.2 million as of December 31, 2020, primarily due to (i) increases in financial liabilities at fair value through profit or loss, which amounted to RMB1,808.9 million and RMB2,474.2 million as of December 31, 2019 and 2020, respectively, and (ii) operating cash outflows. In particular, we recorded a loss and total comprehensive expenses for the year of RMB437.6 million in 2019 and RMB319.5 million in 2020. See "Consolidated Statements of Change in Equity" set forth in the Accountants' Report in Appendix I to this document for reference.

Our net current assets increased from RMB696.9 million as of December 31, 2020 to RMB927.0 million as of March 31, 2021, primarily due to an increase of RMB224.8 million in bank balances and cash, which primarily consist of cash received from our historical financing activities. Our net liabilities increased from RMB816.2 million as of December 31, 2020 to RMB882.8 million as of March 31, 2021, primarily due to (i) an increase in financial liabilities at fair value through profit or loss, which increased from RMB2,474.2 million as of December 31, 2020 to RMB2,773.9 million as of March 31, 2021, mainly as a result of our issuance of series C-1 preferred shares, and (ii) operating cash outflows mainly as a result of expenses incurred in our research and development activities in the three months ended March 31, 2021.

Summary Data from Consolidated Statements of Cash Flows

The following table sets forth summary data from our consolidated statements of cash flows for the period indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	**2020**	**2020**	**2021**
	(RMB in thousands)			
			(unaudited)	
Operating cash flows before movements in working capital	(217,573)	(153,727)	(22,634)	(50,224)
Changes in working capital	(17,387)	(20,671)	(20,193)	2,187
Net cash used in operating activities	(234,960)	(174,398)	(42,827)	(48,037)
Net cash (used in)/from investing activities	(232,280)	(57,738)	1,003	(12,514)
Interest paid	(9,697)	(15,532)	(3,142)	(2,841)
Net cash from financing activities	541,513	620,172	213,135	291,290
Net increase in cash and cash equivalents	74,273	388,036	171,311	230,739
Cash and cash equivalents at the beginning of the year/period, representing by bank balances and cash	378,194	458,100	458,100	813,592
Effects of exchange rate changes	5,633	(32,544)	2,356	(5,958)
Cash and cash equivalents at the end of the year/period, representing by bank balances and cash	458,100	813,592	631,767	1,038,373

In the three months ended March 31, 2021, we had net cash used in operating activities of RMB48.0 million, which resulted principally from our loss before tax of RMB70.1 million, adjusting for non-cash charges of RMB19.8 million and working capital changes of RMB2.2 million. Our net non-cash charges during the three months ended March 31, 2021 primarily consisted of fair value change of financial liabilities at fair value through profit or loss of RMB21.4 million resulted from our issuance of preferred shares to investors, depreciation of plant, property and equipment of RMB7.8 million, net foreign exchange loss of RMB3.8 million and share-based payment expenses of RMB3.8 million, partially offset by gain on deemed disposal of investment in a joint venture. See Note 20 to the Accountants' Report in Appendix I to this document for reference. Our working capital changes mainly included an increase in contract costs of RMB11.3 million resulted from the increase in CDMO services provided to our customers, a decrease in trade and other receivables of RMB0.07 million resulted from increases in CDMO services, promissory note receivables, and repayment for research and development services and purchase of raw materials and an increase in inventories of RMB3.8 million due to the increase in CDMO services provided to our customers, partially offset by a decrease in VAT recoverable of RMB7.1 million resulted from a return in VAT we received in the three months ended March 31, 2021, and an increase in deferred income of RMB5.9 million.

In 2020, we had net cash used in operating activities of RMB174.4 million, which resulted principally from our loss before tax of RMB323.0 million, adjusting for non-cash charges of RMB169.3 million and working capital changes of RMB20.7 million. Our net non-cash charges during the year ended December 31, 2020 primarily consisted of share-based payment expenses of RMB111.9 million, depreciation of plant, property and equipment of RMB33.4 million and net foreign exchange loss of RMB33.4 million, partially offset by the fair value change of financial liabilities at fair value through profit or loss of RMB37.9 million resulted from our issuance of preferred shares to investors. Our working capital changes mainly included an increase in contract costs of RMB25.5 million resulted from the increase in CDMO services provided to our customers, an increase in trade and other receivables of RMB22.2 million resulted from increases in CDMO services, promissory note receivables, and repayment for research and development services and purchase of raw materials and a decrease in contract liabilities of RMB9.5 million as the contract liabilities as of December 31, 2019 were all recognized as revenue in 2020 and there were less advance payments received from the customers in 2020, partially offset by an increase in trade and other payables of RMB27.8 million resulted from the increase of CDMO services and CRO services provided by third parties and an increase in deferred income of RMB16.1 million.

In 2019, we had net cash used in operating activities of RMB235.0 million, which resulted principally from our loss before tax of RMB426.5 million, adjusting for non-cash charges of RMB208.9 million and working capital changes of RMB17.4 million. Our net non-cash charges in 2019 primarily consisted of share-based payment expenses of RMB68.7 million, impairment loss on other intangible assets of RMB51.7 million, fair value change of financial liabilities at fair value through profit or loss of RMB37.2 million resulted from our issuance of preferred shares to investors, depreciation of plant, property and equipment of RMB34.0 million, and interest on bank borrowings of RMB9.8 million, partially offset by net foreign exchange gain of RMB4.7 million and interest income from banks of RMB3.2 million. Our working capital changes mainly included a decrease in trade and other payables of RMB52.4 million resulted from the decrease of CDMO services and CRO services provided by third parties, and an increase in value-added tax recoverable of RMB19.6 million, partially offset by an increase in deferred income of RMB28.0 million and a decrease in trade and other receivables of RMB21.2 million.

We expect that we may continue to experience net cash outflows from our operating activities in the foreseeable future. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations through public or follow-on offerings, debt financing, collaborations or licensing arrangements or other sources. While we had net operating cash outflows during the Track Record Period, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents, internal generated funds, available financing facilities and the estimated net proceeds from the Listing. In view of our net operating cash outflows throughout as of March 31, 2021, we plan to improve such position by (i) rapidly advancing our oncology franchise through clinical development and towards commercial launch, which could generate stable revenue from product sales if approved; (ii) adopting comprehensive measures to effectively control operating expenses; (iii) enhancing working capital management efficiency; (iv) completing the Global Offering to obtain the proceeds; and(v) seeking additional funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources, if needed. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our bank balances and cash, bank borrowings and net proceeds from the Global Offering.

Our operating cash flows will continue to be affected by our research and development expenses. Our Directors are of the opinion that, taking into account the financial resources available to the Group, including cash and cash equivalents, internally generated funds, available financing facilities and the estimated net proceeds from the Listing, the Group has sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs (including any production costs) for at least the next 12 months from the expected date of this prospectus.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. We had bank balance and cash of RMB1,038.4 million as of March 31, 2021. We estimate that we will receive net proceeds of approximately HK$566.7 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.80 per Offer Share, being the low-end of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share in this prospectus.

Assuming that the average cash burn rate going forward increases at the same rate as the estimated growth rate of our research and development expenses from 2020 to 2021, which is 123.3%, we estimate that our cash and cash equivalents as of March 31, 2021 will be able to maintain our financial viability for 23 months or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our general working capital purposes and general operation expenses), 24 months or, if we also take into account the entire amount of the estimated net proceeds from the Listing, 34 months.

We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:

	As of December 31,		As of March 31,
	2019	2020	2021
Current Ratio[(1)]	3.25	4.58	5.39
Quick Ratio[(2)]	3.21	4.54	5.33

Notes:
(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.
(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

Preferred Shares

We entered into various investment agreements with independent investors pursuant to which we issued Preferred Shares and written share purchase options to the investors to subscribe for our Preferred Shares. For the key terms of our Preferred Shares, see Note 32 to the Accountants' Report in Appendix I to this document. Although our Preferred Shares will be automatically converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the Preferred Shares prior to the closing of the Global Offering, any change in fair value of these Preferred Shares could materially affect our financial positions and performance. We recorded a loss on fair value change of financial liabilities at fair value through profit or loss of RMB37.2 million for the year ended December 31, 2019, and recorded a gain on the same of RMB37.9 million for the year ended December 31, 2020. We recorded a gain on fair value change of financial liabilities at fair value through profit or loss of RMB6.7 million for the three months ended March 31, 2020, and recorded a loss on the same of RMB21.4 million for the three months ended March 31, 2021. After the automatic conversion of all Preferred Shares into Shares upon the closing of the Global Offering, at which time we expect to re-designate all Preferred Shares from financial liabilities into equity and, accordingly, turn the Company into net asset position. We do not expect to recognize any further (loss) gain on fair value change from Preferred Shares in the future.

We recorded these financial instruments as financial liabilities at fair value through profit or loss for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some significant unobservable inputs, such as fair value of our ordinary shares, possibilities under different scenarios such as qualified public offering, liquidation, and discount for lack of marketability, require management estimates. Management estimates and assumptions 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 which may be charged into the profit or loss of the financial statements.

Promissory Notes

The Directors and key management personnel of our Group have been granted share options under the Pre-IPO Equity Incentive Plan of the Company. The relevant Directors and key management personnel issued promissory notes to our Company to satisfy the unpaid exercise price of their respective share options granted under the Pre-IPO Equity Incentive Plan. The Shares underlying such share options have been issued (credited as fully paid) and are currently held by Success Reach International Limited and Success Link International L.P., and such Shares cannot be disposed of without the approval of the Board of our Company. The promissory notes will become immediately due and payable upon the termination of the relevant Director's or key management personnel's employment or service relationship with our Group, or on such other date as determined by our Company. All the promissory notes shall be settled on or before December 31, 2022. If any of the relevant Directors or key management fail to repay the amount due under their respective promissory notes when such amount becomes due by December 31, 2022, or upon the termination of their respective employment or service relationship with our Group, the relevant share options will be forfeited and the underlying Shares will be cancelled, and the corresponding amount due under the relevant promissory notes will be set-off. We will comply with applicable requirements under the Listing Rules and obtain approval from the Board of our Company or the Shareholders (if necessary) if the expected repayment of the promissory notes is to be extended.

Such arrangements allow the Directors and key management personnel of our Group to exercise their share options without being distracted by the potential financial burden in relation to the exercise price that were due. Accordingly, such arrangements help to incentivize the Directors and key management personnel of our Group and to align their interest with our Company's interest and are beneficial to the long-term business development of our Group. Our Directors are of the view that the terms of the promissory notes are fair and reasonable, on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

RECENT DEVELOPMENTS

Clinical trial updates

For the Phase 1 trial of TST001 started in July 2020 in the United States, we have enrolled one more patient in each of 3 mg/kg Q2W dose cohort and 6 mg/kg Q2W dose cohort and three more patients in each of 3 mg/kg Q3W dose cohort and 6 mg/kg Q3W dose cohort since March 31, 2021.

For the Phase 1 trial of TST001 started in August 2020 in China, we have added a 6 mg/kg Q3W dose cohort with four patients enrolled and a 6 mg/kg Q2W dose cohort with five patients enrolled. We have also added a 10 mg/kg Q3W dose cohort with six patients enrolled. Based on the first scan after six weeks of treatment, we have observed one heavily pretreated gastric cancer patient in the 6 mg/kg Q3W dose cohort achieved partial response with 37% tumor reduction based on the RECIST1.1 criteria. This dose of 6 mg/kg is 1/3 of the RP2D dose (18 mg/kg) for IMAB362. No partial response was observed during the dose escalation study of IMAB362. This patient previously failed multiple lines of chemotherapies (Liposome Paclitaxel + S1, Irinotecan, Cisplatin thoracic prefusion), PD-1 immunotherapy (Sintilimab) and anti-VEGF inhibitor (Apatinib). In addition, we initiated a study of TST001 in combination with chemotherapy (CAPOX) in first-line gastric cancer in April 2021 in China and enrolled three patients in 1mg/kg Q3W dose cohort and two patients in 3 mg/kg Q3W dose cohort. We also initiated a study of TST001 in combination with chemotherapy (Paclitaxel) in second-line gastric cancer in May 2021 in China and enrolled three patients in 1mg/kg Q3W dose cohort three patients in 3 mg/kg Q3W dose cohort, and one patient in 6 mg/kg Q3W dose cohort. In the combination study with CAPOX, a patient in the first dosing cohort achieved partial response with 39% tumor reduction according to the RECIST1.1 criteria after 6 weeks of treatment at the first post-treatment imaging scan. In August 2021, we completed the Phase 1a trial for TST001 in China and started a Phase 2a trial for late-line gastric cancer. The first patient was dosed on August 17, 2021.

In addition, TST001 was granted orphan drug designation for the treatment of gastric cancer including esophagogastric junction cancer by the FDA in July 2021. In the United States, orphan diseases are classified as diseases that affect less than 200,000 people. Gastric cancer affects approximately 125,000 people in United States and is therefore classified as an orphan disease. Under Section 736 of the Federal Food, Drug, and Cosmetic Act of the United States, a human drug application for a prescription drug product that has been designated as a drug for a rare disease or condition (referred to as an orphan drug) will not be subject to an application fee unless the human drug application includes an indication for other than a rare disease or condition. This waiver will result in savings of over US$2.5 million at the time of filing the marketing application. Also, under federal regulations in the United States, drug products approved with an orphan drug designation may be granted seven years of marketing exclusivity. Under the marketing exclusivity, the FDA will not approve a subsequent sponsor of the same drug for the same use or indication.

In terms of development progress of Claudin 18.2 drug candidates, our TST001 is ranked among the top two candidates globally and is ranked the first in China. TST001 is also the first Claudin 18.2 drug candidate developed by a Chinese company to enter Phase II clinical trials and the first Claudin 18.2 drug candidate to be developed simultaneously in China and the United States. Currently, there are no approved Claudin 18.2 drugs worldwide. Claudin 18.2 is an emerging target for the treatment of gastric cancer. As the second most common type of malignant tumor in China, the population of gastric cancer is second only to lung cancer and drug candidates targeting Claudin 18.2 have a huge potential market. At the same time, Claudin 18.2 is highly expressed or activated ectopic in primary malignant tumors such as pancreas, esophagus, ovary, and lung cancer. It is also possible for Claudin 18.2 to become an emerging targets for the treatment of these cancers.

For TST005, we received IND clearance from the FDA in April 2021 and initiated first-in-human global study with the first trial site opened in the United States and the first patient enrolled in June 2021. We also filed an IND application for TST005 in China on September 2, 2021. For TST002, we also filed an IND application to the NMPA on June 30, 2021 and the application was formally accepted by the NMPA on July 6. We expect to initiate a Phase 1 study in patients with osteoporosis upon IND clearance.

Series C-1 financing round

In February 2021, we completed our Series C-1 financing round, raising approximately US$105 million over the course of multiple closings from November 2020 to February 2021. The Series C-1 Preferred Shareholders include (including their affiliates) China Structural Reform Fund, Country Garden Holdings Company Limited, Qatar Investment Authority and CCT China Merchant Buyout Fund along with other venture capital and private equity funds and investment holding companies.

Impact of COVID-19 on our operations

COVID-19 has adversely affected our business, but has not resulted in a material disruption to our business operations. Below is a summary of the negative impacts of COVID-19 on our business operations.

Pipeline development. COVID-19 pandemic has caused a delay of Phase 1 clinic trial for TST001 in patients with solid tumors in the United States. After we obtained IND approval, study sites starting up and patient enrollment in the dose-escalation phase in the United States were slower than normal. We kicked off TST001 trial sites selection in the United States between February to June 2020. A few potential trial sites were unable to participate in TST001 trial in the United States due to COVID-19. Certain available trial sites that participated in our TST001 trial experienced 3-9 months of delays in site start-up process and one trial site withdrew from the trial due to many reasons related to COVID-19 such as staff shortage, supply shortage, backlogged trials and supporting coronavirus vaccine trials and treatment of COVID-19 patients. Due to these difficulties and challenges, we have had to set aside additional CRO and sponsor resources to deal with pandemic related issues. We have been working closely with our vendors and the trial sites in the United States to mitigate the impact of COVID-19 by early planning, persistent communication and frequent plan adjustment. As a result, we have not experienced any material negative impacts on our TST001 clinical trial in the United States. However, the progress has been gradually resuming to normal in recent months. As of the Latest Practicable Date, the outbreak of COVID-19 has not caused any early termination of our clinical trials or necessitated removal of any enrolled patients. We conduct clinical trials in both the United States and China. Despite that we were unable to meet in person with certain of our key investigators and business partners due to travel restrictions, we worked closely with them to monitor the situation and manage our clinical trials. We maintained contact with our patients to ensure that they remain on the trials and that any information they need will be readily available. As of the Latest Practicable Date, there had been no confirmed cases among the enrolled patients of our ongoing clinical trials. We currently expect that our clinical trials for core product and key products in China will not be significantly affected by the COVID-19 pandemic.

Supply of raw materials and clinical samples. Most of our raw material and excipient used in clinical product manufacturing are imported from the United States. Due to the supply chain disruption caused by COVID-19, we encountered a great level of uncertainty in securing critical raw material and receiving goods on agreed-upon delivery date. The lead time in general increased significantly and in some cases by two to three times. This was especially the case for resin supply, which was used in downstream purification, because suppliers of resin in the United States were under United States government's order to prioritize their supply to companies producing COVID-19 vaccine. We experienced an increase in lead time for resin from certain suppliers from 3 months to 6-8 months. In addition, we also encountered difficulty in procuring single-use consumables and bioreactors because they too were diverted to COVID-19 research and vaccine manufacturing in the United States. We had to order single-use assembly and single-use manifold for our production process from alternative suppliers as our original orders were not delivered. The lead time for single-use bioreactor also increased from six months to one year. However, with good understanding of supply chain uncertainty, careful planning and localization of those critical material that were unable to meet our production schedule, we managed to complete all manufacturing work with no impact to the clinical and regulatory timeline. As a result, revenue generated from CDMO services in 2020 was not negatively affected.

Daily operations. Our executive officers are based either in the United States or China. After the outbreak of COVID-19 in early 2020, we temporarily closed our offices and manufacturing facilities in China and started to work remotely. As of March 2020, all of our offices and the manufacturing facility in China resumed normal operations. With respect to our operations in the United States, we closed all of our offices in April 2020 and those offices currently remain closed. Our employees in the United States are working remotely. In addition, international travel restrictions made it more difficult for our employees in the United States and senior management to travel to China and meet in person. Besides, the recruitment of key staff is also negatively impacted by COVID-19. Some overseas candidates accepted offer prior to the start of the pandemic but eventually withdrew due to the concern of working in China away from their family during the time of a global outbreak. As of the Latest Practicable Date, we had not had any suspected or confirmed COVID-19 cases on our premises or among our

employees. To prevent any spread of COVID-19 in our offices and production facilities, we have adopted a thorough disease prevention scheme to protect our employees from contracting COVID-19. The measures we have implemented include, among others, regularly sterilizing and ventilating our offices and production facilities, checking the body temperature of our employees, keeping track of the travel history and health conditions of employees and their immediate family members, providing face masks to our employees attending the office, segmenting lunch time, minimizing in-person meetings to the extent possible and requesting employees to wear masks at all times during working hours.

Our Directors are of the view that, based on information available as of the Latest Practicable Date, although the outbreak of COVID-19 has adversely affected our business, it would not result in any material adverse impact on our business operations and financial performance, considering that (i) although we encountered a great level of uncertainty in securing critical raw material and receiving goods on agreed-upon delivery date caused by COVID-19, the COVID-19 pandemic did not have any material impact on our revenue generated from CDMO services in 2020 as we managed to complete all manufacturing work with no impact on clinical and regulatory timeline; (ii) the outbreak of COVID-19 has not caused any early termination of our clinical trials or necessitated removal of any enrolled patients, and in particular, we have not experienced any material negative impacts on our TST001 clinical trial in the United States, although the COVID-19 pandemic has caused a delay of this clinical trial; (iii) as of the Latest Practicable Date, most of our employees did not reside in regions under lockdown, and in particular, all of our offices and the manufacturing facility in China had resumed normal operations, and our employees in the United States had been able to effectively work remotely, although after the outbreak of COVID-19 in early 2020, we temporarily closed our offices and manufacturing facilities in China; and (iv) our operations have not experienced any material disruption since the outbreak of the COVID-19 pandemic.

It is uncertain when and whether COVID-19 could be contained. The above analyses are made by our management based on currently available information concerning COVID-19. We cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our business operations. Please refer to the paragraphs headed "Risk Factors – Risks Related to Pre-Clinical and Clinical Development of Our Drug Candidates – Our business, financial condition and results of operations may be adversely affected by the recent coronavirus outbreak."

During the period covered by our cash flow forecast, i.e. March 2021 to December 2022, we expect to record significant increases in research and development expenses and administrative expenses as we further our research and development efforts, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate the integrated platform with an advanced clinical candidate pipeline of products. We expect the significant increases in research and development expenses and administrative expenses will lead to an increase in our loss for the year of 2021.

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since March 31, 2021, being the date of our consolidated financial statements as set out in the Accountant's Report included in Appendix I, and up to the date of this prospectus.

Change in fair value of financial liabilities at fair value through profit or loss

As of March 31, 2021, we had financial liabilities at fair value through profit or loss of RMB2,773.9 million. Financial liabilities at fair value through profit or loss represent the fair value of the preferred shares issued to investors in various rounds of private financings before the Listing. The fair value of our preferred shares increased and is expected to further increase significantly in the year ending December 31, 2021, as a result of which we expect to record a substantial amount of loss in our consolidated statements of profit or loss and other comprehensive income. As such, we expect an increase in our net loss for the year ending December 31, 2021. Upon the completion of the Listing, these preferred shares will be converted into ordinary shares and the financial liabilities at fair value through profit or loss will be derecognized accordingly. As such, these preferred shares will not continue to have an impact on our consolidated statements of profit or loss and other comprehensive income upon the completion of the Listing.

Regulatory Updates

In July 2021, the CDE issued a Notice for Soliciting Opinions on the "Clinical Value-Oriented Anti-tumor Drug Clinical Research and Development Guidelines" (關於公開徵求《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》意見的通知), or the Draft Guidelines, which promotes the concept of patient-centered anti-tumor drug research and development and emphasizes that patient-centered principle should be applied throughout the life-cycle of anti-tumor drug development so as to realize the fundamental goal of new drug development, i.e. meeting clinical demands and maximizing the benefits of patients. In particular, the Draft Guidelines outlined a set of principles on the selection of research areas and the design of clinical trials, both of which should focus on the demand of patients. For example, with respect to clinical development, especially for early-stage clinical trial design and key clinical trial design, the Draft Guidelines encourages (i) the use of scientific tools such as establishing models to guide drug development, (ii) the use of efficient clinical trial design, setting decision-making metrics and carrying out necessary interim analysis to reduce the invalid exposure of patients, protect the curative effect and interests of patients while improving the efficiency of research and development. The Draft Guidelines also emphasizes that attention should be paid to the representativeness of patient population and the development of drugs for special patient populations so as to meet the demand of drugs by different types of populations in a safe manner to the maximum extent in clinical practice.

In fact, it has become a general consensus that drug development should be centered on the needs of patients and oriented by clinical value. For example, the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the "**ICH**") published the Reflection Paper on Patient-Focused Drug Development in December 2020 and plans to issue further guidelines with regard to patient-focused drug development. The FDA has also issued a series of methodological patient-focused drug development guidance documents between 2017 and 2020 to approach to help ensure that patients' experiences, perspectives, needs, and priorities are captured and meaningfully incorporated into drug development and evaluation.

As we have positioned to develop new drugs globally, we have always been adhering to and following the aforementioned FDA guidance documents while designing and conducting clinical trials globally. If the Draft Guidelines are finally adopted by the CDE, we believe we will be able to comply with the principles with regard to research and development of drugs based on patient needs and clinical value in China. In addition, unlike other statutory regulations promulgated by the NMPA or other competent government authorities, the Draft Guidelines represents the CDE's recommended best practices and guidelines on clinical development of anti-tumor drug. As a result of the foregoing, we do not expect the official issuance of the Draft Guidelines in the future will have any material negative impacts on our pipeline products or business operations.

FUTURE 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. Investors should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future. As advised by our Cayman Islands counsel, under the Cayman Companies Act, a Cayman Islands company may (subject to its memorandum and articles of association) pay a dividend out of either profits, retained earnings or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 4,033,000 Offer Shares (subject to reallocation) in Hong Kong as described below in the section headed "– The Hong Kong Public Offering"; and

(b) the International Offering of initially 36,297,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

The Offer Shares will represent approximately 9.1% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and excluding shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 40,330,000 Offer Shares are issued pursuant to the Global Offering; and (ii) 445,331,917 Shares are issued and outstanding following the completion of the Global Offering. For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see the section headed "Unaudited Pro Forma Financial Information" in Appendix II.

	Based on an Offer Price of HK$15.80 per Share	**Based on an Offer Price of HK$16.00 per Share**
Market capitalization of our Shares[(1)]	HK$7,036.2 million	HK$7,125.3 million
Unaudited pro forma adjusted net tangible liabilities per Share[(2)]	HK$(8.45) (RMB(7.02))	HK$(8.39) (RMB(6.97))

Notes:

(1) The calculation of market capitalization is based on 445,331,917 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible liabilities per Share as of March 31, 2021 is calculated after making the adjustments referred to in Appendix II and on the basis that 145,142,043 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company as at March 31, 2021 to reflect any trading result or other transaction of our Group entered into subsequent to March 31, 2021. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company have not been adjusted to illustrate the effect of the conversion of 297,241,644 Preferred Shares in issue as at March 31, 2021. The conversion of Preferred Shares upon completion of the Global Offering would then have reclassified financial liabilities at fair value through profit or loss amounting to RMB2,773,906,000 as at March 31, 2021. The conversion of Preferred Shares would have increased the total share in issue based on the assumption as stated above by 297,241,644 shares to a total of 435,195,687 shares in issue. Assuming the Offer Price is HK$16.00 per Share, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company after the conversion of Preferred Shares would be RMB1,812,229,000, or RMB4.16 per Share (equivalent to HK$5.01 per Share). Assuming the Offer Price is HK$15.80 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the conversion of Preferred Shares would be RMB1,805,799,000, or RMB4.15 per Share (equivalent to HK$5.00 per Share).

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$70.7 million (including underwriting commission of approximately HK$25.7 million, and non-underwriting related expenses of approximately HK$45.0 million which consist of financial and legal adviser fees and expenses of approximately HK$30.6 million and other fees and expenses of approximately HK$14.4 million, assuming an Offer Price of HK$15.90 per Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share), assuming the Over-allotment Option is not exercised and excluding Shares to be issued pursuant to the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme, of which approximately HK$46.2 million is expected to be charged to our consolidated statement of comprehensive income and approximately HK$24.5 million is expected to be charged against equity upon the Listing. These listing expenses mainly comprise professional fees paid and payable to professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering. The estimated amount of listing expenses will account for approximately 11.0% of the gross proceeds of the Global Offering (assuming the Over-allotment Option is not exercised).

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$570.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.90 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 82% of net proceeds, or approximately HK$467.9 million, allocated to research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:

  (i) 30% of net proceeds, or approximately HK$171.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our core product, MSB2311;

  (ii) 20% of net proceeds, or approximately HK$114.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST001;

  (iii) 10% of net proceeds, or approximately HK$57.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005;

  (iv) 10% of net proceeds, or approximately HK$57.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002; and

  (v) 12% of net proceeds, or approximately HK$68.5 million, to fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008;

- 8% of net proceeds, or approximately HK$45.7 million, to fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies; and

- 10% of net proceeds, or approximately HK$57.1 million, for general working capital purposes and general operation expenses.

See the section headed "Future Plans and Use of Proceeds – Use of Proceeds" for details.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of technical terms".

"Accountants' Report"	the report prepared by Deloitte Touche Tohmatsu as set out in Appendix I
"Acquisition"	our acquisition of Just Biotherapeutics Asia Inc. on or around December 2018, further details of which are set out in "History, development and corporate structure – Acquisition of Just Biotherapeutics Asia Inc."
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Alebund Pharmaceuticals"	Shanghai Alebund Pharmaceuticals Limited (上海禮邦醫藥科技有限公司), a company established in the PRC
"Articles" or "Articles of Association"	the memorandum and articles of association of our Company conditionally adopted on June 18, 2021 with effect from the Listing Date, as amended from time to time, a summary of which is set out in "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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 a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS EIPO"	the application for the Hong Kong Public 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 through causing HKSCC Nominees to apply on your behalf, including by (i) instructing 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 Public Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (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 CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"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"	Center for Drug Evaluation (國家藥品監督管理局藥品評審中心)
"CDMO"	contract development and manufacturing organization
"China" or "the PRC"	the People's Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude the special administrative regions of Hong Kong and Macau and Taiwan

"CIC"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, an Independent Third Party
"CIC Report"	the report prepared by CIC
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Transcenta Holding Limited (創勝集團醫藥有限公司) (formerly named Mabspace International Limited), a limited liability company incorporated under the laws of the BVI on August 20, 2010 and continued in the Cayman Islands on March 26, 2021 as an exempted company with limited liability under the laws of Cayman Islands
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of our Company
"Dr. Qian"	Dr. Xueming Qian (錢雪明), a Director and chief executive officer of our Group
"EMA"	European Medicines Agency
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"GAAP"	generally accepted accounting principles
"GDPR"	general data protection regulation
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"Greater China"	China, Hong Kong and Macau
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HJB Hangzhou"	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司), a wholly-owned subsidiary of our Company and established in the PRC on February 18, 2016
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"**HK eIPO White Form**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website of the **HK eIPO White Form** Service Provider, at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designed by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"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 Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 4,033,000 Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this document, as further described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering"
"Hong Kong Takeovers Code" or "Takeovers Code"	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated September 13, 2021, relating to the Hong Kong Public Offering, entered into by the Joint Representatives, the Hong Kong Underwriters, Dr. Qian and our Company, as further described in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement"
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

"International Offer Shares"	the 36,297,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering")
"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirements under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement, expected to be entered into on or about the Price Determination Date, relating to the International Offering, expected to be entered into by, among others, our Company, the Joint Representatives and the International Underwriters, as further described in "Underwriting – International Offering"
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners", "Joint Global Coordinators", "Joint Lead Managers"	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in "Directors and parties involved in the Global Offering"
"Joint Representatives"	the Joint Representatives of the Listing as named in "Directors and parties involved in the Global Offering"
"Joint Sponsors"	the Joint Sponsors of the Listing as named in "Directors and parties involved in the Global Offering"
"Latest Practicable Date"	September 6, 2021, being the latest practicable date for ascertaining certain information in this document before its publication

"LAV Group" or "LAV"	LAV Biosciences Fund III, L.P., Lilly Asia Ventures Fund III, L.P., LAV Vitality Limited, LAV Verdure Limited, LAV Biosciences Fund V, L.P., LAV Altitude Limited and LAV Acuity Limited; further details of their shareholding and relationship are set out in the section headed "Substantial Shareholders"
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about September 29, 2021, on which the Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the 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
"Mabspace HK"	MabSpace Biosciences Co., Limited (抗體空間生物技術有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of our Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on June 18, with effect from the Listing Date, as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NCCR"	National Central Cancer Registry of China

"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Products Administration of China (國家藥品監督管理局), the successor of the China Food and Drug Administration (國家食品藥品監督管理總局), or the CFDA, the State Food and Drug Administration (國家食品藥品監督管理局), or the SFDA, and the State Drug Administration (國家藥品監督管理局), or the SDA
"NPC"	National People's Congress (全國人民代表大會)
"NRDL"	National Reimbursement Drug List of China
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering – Pricing"
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold 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 Stabilisation Manager (for themselves and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 6,049,500 additional Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering – Over-allotment Option"

"Post-IPO Share Award Scheme"	the post-IPO share award scheme conditionally approved and adopted by our Company on June 18, 2021, the principal terms of which are set out in the section headed "Statutory and General Information – D. Share schemes – 2. Post-IPO Share Award Scheme" in Appendix IV to this document
"PRC Legal Adviser"	Zhong Lun Law Firm, our legal adviser on PRC law
"Pre-IPO Equity Incentive Plan"	the employee equity plan approved and adopted by our Company and effective since January 1, 2019 (as amended from time to time), the principal terms of which are set out in "Statutory and General Information – D. Share schemes – 1. Pre-IPO Equity Incentive Plan" in Appendix IV to this document
"Pre-IPO Investment(s)"	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in "History, development, and corporate structure"
"Pre-IPO Investor(s)"	Series A-2 Preferred Shareholders, Series B-1 Preferred Shareholders, Series B-5 Preferred Shareholders and Series C-1 Preferred Shareholders (and their respective affiliates) further details of which are set out in "History – Pre-IPO Investments"
"Pre-IPO Shareholders' Agreement"	the third amended and restated shareholder agreement dated November 18, 2020 between, among others, our Company, Dr. Qian and Pre-IPO Investors, as amended from time to time
"Preferred Share(s)"	the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series A-3 Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares, the Series B-3 Preferred Shares, the Series B-4 Preferred Shares, the Series B-5 Preferred Shares and the Series C-1 Preferred Shares
"Preferred Shareholder(s)"	holders of Preferred Share(s)

"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about September 17, 2021 and in any event no later than September 21, 2021, on which the Offer Price is to be fixed for the purposes of the Global Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Taxation Administration (國家税務總局)
"Series A-1 Preferred Share(s)"	the series A-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series A-1 Preferred Shareholder(s)"	the holder(s) of Series A-1 Preferred Shares as detailed in "History, development, and corporate structure"
"Series A-2 Preferred Share(s)"	the series A-2 preferred share(s) of our Company with a par value of US$0.0001 each
"Series A-2 Preferred Shareholder(s)"	the holder(s) of Series A-2 Preferred Shares as detailed in "History, development, and corporate structure"
"Series A-3 Preferred Share(s)"	the series A-3 preferred share(s) of our Company with a par value of US$0.0001 each
"Series A-3 Preferred Shareholder(s)"	the holder(s) of Series A-3 Preferred Shares as detailed in "History, development, and corporate structure"

"Series B-1 Preferred Share(s)"	the series B-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-1 Preferred Shareholder(s)"	the holder(s) of Series B-1 Preferred Shares as detailed in "History, development, and corporate structure"
"Series B-2 Preferred Share(s)"	the series B-2 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-2 Preferred Shareholder(s)"	the holder(s) of Series B-2 Preferred Shares as detailed in "History, development, and corporate structure"
"Series B-3 Preferred Share(s)"	the series B-3 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-3 Preferred Shareholder(s)"	the holder(s) of Series B-3 Preferred Shares as detailed in "History, development, and corporate structure"
"Series B-4 Preferred Share(s)"	the series B-4 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-4 Preferred Shareholder(s)"	the holder(s) of Series B-4 Preferred Shares as detailed in "History, development, and corporate structure"
"Series B-5 Preferred Share(s)"	the series B-5 preferred share(s) of our Company with a par value of US$0.0001 each
"Series B-5 Preferred Shareholder(s)"	the holder(s) of Series B-5 Preferred Shares as detailed in "History, development, and corporate structure"
"Series C-1 Preferred Share(s)"	the series C-1 preferred share(s) of our Company with a par value of US$0.0001 each
"Series C-1 Preferred Shareholder(s)"	the holder(s) of Series C-1 Preferred Shares as detailed in "History, development, and corporate structure"
"SFC"	Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital our Company currently with a par value of US$0.0001 each

"Shareholder(s)"	holder(s) of our Share(s)
"Stabilisation Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the agreement expected to be entered into on or around the Price Determination Date between the Stabilisation Manager or its affiliates and Success Link International L.P., pursuant to which the Stabilisation Manager may, on its own or through its affiliates, request Success Link International L.P. to make available to the Stabilisation Manager or its affiliates up to a total of 6,049,500 Shares to cover over-allocations in the International Offering
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Suzhou Subsidiary"	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司), a wholly-owned subsidiary of our Company and established in the PRC on October 18, 2012
"Track Record Period"	the years ended December 31, 2019 and 2020, and the three months ended March 31, 2021
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States

"U.S. Exchange Act"	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
"U.S. FDA"	U.S. Food and Drug Administration
"U.S. SEC"	the Securities and Exchange Commission of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"%"	percent

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"ADC"	antibody-drug conjugate, a class of highly potent biological drugs built by attaching a small molecule anticancer drug or another therapeutic agent to an antibody with a linker. The antibody targets a specific antigen only found on target cells, in most cases cancer cells
"AE"	adverse event, any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which does not necessarily have a causal relationship with the treatment
"antibody"	a blood protein produced in response to and counteracting a specific antigen. Antibodies combine chemically with substances which the body recognizes as alien, such as bacteria, viruses, and foreign substances in the blood
"antigen"	a molecule or molecular structure, which may be present at the outside of a pathogen or cancer cell surface, that can be bound to by an antigen-specific antibody or B cell antigen receptor
"AUC"	the area under the curve, a measure of how much of a drug is in a patient's system over a given time period. When followed by a specific time as in AUC0-12h or AUC0-24h, the given period of time would be 12 hours and 24 hours, respectively. In order to calculate the AUC, both the AUC0-t and the AUC0-inf must be calculated
"AUC0-inf"	area under the concentration-time curve from the first time point measured (0) extrapolated to infinity (inf)
"AUC0-last"	area under the concentration-time curve from the first time point measured (0) to the time of the last measurable concentration

"AUC0-t"	area under the concentration-time curve from the first time point measured (0) to the last time point measured (t)
"autoimmune"	with respect to any disorder or disease, the response that occurs when the immune system goes awry and attacks the body itself. Autoimmunity, present to some extent in everyone, is usually harmless but it can cause a broad range of human illnesses, known collectively as "autoimmune diseases"
"basket trial"	a type of clinical trial that tests how well a new drug or other substance works in patients who have different types of cancer that all have the same mutation or biomarker. In basket trials, patients all receive the same treatment that targets the specific mutation or biomarker found in their cancer
"biliary tract cancer" or "BTC"	a cancer in the slender tubes that carry the digestive fluid bile through the liver. It is a rare but aggressive form of cancer. Symptoms include yellow skin and eyes (jaundice), intensely itchy skin, and stool that is white in color, with treatment including surgery, chemotherapy, and radiotherapy
"biologics"	drug products derived from a variety of natural sources – human, animal, or microorganism – that may be produced by biotechnology methods and other cutting-edge technologies (in contrast to most other drugs that are chemically synthesized and their structure is known). They can be composed of sugars, proteins, or nucleic acids or complex combinations of these substances, or may be living entities, such as cells and tissues
"BLA"	biologics license application used to request permission to introduce or deliver a biological product into interstate commerce
"BOR"	best overall response, which is the best response recorded from the start of the treatment until disease progression/recurrence (taking as reference for progressive disease the smallest measurements recorded since the treatment started)

"carcinoma"	a cancer that begins in the epithelial tissue of the skin or tissues that line the internal organs
"CBR"	clinical benefit rate, which, depending on the clinical trial and the entity or person conducting it, is the total number (or percentage) of patients who achieved a complete response or partial response or had a stable disease (i.e., cancer that is neither decreasing nor increasing in extent or severity) lasting at least six months. Basically, this is the number of patients who had any benefit from the intervention
"CE"	clinically evaluable, with respect to a patient population in a clinical trial, those patients whose response to a treatment can be measured because enough information has been collected as defined in the clinical trial protocol
"cell line"	a population of cells which descend from a single cell and contain the same genetic makeup, and can be propagated repeatedly
"CGMP"	current good manufacturing practice, the regulations provided by the US Food and Drug Administration (FDA) that guide the design, monitoring, and maintenance of manufacturing facilities and processes
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"CI"	confidence interval, in a clinical trial or study, a range of values that is likely to include a population value with a certain degree of confidence. The CI reflects the true effect on the entire population. This value indicates how precise the statistical calculation is and provides an estimate of the amount of error involved in the data. For example, in "overall survival of 81% (95% CI 78%-83%)": 81% is the mean overall survival of the group, with a 95% likelihood that the population's result will fall into the range of 78%-83% (the size of the range is called the standard error)

"claudin 18.2"	claudin 18.2, a subfamily of claudin 18, is a tight junction protein with expression strictly being confined to differentiated epithelial cells of the gastric mucosa while its closely related molecule claudin 18.1 is normally restricted to differentiated epithelial cells of the lung. In addition to its expression in gastric cancer, claudin 18.2 has been found to be upregulated in a variety of tumor types such as pancreatic and esophageal cancers which normally do not express claudin 18.2
"clinical trial/study"	experiments or observations done in clinical research where prospective biomedical or behavioral research studies on human participants are designed to answer specific questions, such as the efficacy of a drug. Generally, clinical trials are used to look at new ways to prevent, detect, or treat disease
"Cmax"	maximum measured drug concentration in blood plasma
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"comparator"	in a clinical study, the drug, against which the safety and efficacy of the novel drug is measured
"Css, Cmax, Cavg"	respectively, drug concentration in blood plasma at steady-state, maximum peak and average rate
"cytotoxic" and "cytotoxin"	toxic to living cells and a substance toxic to cells, respectively
"DCR"	disease control rate, the percentage of patients with advanced or metastatic cancer who have achieved complete response, partial response and stable disease to a therapeutic intervention in clinical trials of anticancer agents

"DLBCL"	Diffuse large B-cell lymphoma. It is a cancer of B cells, a type of lymphocyte that is responsible for producing antibodies
"DNA"	Deoxyribonucleic acid
"DOR"	duration of response, the length of time that a tumor continues to respond to treatment without the cancer growing or spreading. Cancer drugs that demonstrate improved DOR can produce a durable, meaningful delay in disease progression, as opposed to a temporary response without any lasting benefit
"double blind"	with respect to a clinical trial or study, one in which neither the participants nor the persons or entities conducting the same know who is receiving a particular treatment. This procedure is utilized to prevent bias in research results
"EBV" or "Epstein-Barr virus"	formally called Human gammaherpesvirus 4, is one of the nine known human herpesvirus types in the herpes family, and is one of the most common viruses in humans. EBV is a double-stranded DNA virus
"endpoint"	with respect to a clinical study or trial, the outcome that is measured, whether referring to occurrence of disease, symptom, sign or laboratory abnormality constituting a target outcome, in which case "endpoint" will be preceded by the outcome term, such as in "clinical remission endpoint" or "maintenance therapy endpoint"
"ESRD"	end-stage renal disease, that is a disease state requiring dialysis or kidney transplant for survival due to insufficient kidney function
"Fc region"	The fragment crystallizable region (Fc region) is the tail region of an antibody that interacts with cell surface receptors called Fc receptors and some proteins of the complement system. This property allows antibodies to activate the immune system.

"FcR"	A Fc receptor is a protein found on the surface of certain cells – including, among others, B lymphocytes, follicular dendritic cells, natural killer cells, macrophages, neutrophils, eosinophils, basophils, human platelets, and mast cells – that contribute to the protective functions of the immune system
"first-line", "first-line treatment" or "1L"	with respect to any disease, the first line of treatment or therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of cancer. It is also called primary treatment or therapy
"GLP"	good laboratory practice, a quality system of management controls for research laboratories and organizations to ensure the uniformity, consistency, reliability, reproducibility, quality, and integrity of products in development for human or animal health
"GMP"	good manufacturing practice, a system for ensuring that products are consistently produced and controlled according to quality standards. It is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product
"grade" or "Grade"	the severity of adverse events, using Grade 1, Grade 2, Grade 3, etc.
"GSP"	good supply practice, that part of quality assurance which ensures that the quality of a pharmaceutical product is maintained through adequate control throughout the storage, purchase, sales and transportation
"HCC"	hepatocellular carcinoma, the most common form of liver cancer that most commonly occurs in people with liver disease, particularly in people with chronic hepatitis B and C. Symptoms often do not appear in the early stages of the cancer. Later, symptoms include weight loss, upper abdominal pain, or yellowing of the skin (jaundice), with treatments including surgery, transplant, freezing or heating the cancer cells, and chemotherapy

"HER2" or HER2-"	human epidermal growth factor receptor 2, a protein involved in normal cell growth which may be made in larger than normal amounts by some types of cancer cells, including breast, ovarian, bladder, pancreatic, and stomach cancers. This may cause cancer cells to grow more quickly and spread to other parts of the body
"high tumor mutation burden" or "TMB-H"	tumor mutational burden (TMB) is a measure of the number of gene mutations (changes) inside the cancer cells, which can be determined by a lab test. Cells that have many gene mutations (a high TMB) might be more likely to be recognized as abnormal and attacked by the body's immune system
"HR+/HER2-"	hormone receptor-positive/human epidermal growth factor receptor 2-negative, a protein which, in cancer cells that are HER2 negative, may grow more slowly and are less likely to recur (come back) or spread to other parts of the body than cancer cells that have a large amount of HER2 on their surface
"HR+/HER2- GC"	hormone receptor-positive/human epidermal growth factor receptor 2-negative gastric cancer, a form of gastric cancer in which the cells express either the estrogen or progesterone receptor, but do not express human epidermal growth factor receptor 2
"HR+/HER2- mGC"	human epidermal growth factor receptor 2-negative metastatic gastric cancer, HR+/HER2- GC which has spread from the stomach to other parts of the body
"IgA"	Immunoglobulin A, a protein that is made by B-cells (a lymphocyte) and plasma cells (types of white blood cells) and is a major serum immunoglobulin and the predominant antibody in the external secretions that bathe mucosal surfaces and play a key role in immune protection
"IgAN"	IgA nephropathy (also known as Berger's disease), an autoimmune renal disease which is the most common form of glomerulonephritis, a chronic inflammatory condition of the kidney. IgAN is a serious progressive autoimmune disease that leads to decreasing kidney function over the course of 10 to 20 years

"immunology"	the study of the molecular and cellular components that comprise the immune system, including their function and interaction
"immunosuppressants"	drugs or medicines that lower the body's ability to reject a transplanted organ by inhibiting or preventing activity of the immune system
"immunotherapy"	use of a drug that modulates the activity of the immune system to treat disease
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"in vitro"	a medical study or experiment which is done in the laboratory within the confines of a test tube or laboratory dish
"in vivo"	a medical test, experiment or procedure that is done on (or in) a living organism, such as a laboratory animal or human
"indication"	a condition which makes a particular treatment or procedure advisable
"linker"	chemical agent that works within the ADC to release the cytotoxin anticancer agent linked to the antibody once it arrives at the target cell. Linker types include hydrazones (i.e., hydrolyzable linker), disulfides, peptides or thioether and they may be cleavable and uncleavable
"lymphocytes"	a sub-type of white blood cells, such as T-cells, B-cells (which differ from other types by expressing B-cell receptors on their surface, and are responsible for producing antibodies) and NK-cells (natural killer cells, a type of cytotoxic lymphocyte)
"MADs"	with respect to administering drugs or medicine to cohorts during clinical trials, multiple ascending doses given to patients

"MASP-2"	Mannan-binding lectin serine protease 2 also known as mannose-binding protein-associated serine protease 2 (MASP-2) is an enzyme that in humans is encoded by the MASP2 gene
"metastatic"	with respect to any disease, including cancer, disease-producing organisms or malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"mNSCLC"	metastatic non-small cell lung cancer, the kind of lung cancer which has spread from the lungs to other parts of the body
"MOA"	mechanism of action, which, in pharmacology, refers to the specific biochemical interaction through which a drug substance produces its pharmacological effect. A mechanism of action usually includes mention of the specific molecular targets to which the drug binds, such as an enzyme or receptor
"monoclonal antibodies" or "mAb"	antibodies generated by identical immune cells that are all clones of the same parent cell
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"MTDs"	maximum tolerated doses, each of which is the highest dose of a drug or treatment that does not cause unacceptable side effects. The MTD is determined in clinical trials by testing increasing doses on different groups of people until the highest dose with acceptable side effects is found
"NDA"	new drug application, submission of which is the vehicle through which drug sponsors formally propose that the relevant drug regulatory authority approve a new pharmaceutical for sale and marketing
"nephrotoxicity"	toxicity in the kidneys. It is a poisonous effect of some substances, both toxic chemicals and medications, on kidney function. There are various forms, and some drugs may affect kidney function in more than one way. A "nephrotoxin" is a substance displaying nephrotoxicity

"NSCLC"	non-small cell lung cancer, the most common type of lung cancer making up about 80% to 85% of all cases, which may or not be metastatic. The cells of NSCLC are larger than those of small cell lung cancer. While smoking is a major risk factor for both types, of those who receive a diagnosis of small cell lung cancer, 95% have a history of smoking. Some types are more aggressive than others (e.g., m-NSCLC) but generally, small cell cancer is more aggressive than NSCLC
"OLE"	open-label extension, study that typically follows a double- blind randomized placebo controlled trial of a new drug in which the objective is primarily to gather information about safety and tolerability of the new drug in long-term, day to day use
"oncology"	branch of medicine that deals with the prevention, diagnosis, and treatment of cancer
"organism"	a discrete and complete living thing, such as animal, plant, fungus or microorganism
"ORR"	objective response rate, the proportion of patients who have a partial or complete response to therapy; it does not include stable disease and is a direct measure of drug tumoricidal activity
"Osteoporosis"	Osteoporosis is a bone disease that occurs when the body loses too much bone, makes too little bone, or both. As a result, bones become weak and may break from a fall or, in serious cases, from sneezing or minor bumps

"p" or "p-value"	with respect to clinical trials or studies or measurements of eGFr or similar determinations, the probability of obtaining a result at least as extreme as the one that was actually observed in the biological or clinical experiment or epidemiological study, given that the null hypothesis (which is the hypothesis to be nullified that there is no association between the investigated factors or characteristics) is true. A result is said to be "statistically significant" if there is the likelihood that a relationship between two or more variables is caused by something other than chance (so it allows for rejection that the null hypothesis is true) whereas "clinically meaningful" is the practical importance of a treatment effect – whether it has a real genuine, palpable, noticeable effect on daily life
"parenteral"	with respect to any drug, biologics, medicine or treatment (including therapy), refers to its being administered or occurring, as the case may be, in the body other than by mouth and alimentary canal. Most parenteral dosage forms are administered by injection into a vein, subcutaneous tissue or intramuscular
"pathogen"	in biology, any organism or substance, such as bacteria, viruses, protozoa or fungi microorganisms, capable of causing disease. A pathogen may also be referred to as an infectious agent or simply a germ
"payload"	in ADCs, the cytotoxic agent delivered by a monoclonal antibody to a tumor cell
"PBMCs"	peripheral blood mononuclear cells, a diverse mixture of highly specialized immune cells consisting primarily of lymphocytes and monocytes
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells, B-cells and macrophages, which are large cells found in stationary form in the tissues or as a mobile white blood cell, especially at sites of infection. 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

"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T-cell that causes the T-cell to turn off its ability to kill the cancer cell
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"pharmacokinetics" or "PK"	the study of the movement of the bodily absorption, distribution, bioavailability, metabolism, and excretion of drugs as a function of time, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"pharmacology"	a branch of medicine and pharmaceutical sciences which is concerned with the study of drug or medication action, where a drug can be broadly or narrowly defined as any man-made, natural, or endogenous molecule which exerts a biochemical or physiological effect on the cell, tissue, organ, or organism
"Phase 1"	clinical trials that provide initial safety data to (i) find a safe dose; (ii) decide how the new treatment should be given (by mouth, in a vein, etc.); and (iii) see how the new treatment affects the human body and fights cancer
"Phase 2"	clinical trials that seek further safety data and preliminary evidence in support of biological effect to (i) determine if the new treatment has an effect on a certain disease (such as cancer); and (ii) see how the new treatment affects the body and fights the disease
"Phase 3"	clinical trials of which the main focus are large confirmatory studies meant to establish an acceptable benefit/safety profile in order to gain regulatory approval for a precisely defined indication ("registrational clinical trials"), including by comparing the new treatment (or new use of a treatment) with the current standard treatment. Phase 3 trials are well-controlled trials that provide scientifically credible and statistically strong evidence about the treatment indication hypothesized at the end of Phase 2 investigation

"pre-clinical study(ies)"	studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetics and safety information and to decide whether the drug is ready for clinical trials
"primary endpoint"	with respect to a clinical study or trial, the main result that is measured at the end of a study to see if a given treatment worked (e.g., the number of deaths or the difference in survival between the treatment group and the control group)
"progression-free survival" or "PFS"	the length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"qhr"	with respect to dose administration in a clinical trial, the abbreviated term for timing of doses (e.g., q8h means every 8 hours and q12h means every 12 hours), which is not the same as three times a day (tid3 or TD3)
"receptors"	a region of tissue, or a molecule in a cell membrane, which responds specifically to a particular signal, that is any of a neurotransmitter, hormone, antigen, or other substance. "Receptor modulator" or a "selective receptor modulator" (SRM) is a type of drug that has different effects in different tissues, as it may behave as an agonist in some tissues but as an antagonist in others
"RECIST"	response evaluation criteria in solid tumors, which is a set of published rules that define when tumors in cancer patients improve ("respond"), stay the same ("stabilize"), or worsen ("progress") during treatment. This evaluation must be made by treating physicians or independent radiology physicians
"RECIST 1.0"	criteria that divide lesions into measurable and non-measurable lesions before the start of therapy. The sum of the longest diameter of the target lesions is calculated. At each time point, the same target lesions are measured

"refractory"	when used in reference to any type of cancer, cancer that does not respond to treatment. The cancer may be resistant at the beginning of treatment or it may become resistant during treatment
"registrational trial" or "registrational clinical trial"	a controlled or uncontrolled human clinical trial approved by the health authorities that is intended to generate sufficient data and results to support the filing of an application of new drug approval and be the basis for regulatory approval of a drug candidate
"renal"	of or pertaining to the kidney, as with renal pelvis cancer
"RP2D"	recommended Phase 2 dose, the dose determined during Phase 1 by ascertaining the MTD, the maximal dose with the dose limiting toxicities (DLT) not exceeding a pre-set limit. However, before proceeding to Phase 2, the entity or persons conducting the clinical trial want to confirm that (i) the RP2D is appropriate, (ii) there is a suitable population to use in the Phase 2 study, and (iii) the dose is efficacious and if there could be lower, less toxic doses with good efficacy
"SADs"	with respect to administering drugs or medicine to cohorts during clinical trials, single ascending doses
"SAEs"	serious adverse events, any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires inpatient hospitalization or prolongation of existing hospitalization, results in persistent or significant disability/incapacity, or is a congenital anomaly/birth defect
"sclerostin"	Sclerostin is a secreted glycoprotein with a C-terminal cysteine knot-like (CTCK) domain and sequence similarity to the DAN (differential screening-selected gene aberrative in neuroblastoma) family of bone morphogenetic protein (BMP) antagonists. Sclerostin is produced primarily by the osteocyte but is also expressed in other tissues, and has anti-anabolic effects on bone formation

"secondary endpoint"	with respect to a clinical study or trial, the secondary objective that was obtained. For example, a drug designed to prevent allergy-related deaths might also have a measure of whether quality of life is improved. A secondary endpoint is therefore always paired with a primary endpoint
"second-line," "second-line treatment" or "2L"	with respect to any disease, the second line of treatment or therapy or therapies that are tried when the first-line treatments do not work adequately. The management of a cancer case requires regular evaluation of treatment and adjustment as needed. A break with the primary treatment and an adoption of a new regimen signals "second-line treatment." The first-line therapy may not have worked, may have had some limited efficacy, or may have produced unacceptable side effects, damaged organs in the body, or jeopardized the patient's life. Sometimes first-line therapies show progress for a period of time followed by a stalling or continued growth of the cancer. Often the U.S. FDA, the NMPA or other drug regulatory authority will specifically approve a new drug for second-line therapy. This labeling is common for new drugs that treat cancers which already have accepted treatments
"solid tumor"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them. Examples of solid tumors are sarcomas, carcinomas, and lymphomas
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals. It is also called best practice, standard medical care, and standard therapy
"systemic lupus erythematosus" or "SLE"	an autoimmune disease. In this disease, the immune system of the body mistakenly attacks healthy tissue. It can affect the skin, joints, kidneys, brain, and other organs

"T1/2"	terminal half-life, the time required for the blood plasma concentration of a drug to fall to 50% of its peak value. It is used to measure the removal of things, such as metabolites, drugs, and signalling molecules, from the body and typically refers to the body's natural cleansing through the function of the liver and through the excretion of the measured substance through the kidneys and intestines
"T-cell" or "T lymphocyte"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the body's immune response, which plays a central role in cell-mediated immunity. T-cells can be distinguished from other lymphocytes by the presence of a T-cell receptor on the cell surface and can be T naive, T central memory, T helper cells, T cytotoxic and T effector memory cells
"TEAEs"	treatment-emergent adverse events that are AEs not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following treatment
"TGF-β"	transforming growth factor beta (TGF-β) is a multifunctional cytokine belonging to the transforming growth factor superfamily that includes three different mammalian isoforms (TGF-β 1 to 3, HGNC symbols TGF-β1, TGF-β2, TGF-β3) and many other signalling proteins. TGF-β proteins are produced by all white blood cell lineages
"third-line," "third-line treatment" or "3L"	with respect to any disease, the third line of treatment or therapy that is given when both initial treatment (first-line) and subsequent treatment (second-line) do not work, or stop working
"Tmax"	observed time after drug administration at which peak concentration of the drug occurs
"TNBC"	triple-negative breast cancer, a type of breast cancer with cancer cells that do not have any of the receptors commonly found in breast cancer, including estrogen or progesterone (each, a female sex hormone) receptors or HER2 receptors. TNBC accounts for about 10%-15% of all breast cancers and can be treated effectively, usually with some combination of surgery, radiotherapy and chemotherapy

"tolerability"	the degree to which overt AEs of a drug can be tolerated by a patient. Tolerability of a particular drug can be discussed in a general sense, or it can be a quantifiable measurement as part of a clinical study
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
"transmembrane activator and CAML interactor" or "TACI"	also known as the tumor necrosis factor receptor superfamily member 13B (TNFRSF13B), a cell membrane receptor that is encoded by the TNFRSF13B gene. TNFRSF13B is a transmembrane protein of the TNF receptor superfamily found predominantly on the surface of B cells, which are an important part of the immune system. TACI recognizes three ligands: APRIL, BAFF and CAML. TACI is a lymphocyte-specific member of the tumor necrosis factor (TNF) receptor superfamily. It was originally discovered because of its ability to interact with calcium-modulator and cyclophilin ligand (CAML). TACI was later found to play a crucial role in humoral immunity by interacting with two members of the TNF family: BAFF and APRIL. These proteins signal through TACI inducing activation of several transcription factors including NFAT, AP-1, and NF-kappa-B which then modulate cellular activities. Defects in the function of TACI can lead to immune system diseases. TACI controls T cell-independent B cell antibody responses, isotype switching, and B cell homeostasis
"TTP"	time to tumor progression, the length of time from the date of diagnosis of the tumor or the start of treatment until the disease starts to get worse or spread to other parts of the body. In a clinical trial, measuring the TTP is one way to see how well a new treatment works
"VEGFR-2"	VEGF receptors are receptors for vascular endothelial growth factor (VEGF). There are three main subtypes of VEGFR, numbered 1, 2 and 3. Vascular endothelial growth factor receptor 2 (VEGFR2) is a primary responder to vascular endothelial growth factor signal, and thereby regulates endothelial migration and proliferation. This receptor is expressed in endothelial cells and some vascular tumors, but many reports also detail its expression in carcinomas and lymphomas

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

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

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- all other risks and uncertainties described in "Risk factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or

circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment given the nature of biotechnology industry.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.

Our operations involve certain risks and uncertainties, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to pre-clinical and clinical development of our drug candidates; (ii) risks related to obtaining regulatory approval for our drug candidates; (iii) risks related to manufacturing and commercialization of our drug candidates; (iv) risks related to our industry, business and operations; (v) risks related to our financial position and need for additional capital; (vi) risks related to our reliance on third parties; (vii) risks related to our intellectual property; (viii) risks related to doing business in China; and (ix) risks related to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATED TO PRE-CLINICAL AND CLINICAL DEVELOPMENT OF OUR DRUG CANDIDATES

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

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. While our exclusive focus is to develop drug candidates with potential to become novel or highly differentiated drugs in China and globally, we cannot guarantee that we are able to achieve this for any of our drug candidates. Failure can occur at any time during the clinical development process. The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials. Drug

candidates during later stages of clinical trials may fail to show the desired results in safety and efficacy despite having progressed through pre-clinical studies and initial clinical trials and despite the level of scientific rigor in the study, design and adequacy of execution. In some instances, there can be significant variability in safety and/or efficacy results among different trials of the same drug candidate due to numerous factors, including, but not limited to, differences in individual patient conditions, including genetic differences, and other compounding factors, such as other medications or pre-existing medical conditions.

In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to a lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. We cannot guarantee that our future clinical trial results will be favorable based on currently available clinical and pre-clinical data.

We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development, and our ability to identify additional drug candidates. If we are unable to successfully identify new drug candidates, complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

Our business will depend on the successful development, regulatory approval and commercialization of our drug candidates for the treatment of patients with our targeted indications, all of which are still in pre-clinical or clinical development, and other new drug candidates that we may identify and develop. As of the Latest Practicable Date, we have a pipeline of drug candidates including four drug candidates in clinical development, one in IND stage and four in pre-clinical development. However, we cannot guarantee that we will obtain regulatory approvals for our other existing drug candidates in a timely manner, or at all. In addition, none of our drug candidates has been approved for marketing in China or any other jurisdiction. Each of our drug candidates will require additional pre-clinical and/or clinical development, regulatory approvals in multiple jurisdictions, development of manufacturing supply and capacity, substantial investment and significant marketing efforts before we generate any revenue from product sales.

The success of our drug candidates will depend on several factors, including but not limited to the successful completion of pre-clinical and/or clinical trials or studies, favorable safety and efficacy data from pre-clinical and/or clinical trials, receipt of regulatory approvals from applicable regulatory authorities for planned clinical trials, future clinical trials or drug registrations, maintaining adequate manufacturing capabilities and capacities, commercialization of our existing drug candidates, maintaining and enforcing intellectual property rights and protection for our drug candidates, hiring sufficient technical experts to oversee all development and regulatory activities and license renewal and meeting of the safety requirements.

If we do not achieve one or more of these in a timely manner or at all, we could experience significant delays in our ability to obtain approval for our drug candidates and commercialize our drug candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations. As a result, our financial condition, results of operations and prospects will be materially and adversely harmed.

We may not be able to identify, discover or in-license new drug candidates, and may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable, or for which there is a greater likelihood of success.

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval, and commercialization of our existing drug candidates, the success of our business depends in part upon our ability to identify, license, discover, develop, or commercialize additional drug candidates. Research programs to identify new drug candidates require substantial technical, financial, and human resources. We may focus our efforts and resources on potential programs or drug candidates that ultimately prove to be unsuccessful. Our research programs or licensing efforts may fail to identify, discover or in-license new drug candidates for clinical development and commercialization for a number of reasons, including, without limitation, the following:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential drug candidates or developing additional potential indications;

- our potential drug candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval; and

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

Because we have limited financial and managerial resources, we focus on research programs and drug candidates for specific indications. As a result, we may forgo or delay pursuit of opportunities with other drug candidates or for other indications that later may prove to have greater commercial potential or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs, which could materially adversely affect our future growth and prospects.

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

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the NMPA, FDA, EMA or other comparable regulatory authorities, or if there are delays in the enrollment of eligible patients as a result of the competitive clinical enrollment environment. The inability to enroll a sufficient number of patients who meet the applicable criteria for our clinical trials would result in significant delays. As of March 31, 2021, we have initiated clinical trials for three of our drug candidates in China and/or the United States.

In addition, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in the clinical trials of our competitors' drug candidates, which may further delay our clinical trial enrollments.

Patient enrollment for our clinical trials may be affected by other factors, including but not limited to the following:

- severity of the disease under investigation;
- total size and nature of the relevant patient population;
- design and eligibility criteria for the clinical trial in question;
- perceived risks and benefits of the drug candidate under study;
- our resources to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- availability of competing therapies also undergoing clinical trials;
- our investigators' or clinical trial sites' efforts to screen and recruit eligible patients; and
- proximity and availability of clinical trial sites for prospective patients.

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

If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including, without limitation:

- regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- 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;

- manufacturing issues, including problems with manufacturing, supply quality, or compliance with good manufacturing practice, or GMP, of a drug candidate for use in a clinical trial;

- clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide to conduct additional clinical trials or abandon drug development programs, or regulators may require us to do so;

- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a rate higher than we anticipate;

- 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 drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;

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

- the cost of clinical trials of our drug candidates may be greater than we anticipate; and

- the quantity or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently plan, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our drug candidates; (ii) obtain approval for indications that are not as broad as intended; (iii) not obtain regulatory approval at all; (iv) have the drug removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the drug is distributed or used; or (vii) be unable to obtain reimbursement for use of the drug. In particular, our core product, MSB2311, a second-generation PD-L1 inhibitor, faces fierce competition in the PD-(L)1 pathway. There have been several approved products both in China and globally. See "Industry Section" for more information. We have to establish MSB2311's unique advantages so as to compete with other drugs. However, we cannot assure you that the clinical development of MSB2311 will proceed as we planned and we may not be able to achieve successful commercialization of MSB2311. In addition, there is only one drug approved for TMB-H solid tumor globally based on a phase 2 clinical trial result, while there are three different immune checkpoint inhibitors approved for MSI-H solid tumor globally. As a result, TMB-H as a biomarker may not be as successful as MSI-H. If we are unable to establish competitive advantages of MSB2311 over other candidates on TMB-H tumors, we will face a more fierce competition on the PD-(L)1 market. Even though there are no approved products for certain pathways, we may still face intense competitions from our competitors. For example, our TST001 face completion from IMAB362 of Astellas and other drug candidates of our competitors, such as monoclonal antibodies, bi-specific antibodies and antibody-drug conjugates in Claudin 18.2 pathway. See "Industry Overview – Overview of Anti-Claudin 18.2 Therapies Market – Overview of Anti-Claudin 18.2 Therapies – Competitive Landscape of Claudin 18.2 Inhibitor" for more information.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our drug candidates or allow our competitors to bring drugs to market before we do. This could impair our ability to commercialize our drug candidates and may harm our business and results of operations.

Our business, financial condition and results of operations may be adversely affected by the recent coronavirus outbreak.

Our business has been adversely affected by COVID-19. For example, COVID-19 pandemic has caused a delay of Phase 1 clinic trial for TST001 in patients with solid tumors in the United States. After we obtained IND approval, study sites starting up and patient enrollment in the dose-escalation phase in the United States were slower than normal. Most of our raw material and excipient used in clinical product manufacturing are imported from the United States. Due to the supply chain disruption caused by COVID-19, we encountered a great level of uncertainty in securing critical raw material and receiving goods on agreed-upon delivery date. The lead time in general increased significantly and in some cases by two to three times. In addition, our executive officers are based either in the United States or China. Travel restrictions made it more difficult for us to meet with our colleagues. The recruitment of key staff is also negatively impacted by COVID-19. It is uncertain when and whether COVID-19 could be contained. We cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our business operations. We believe that our business partners, such as our CROs, CMOs, suppliers or customers, are also experiencing similar or more severe disruptions to their business operations. Any disruption of our business operations and the business operations of our business partners, suppliers or customers would likely negatively impact the development of our drug candidates, our financial condition and our operating results. In addition, a significant outbreak of contagious diseases could result in a widespread health crisis that could adversely affect China's economy and financial market. Our business activities and results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the Chinese economy in general.

RISKS RELATED TO OBTAINING REGULATORY APPROVAL FOR OUR DRUG CANDIDATES

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

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. While pursuing global opportunities, we intend to focus our activities in the major markets of China and the United States. These jurisdictions strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden for a company like us that plans to operate in these regions.

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

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

The regulatory approval processes of the NMPA, FDA, EMA or other comparable regulatory authorities are time-consuming and may evolve over time, and if we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

The time required to obtain the approval of the NMPA, FDA, EMA or other comparable regulatory authorities is inherently uncertain and depends on numerous factors, including the substantial discretion of the regulatory authorities. Generally, such approvals take many years to obtain following the commencement of pre-clinical studies and clinical trials, although they are typically provided after 12 months or more after BLA or NDA has been successfully filed with the relevant agencies. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a drug candidate's clinical development and may vary among jurisdictions. In January 2021, the NMPA has granted us the approval to start a Phase 2 trial of MSB2311 to further evaluate its efficacy and safety in patients with late line solid tumors with TMB-H. As of the Latest Practicable Date, we have a pipeline of drug candidates including four drug candidates in clinical development, one in IND stage and four in pre-clinical development. However, we cannot guarantee that we are able to obtain regulatory approvals for our existing drug candidates or any drug candidates we may discover, in-license or acquire and seek to develop in the future.

Our drug candidates could fail to receive the regulatory approval of the NMPA, FDA, EMA or other comparable regulatory authorities for many reasons, including, without limitation:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a drug candidate is safe and effective and potent for its proposed indication;
- failure of our clinical trial results to meet the level of statistical significance required for approval;
- failure of our clinical trial process to pass relevant good clinical practice ("GCP") inspections;
- failure to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;

- disagreement with our interpretation of data from pre-clinical studies or clinical trials;
- insufficient data collected from the clinical trials of our drug candidates to support the submission and filing of a new drug application, or NDA, or other submissions or to obtain regulatory approval;
- failure of our drug candidates to pass current Good Manufacturing Practice ("cGMP"), inspections during the regulatory review process or across the production cycle of our drug;
- failure of our clinical sites to pass audits carried out by the NMPA, FDA, EMA or other comparable regulatory authorities, resulting in a potential invalidation of our research data;
- findings by the NMPA, FDA, EMA or other comparable regulatory authorities of deficiencies related to our manufacturing processes or the facilities of third-party manufacturers with whom we contract for clinical and commercial supplies;
- changes in approval policies or regulations that render our pre-clinical and clinical data insufficient for approval; and
- failure of our clinical trial process to keep up with any scientific or technological advancements required by approval policies or regulations.

The NMPA, FDA, EMA or other comparable regulatory authorities may require more information, including additional pre-clinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans. Even if we were to obtain approval, regulatory authorities may approve any of our drug candidates for fewer or more limited indications than we request, grant approval contingent on the performance of costly post-marketing clinical trials, or approve a drug candidate with an indication that is not desirable for the successful commercialization of that drug candidate. Any of the foregoing scenarios could materially harm the commercial prospects of our drug candidates.

The absence of patent linkage, patent term extension and data and market exclusivity for FDA or NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in the United States and China.

In the United States, the Federal Food, Drug and Cosmetic Act, as amended by the law generally referred to as "Hatch-Waxman," provides the opportunity for patent-term restoration, meaning a patent term extension of up to five years to reflect patent term lost during certain portions of product development and the FDA regulatory review process. Hatch-Waxman also has a process for patent linkage, pursuant to which the FDA will stay approval of certain follow-on applications during the pendency of litigation between the follow-on applicant and the patent holder or licensee, generally for a period of 30 months. Finally, Hatch-Waxman provides for statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. For example, federal law provides a five-year period of exclusivity within the United States to the first applicant to obtain approval of a new chemical

entity and three years of exclusivity protecting certain innovations to previously approved active ingredients where the applicant was required to conduct new clinical investigations to obtain approval for the modification. Similarly, the United States Orphan Drug Act provides seven years of market exclusivity for certain drugs to treat rare diseases, where the FDA designates the drug candidate as an orphan drug and the drug is approved for the designated orphan indication. These provisions, designed to promote innovation, can prevent competing products from entering the market for a certain period of time after the FDA grants marketing approval for the innovative product.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively the ACA, signed into law in 2010, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which includes provisions for biologic drugs regarding data and market exclusivity and regarding patent litigation between a reference product sponsor (RPS) and a biosimilar applicant. The BPCIA created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. To date, only a handful of biosimilars have been licensed under the BPCIA, although numerous biosimilars have been approved in Europe. The FDA has issued several guidance documents outlining an approach to review and approval of biosimilars. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing that applicant's own preclinical data and data from adequate and well-controlled clinical studies to demonstrate the safety, purity and potency of its product. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law. The BPCIA is complex and continues to be interpreted and implemented by the FDA. In addition, recent government proposals have sought to reduce the 12-year reference product exclusivity period. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. As a result, the ultimate impact, implementation, and impact of the BPCIA is subject to significant uncertainty.

Depending upon the timing, duration and specifics of any FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents, if issued, may be eligible for limited patent term extension under Hatch-Waxman. Hatch-Waxman permits a patent extension term of up to five years as compensation for patent term lost during clinical trials and the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Furthermore, the applicable time period or the scope of patent protection afforded could be less than we request.

In China, the Standing Committee of the NPC promulgated the amended Patent Law of the PRC (《中華人民共和國專利法》) in October 2020, which became effective on June 1, 2021 and provides for patent term extension and adjustments for patents and a patent linkage system for the first time. Moreover, the Implementation Measures for Early Resolution Mechanism of Pharmaceutical Patent Disputes (Trial) (《藥品專利糾紛早期解決機制實施辦法(試行)》) was issued in July 2021, which sets forth details of how such patent linkage system would be implemented. The Proposed Amendments to Implementing Rules of the Patent Law of the People's Republic of China (Draft) (《專利法實施細則修改建議(徵求意見稿)》) was published by the China National Intellectual Property Administration (CNIPA) on November 27, 2020, and proposed detailed implementation rules for patent term extension and adjustment, including for example, the eligible type of patents, requirements for the application for patent term extension and adjustment, how to calculate the extension, and limitations during the extended patent term. The Announcement of CNIPA on Implementing the Interim Measures for Handling Relevant Review under the Amended Patent Law (國家知識產權局《關於施行修改後專利法的相關審查業務處理暫行辦法》的公告) was published in May 2021 and became effective on June 1, 2021, which stipulates the details for the requirements for the application for patent term extension and adjustment. Despite these efforts, there is no currently effective law or regulation providing for data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States. For instance, the patents we have in China are not yet eligible to be extended for patent term lost during clinical trials and the regulatory review process. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

In addition, it is also uncertain whether certain Chinese patents owned by third parties and currently having an expiry date before commercial launch of our core product may be extended. If such third party Chinese patents get patent term extension, they may expire at a later date than we currently expected. The Amendments to Implementing Rules of the Patent Law of the People's Republic of China are yet to be finalized. Therefore, it is currently uncertain whether any third party patents may be eligible for a patent term extension under the fourth Amendments to the PRC Patent Law. If, however, these patents are entitled to patent term extension, and if an application for the extension is submitted and approved, to the effect that extend the original expiry date to a date after our expected commercial launch date, then this may interfere with or delay the launch of the affected core product. The length of any such extension is uncertain. If we are required to delay commercialization for an extended period of time, technological advances may develop and new products may be launched, which may render our product non-competitive. We also cannot guarantee that other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

Our drug candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval.

Undesirable adverse events caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and may result in a more restrictive label, a delay or denial of regulatory approval by the NMPA, FDA, EMA or other comparable regulatory authorities, or a significant change in our clinical protocol or even our development plan. In particular, as is the case with drugs treating cancers, it is likely that there may be side effects, such as nausea, fatigue and infusion-related reactions, associated with the use of certain of our drug candidates. Results of our trials could reveal a high and unacceptable severity or prevalence of certain adverse events. In such an event, our trials could be suspended or terminated and the NMPA, FDA, EMA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications. Adverse events related to our drug candidates may affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential liability claims. Any of these occurrences may significantly harm our reputation, business, financial condition and prospects.

Additionally, if we or others identify undesirable side effects caused by those of our existing drug candidates that have received regulatory approval, or our other drug candidates after having received regulatory approval, this may lead to potentially significant negative consequences which include, but are not limited to, the following:

- we may suspend marketing of the drug candidate;
- regulatory authorities may withdraw their approvals of or revoke the licenses for the drug candidate;
- regulatory authorities may require additional warnings on the label;
- the NMPA, FDA, EMA or other comparable regulatory authorities may require the establishment of a strategy that may, for instance, restrict distribution of our drugs and impose burdensome implementation requirements on us;
- we may be required to conduct specific post-marketing studies;
- we could be subjected to litigation proceedings 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 any particular drug candidate that is approved and could significantly harm our business, results of operations and prospects.

Further, combination therapy, such as using our drug candidates as well as third-party agents, may involve unique adverse events that could be exacerbated compared with adverse events from monotherapies. Results of our trials could reveal a high and unacceptable severity or prevalence of adverse events. These types of adverse events could be caused by our drug candidates and could cause us or regulatory authorities to interrupt, delay or halt clinical trials and may result in a more restrictive indication or the delay or denial of regulatory approval by the NMPA, FDA, EMA or other comparable regulatory authorities.

If we are unable to obtain the approval of NMPA, FDA, EMA or other comparable regulatory authorities for our drug candidates to be eligible for an expedited marketing registration pathway, the time and cost we incur to obtain regulatory approvals may increase.

The NMPA, FDA, EMA or other comparable regulatory authorities has mechanisms in place for expedited review and approval for drug candidates that are urgently needed clinically, or for prevention and treatment of life-threatening illnesses or rare diseases, or have met other specified criteria. However, there is no assurance that an expedited review and approval will be granted by the NMPA, FDA, EMA or other comparable regulatory authorities for any of our drug candidates.

For example, there have been recent regulatory initiatives in China in relation to clinical trial approvals, the evaluation and approval of certain drugs and medical devices and the simplification and acceleration of the clinical trial process.

As a result, the regulatory process in China is evolving and subject to change. Any future policies, or changes to current polices might require us to change our planned clinical study design or otherwise spend additional resources and effort to obtain approval of our drug candidates. In addition, policy changes may contain significant limitations related to use restrictions for certain age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for our drug candidates by the NMPA, FDA, EMA or other comparable regulatory authorities, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Even if we receive regulatory approval for our drug candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our drug candidates.

If the NMPA, FDA, EMA or other comparable regulatory authorities approve any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and record-keeping for the drug will be subject to extensive and ongoing regulatory requirements on pharmacovigilance. These requirements include submissions of safety and other post-marketing information and reports, registration, random quality control testing, adherence to any chemistry, manufacturing, and controls ("CMC"), variations, continued compliance with current cGMPs, and GCPs and potential post-approval studies for the purposes of license renewal.

Any regulatory approvals that we receive for our drug candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing studies, including Phase 4 studies for the surveillance and monitoring of the safety and efficacy of the drug.

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

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

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, we may lose the regulatory approvals that we have already obtained and may not achieve or sustain profitability, which in turn could significantly harm our business, financial condition and prospects.

Illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

The illegal importation of competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China and other countries where we commercialize our products. Unapproved foreign imports of prescription drugs are illegal under the current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (which are known as parallel imports) into higher-priced markets could harm sales of our future drug products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower priced versions of our future approved products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other countries where we operate could have a material adverse effect on our business.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or be fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products could quickly erode the demand for our future approved drug candidates.

In addition, counterfeit pharmaceutical products are not expected to meet our or our collaborators' rigorous manufacturing and testing standards. A patient who receives a counterfeit pharmaceutical product may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

If safety, efficacy, or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We plan to develop certain of our drug candidates for use as a combination therapy. If the NMPA, FDA, EMA or other comparable regulatory authorities revokes its approval of another therapeutic we use in combination with our drug candidates, we will not be able to market our drug candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any component of our combination drug candidates or if we cannot secure supply of any component of our drug candidates at commercially reasonable or acceptable prices, we may not be able to complete clinical development of our drug candidates on our current timeline or within our current budget, or at all.

RISKS RELATED TO MANUFACTURING AND COMMERCIALIZATION OF OUR DRUG CANDIDATES

The actual market size of our drug candidates might be smaller than expected and our drug 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 our drug candidates receive regulatory approval, the actual market size of our drug candidates might be lower than expected due to, among other reasons, narrow approved indications and new studies. Further, our drug candidates may fail to gain sufficient market acceptance by physicians and patients and others in the medical community. Physicians and patients may prefer other drugs or drug candidates to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenue from sales of our drugs or drug candidates and may not become profitable.

The degree of market acceptance of our drug candidates, if and only when they are approved for commercial sale, will depend on a number of factors, including, but not limited to:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals and patients considering our drug candidates as a safe and effective treatment;
- whether our drug candidates have achieved the perceived advantages of our drug candidates over alternative treatments;

- the prevalence and severity of any side effects;
- product labeling or package insert requirements of the NMPA, FDA, EMA or other comparable regulatory authorities;
- limitations or warnings contained in the labeling approved by the NMPA, FDA, EMA or other comparable regulatory authorities;
- timing of market introduction of our drug candidates as well as competitive drugs;
- cost of treatment in relation to alternative treatments;
- availability of adequate coverage and reimbursement under the national reimbursement drug lists in the PRC, or from third-party payors and government authorities in any other jurisdictions;
- willingness of patients to pay any out-of-pocket expenses in the absence of coverage and reimbursement by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared with alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our drug candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals or others in the medical community, we will not be able to generate significant revenue or become profitable. Even if our drugs achieve market acceptance, we may not be able to maintain such market acceptance over time if new products or technologies are introduced which are more favorably received than our drugs, are more cost effective or render our drugs obsolete.

We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our drug candidates.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We continue to face competition with respect to our current novel drug candidates, and will face competition with respect to any novel drug candidates that we may seek to develop or commercialize in the future. Our competitors include major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. We are developing our drug candidates for the treatment of cancer and other chronic disease in competition with a number of large biopharmaceutical companies that currently market and sell drugs or are pursuing the development of drugs also for the treatment of cancer and other chronic disease. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and

others are based on entirely different approaches. For details, see "Business – Our Drug Pipeline." Potential competitors further include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development staff and experienced marketing and manufacturing organizations. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. As a result, these companies may obtain regulatory approval from the NMPA, FDA, EMA or other comparable regulatory authorities more rapidly than we are able to and may be more effective in selling and marketing their products as well. For example, the NMPA has recently accelerated market approval of drugs for diseases with high unmet medical need. In particular, the NMPA may review and approve drugs that have gained regulatory market approval in the United States, the European Union or Japan in the recent ten years without requiring further clinical trials in China. This may lead to potential increased competition from drugs which have already obtained approval in other jurisdictions.

Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring, or licensing on an exclusive basis, products that are more effective or less costly than any drug candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization, and market penetration than we do. Additionally, technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete, and we may not be successful in marketing our drug candidates against competitors.

The manufacture of biopharmaceutical products is a complex process which requires significant expertise and capital investment, and if we encounter problems in expanding our manufacturing capabilities or manufacturing our future products, our business could suffer.

We have limited experience in managing the manufacturing process. Even though we have existing manufacturing infrastructure or capabilities in China, problems may arise during the manufacturing process for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or expansion of any future manufacturing facilities, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, increases in the prices of raw materials, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. For example, due to the supply chain disruption caused by COVID-19, we encountered a great level of uncertainty in securing critical raw material and receiving goods on agreed-upon delivery date. The lead time in general increased significantly

and in some cases by two to three times. If problems arise during the production of a batch of future products, that batch of future products may have to be discarded and we may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before such product is released to the market, recall and product liability costs may also be incurred.

We have no experience in launching and marketing drug candidates. We may not be able to effectively build and manage our sales network, or benefit from third-party collaborators' sales network.

We currently have limited sales, marketing or commercial product distribution capabilities and have no experience in marketing drugs. We intend to expand our in-house marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel.

If we are unable to adequately expand our internal sales, marketing and commercial distribution capabilities for all of the drugs we develop, we will likely pursue collaborative arrangements regarding the sales and marketing of our drugs. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or, if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend on the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our drug candidates ourselves. We will also face competition in our search for third parties to assist us with the sales and marketing efforts of our drug candidates.

There can be no assurance that we will be able to adequately expand in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product, and as a result, we may not be able to generate product sales revenue.

Even if we are able to commercialize any approved drug candidates, reimbursement may be limited or unavailable in certain market segments for our drug candidates, and we may be subject to unfavorable pricing regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or licensing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug and negatively impact the revenues we are able to generate from the sale of the drug in that

country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more drug candidates, even if our drug candidates obtain regulatory approval. For example, according to a statement, Opinions on Reforming the Review and Approval Process for Pharmaceutical Products and Medical Devices (《關於改革藥品醫療器械審評審批制度的意見》), issued by the PRC State Council in August 2015, the enterprises applying for new drug approval will be required to undertake that the selling price of new drug on PRC mainland market shall not be higher than the comparable market prices of the product in its country of origin or PRC's neighboring markets, as applicable.

Our ability to commercialize any drugs successfully also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any drug that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any drug for which we obtain regulatory approval. Obtaining reimbursement for our drugs may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved drug candidates, and coverage may be more limited than the purposes for which the drug candidates are approved by the NMPA, FDA, EMA or other comparable regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future weakening of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any future approved drug candidates and any new drugs that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

Current and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our drug candidates and affect the prices we may obtain.

In the United States and certain other jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our drug candidates, restrict post-approval activities and affect our ability to sell profitably any drug candidates for which we obtain marketing approval.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, became law. The ACA is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Among the provisions of the ACA of importance to our drug candidates are the following:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic products;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, new government investigative powers, and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service Act's pharmaceutical pricing program;
- new requirements to report to CMS financial arrangements with physicians and teaching hospitals;
- a new requirement to annually report to the FDA drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals, if any, of our drug candidates may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing conditions and other requirements.

As we may out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad, we may be exposed to specific risks of conducting our business and operations in international markets.

Markets outside of China form an important component of our growth strategy, as we out-license some of our commercialization rights to third parties outside the PRC and conduct certain of our clinical trials abroad, such as the ongoing clinical trials conducted by our subsidiary in the United States. If we fail to obtain applicable licenses or fail to enter into strategic collaboration arrangements with third parties in these markets, or if these collaboration arrangements turn out unsuccessful, our revenue-generating growth potential will be adversely affected.

Moreover, international business relationships subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including:

- efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution efforts may increase our expenses or divert our management's attention from the acquisition or development of drug candidates;
- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for drug approvals and marketing internationally;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for intellectual property rights;
- potential third-party patent rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;

- the effects of applicable non-PRC tax structures and potentially adverse tax consequences;

- currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incidental to doing business in another country;

- workforce uncertainty and labor unrest;

- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally;

- failure of our employees and contracted third parties to comply with Office of Foreign Assets Control rules and regulations and the Foreign Corrupt Practices Act of the United States, and other applicable rules and regulations;

- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and

- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

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

Lack of third-party combination drugs may materially and adversely affect demand for our drugs.

Our drug candidates may be administered in combination with drugs of other pharmaceutical companies as one regimen. In addition, we often use such third-party drugs in our development and clinical trials as controls for our studies. As a result, both the results of our clinical trials and the sales of our drugs may be affected by the availability of these third-party drugs. If other pharmaceutical companies discontinue these combination drugs, regimens that use these combination drugs may no longer be prescribed, and we may not be able to introduce or find an alternative drug to be used in combination with our drugs at all or in a timely manner and on a cost-effective basis. As a result, demand for our drugs may be lowered, which would in turn materially and adversely affect our business and results of operations.

RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS

We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, although we may not be successful.

We must keep pace with the development of new technologies and methodologies to maintain our competitive position, and we believe clinical development capabilities are critical to the success in the biopharmaceutical industry. We have in the past invested substantial resources in research and development capabilities. In 2019 and 2020, our research and development expenses were RMB214.6 million and RMB200.3 million, respectively. For the three months ended March 31, 2020 and 2021, our research and development expenses were RMB24.7 million and RMB47 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

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

We are highly dependent on the expertise of the members of our research and development team, as well as the principal members of our management. We have entered into employment agreements with our executive officers, and they may terminate their employment with us with or without prior written notice. In addition, we currently do not have "key-man" insurance for any of our executive officers or other key personnel.

Recruiting, retaining and motivating qualified management, 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 could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Further, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize drugs. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous biopharmaceutical companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, our management will be required to devote significant time to new compliance initiatives from our status as a public company, which may require us to recruit more management personnel.

We have granted, and may continue to grant, options and other types of awards under our employee option plan, which may result in increased share-based compensation expenses.

We adopted the Pre-IPO Equity Incentive Plan in January 2019 for the purpose of granting share-based compensation awards to senior management including executive directors and key employees to incentivize their performance and align their interests with ours. The maximum number of shares which may be issued pursuant to all awards granted under the plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. In June 2021, we adopted the Post-IPO Share Award Scheme. The maximum number of shares which may be issued pursuant to all awards under the Post-IPO Share Award Scheme is 42,403,891, subject to an annual limit of 3% of the total number of issued shares at the relevant time. See "Statutory and General Information — Share Schemes" in Appendix IV. We recognize expenses in our consolidated financial statements in accordance with IFRS. In 2019 and 2020, we recorded share-based payment expenses of RMB68.7 million and RMB111.9 million, respectively. For the three months ended March 31, 2020 and 2021, we recorded share-based payment expenses of RMB3.7 million and RMB3.8 million, respectively. As of the date of this document, options to purchase a total of 61,859,469 ordinary shares have been granted under the Pre-IPO Equity Incentive Plan.

We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. We may re-evaluate the vesting schedules, lock-up period, exercise prices or other key terms applicable to the grants under our currently effective share incentive plans from time to time. If we choose to do so, we may experience substantial change in our share-based compensation charges in the reporting periods following this offering.

We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of clinical development, regulatory affairs and business development. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a material adverse effect on our business.

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

We collect, aggregate, process, and analyze data and information from our pre-clinical studies, manufacturing technology development programs and clinical programs. We also engage in substantial information gathering following the identification of a promising drug candidate. Because data in the healthcare industry is fragmented in origin, inconsistent in format, and often incomplete, the overall quality of data collected or accessed in the healthcare industry is often subject to challenge, the degree or amount of data which is knowingly or unknowingly absent or omitted can be material, and we often discover data issues and errors when monitoring and auditing the quality of our data. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our drug candidates may be materially harmed and our business, prospects and reputation may suffer.

In addition, we rely on CROs, our partners and other third parties to monitor and manage data for some of our ongoing pre-clinical and clinical programs and control only certain aspects of their activities. If any of our CROs, our partners or other third parties does not perform to our standards in terms of data accuracy or completeness, data from those pre-clinical and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For a detailed discussion, see "– Risks Related to Our Reliance on Third Parties – As we rely on third parties to conduct our pre-clinical studies and clinical trials, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed" below.

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

We may be subject to liability lawsuits arising from our clinical trials. We also face an inherent risk of product liability exposure related to the testing of our drug candidates in human clinical trials and will face an even greater risk if we or a collaborator of ours commercializes any resulting products. Liability claims may be brought against us by subjects enrolled in our clinical trials, patients, healthcare providers or others using, administering or selling our drug candidates. We currently carry liability insurance covering our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or which is in excess of the limits of our insurance coverage. Our insurance policies also contain various exclusions, and we may be subject to particular liability claims for which we have no coverage. We will have to pay any amount awarded by a court or negotiated in a settlement that exceeds our coverage limitations or that is not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. In addition, if we cannot successfully defend ourselves against such claims, we may incur substantial liabilities and be required to suspend or delay our ongoing clinical trials. Even a successful defense would require significant financial and management resources. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any drug candidates or products that we may develop;
- termination of clinical trial sites or entire trial programs;

- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- diversion of management and scientific resources from our business operations;
- the inability to commercialize any products that we may develop; and
- a decline in the market price of our Shares.

Our clinical trial liability insurance coverage may not adequately cover all liabilities that we may incur. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. Inability to obtain product liability insurance at an acceptable cost or to otherwise protect against potential product liability claims could prevent or delay the commercialization of any products or drug candidates that we develop. We intend to expand our insurance coverage for products to include the sale of commercial products if we obtain marketing approval for our drug candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. If we are sued for any injury caused by our drug candidates or processes, our liability could exceed our product liability insurance coverage and our total assets. Claims against us, regardless of their merit or eventual outcome, may also generate negative publicity or hurt our ability to obtain physician endorsement of our drug candidates or expand our business.

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

We maintain insurance policies that are required under PRC laws and regulations as well as insurance based on our assessment of our operational needs and industry practice. We also maintain liability insurance covering our clinical trials. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our employees, independent contractors, consultants, commercial partners and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk of fraud, misconduct or other illegal activities by our employees, independent contractors, consultants, commercial partners and vendors. Misconduct by these parties could include intentional, reckless and negligent conduct that fails to:

- comply with the laws of the NMPA, FDA, EMA or other comparable regulatory authorities;
- provide true, complete and accurate information to the NMPA, FDA, EMA or other comparable regulatory authorities;
- comply with manufacturing standards we have established;
- comply with healthcare fraud and abuse laws in the PRC and similar fraudulent misconduct laws in other applicable jurisdictions; or
- report financial information or data accurately or to disclose unauthorized activities to us.

If we obtain approval of any of our drug candidates and begin commercializing those drugs in the PRC or other applicable jurisdictions, our potential exposure under the laws of such jurisdictions will increase significantly and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators and research patients, as well as future sales, marketing and education programs. In particular, the promotion, sales and marketing of healthcare items and services, as well as certain business arrangements in the healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, structuring and commission(s), certain customer incentive programs and other business arrangements generally. Activities subject to these laws also involve the improper use of information obtained in the course of patient recruitment for clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation.

It is not always possible to identify and deter misconduct by employees and other parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute the value of your investment in our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

We may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including, but not limited to:

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

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

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 that have a material adverse effect on our business, financial condition and results of operations.

We are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. In addition, although currently our primary operating business is in China, we are subject to the Foreign Corrupt Practices Act (the "FCPA"). The FCPA generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation and our business, results of operations and prospects.

A number of governmental agencies or industry regulatory bodies in the PRC and other applicable jurisdictions impose strict rules, regulations and industry standards governing biopharmaceutical research and development activities, which apply to us. Our or our CROs' failure to comply with such regulations could result in the termination of ongoing research, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. This could harm our business, reputation, prospects for future work and results of operations. For example, if we or our CROs were to treat research animals inhumanely or in violation of international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, it could revoke any such accreditation and the accuracy of our animal research data could be questioned.

If we or our CROs or other contractors or consultants fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We and third parties, such as our CROs or other contractors or consultants, 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 involve the use of hazardous and flammable materials, including chemicals and radioactive and biological materials. Our operations also produce

hazardous waste products. We transfer our waste products to waste disposal facilities to be treated before being discharged into the city sewer system. 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.

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, hazardous or radioactive 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.

If we face allegations of non-compliance with laws and encounter sanctions, our reputation, revenues and liquidity may suffer, and our drug candidates and future drugs could be subject to restrictions or withdrawal from the market.

Any government investigation of alleged violations of laws could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenues from our drugs. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected. Additionally, if we are unable to generate revenues from our product sales, our potential for achieving profitability will be diminished and the capital necessary to fund our operations will be increased.

Our internal computer systems, or those used by our CROs or other contractors or consultants, may fail or suffer security breaches.

Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we partially rely on our third-party research institution collaborators for research and development of our drug candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business.

To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our drug candidates could be delayed.

Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, could limit their use or adoption, and could otherwise negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and are considering a number of legislative and regulatory proposals concerning personal data protection.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, China's Cyber Security Law, which became effective in June 2017, created China's first national-level data protection for "network operators," which may include all organizations in China that provide services over the internet or another information network. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of the Cyber Security Law. Drafts of some of these measures have now been published, including the Measures on Security Assessment of Cross-Border Transfer of Personal Information and Important Data (Draft for Comment) (《個人信息和重要數據出境安全評估辦法(徵求意見稿)》), published by the Cybersecurity Administration of China in 2017, and the Measures on Security Assessment for Cross-Border Transfer of Personal Information (Draft for Comment) (《個人信息出境安全評估辦法(徵求意見稿)》), published by the Cybersecurity Administration of China in 2019, which may, upon enactment, require security review before transferring human health-related data out of China. Further, the Standing Committee of the NPC has also published new laws that seek to establish a more robust framework for data protection and privacy, including the Personal Information Protection Law (《中華人民共和國個人信息保護法》) which was published in August 2021 and will come into effect in November 2021, and the Data Security Law (《數據安全法》) which was published in June 2021 and came into effect in September 2021. In particular, the Personal Information Protection Law is China's first omnibus law regulating the collection, processing, and use of personal information. In addition, certain industry-specific laws and regulations affect the collection and transfer of personal data in China. For example, the PRC State Council promulgated the Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》) (effective in July 2019), which require approval from the Science and Technology Administration Department of the State Council where human genetic resources, or HGR, are involved in any international collaborative project and additional approval or filing for any export or cross-border transfer of the HGR samples or associated data. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices, potentially resulting in confiscation of HGR samples and associated data and administrative fines. In addition, the interpretation and application of data protection laws in China and elsewhere are often uncertain and in flux.

In the United States, we are subject to laws and regulations that address privacy, personal information protection and data security at both the federal and state levels. Numerous laws and regulations, including security breach notification laws, health information privacy laws, and consumer protection laws, govern the collection, use, disclosure and protection of health-related and other personal information. Given the variability and evolving state of these laws, we face uncertainty as to the exact interpretation of the new requirements, and we may be unsuccessful in implementing all measures required by regulators or courts in their interpretation.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with customers, vendors, pharmaceutical partners and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law, including the GDPR. In addition, a data breach affecting personal information, including health information, could result in significant legal and financial exposure and reputational damage that could potentially have an adverse effect on our business.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, environmental accidents, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or may be susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Our business could also be materially and adversely affected by the outbreak of H7N9 bird flu, H1N1 swine influenza, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, COVID-19 or another epidemic. Any such occurrence in China could subject our employees to extended quarantines, postponing research milestones and therefore severely disrupt our business operations and adversely affect our results of operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Negative publicity with respect to us, our management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business, results of operations and prospect.

Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Any negative publicity concerning us, our affiliates or any entity that shares the "Transcenta" name, such as alleged misconduct or improper activities, even if untrue, could adversely affect our reputation and business prospects. There can be no assurance that negative publicity about us or any of our affiliates or any entity that shares the "Transcenta" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. Negative rumors relating to us, our management, employees, business partners or affiliates, can harm our business and results of operations, even if they are unsubstantiated or are satisfactorily addressed.

Moreover, any negative media publicity about the biopharmaceutical industry in general or product or service quality problems of other companies in the industry, including our peers, may also negatively impact our reputation. If we are unable to maintain a good reputation, our ability to attract and retain key employees and business partners could be harmed which in turn may materially and adversely affect our business, results of operations and prospect.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

RISKS RELATED TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have a limited operating history. It may be difficult to evaluate our current business and predict our future performance.

We are a development-stage biopharmaceutical company with a relatively short operating history. Our operations to date have focused on organizing and staffing our operations, business planning, raising capital, establishing our intellectual property portfolio and conducting pre-clinical and clinical trials of our drug candidates. We have not yet demonstrated an ability to successfully manufacture, obtain marketing approvals for or commercialize our drug candidates. We have no products approved for commercial sale and have not generated any revenue from product sales. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history.

We are focused on the discovery and development of innovative drugs for the treatment of various oncological, bone and nephrological diseases. In light of the rapidly evolving drug research and development industry in which we operate and the changing regulatory and market environments we encounter, it may be difficult to evaluate our prospects for future performance. As a result, any assessment of our future performance or viability is subject to significant uncertainty. We will encounter risks and difficulties frequently experienced by biopharmaceutical and biotechnology companies in rapidly evolving fields as we seek to transition to a company capable of supporting commercial activities. If we do not address these risks and difficulties successfully, our business will suffer.

We do not currently generate revenue from the commercial sales of drug products. We have incurred net losses in each period since our inception and anticipate that we will continue to incur net losses in the near future and may never achieve or maintain profitability.

Investment in the development of biopharmaceutical products is highly speculative as it entails substantial upfront capital expenditures and significant risks that a drug candidate may fail to demonstrate efficacy and/or safety to gain regulatory or marketing approvals or become commercially viable. To date, we have financed our activities primarily through private placements. While we have generated revenue from providing research and manufacturing services to our customers under fee-for-service contracts, we have not commercialized any of our drug candidates or generated any revenue from commercial product sales to date, and we continue to incur significant research and development expenses and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred net losses in each period since our inception. Our loss and total comprehensive expenses for the year were RMB437.6 million and RMB319.5 million for the years ended December 31, 2019 and 2020, respectively. Our loss and total comprehensive expenses for the period were RMB25.6 million and RMB70.6 million for the three months ended March 31, 2020 and 2021, respectively. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs and from administrative costs associated with our operations.

We expect to continue to incur net losses in the foreseeable future, and that these net losses will increase as we carry out certain activities relating to our development, including, but not limited to, the following:

- conducting clinical trials of our drug candidates;
- manufacturing clinical trial materials;
- seeking regulatory approvals for our drug candidates;
- commercializing our drug candidates for which we have obtained marketing approval;
- maintaining and expanding our manufacturing facilities;
- hiring additional clinical, operational, financial, quality control and scientific personnel;
- establishing a sales, marketing and commercialization team for any future products that have obtained regulatory approval;
- seeking to identify additional drug candidates;
- obtaining, maintaining, expanding and protecting our intellectual property portfolio;
- enforcing and defending any intellectual property-related claims; and
- acquiring or in-licensing other drug candidates, intellectual property and technologies.

Typically, it takes many years to develop one new drug from the time it is discovered to when it becomes available for treating patients. During the process, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend partially on the rate of the future growth of our expenses, our ability to generate revenues and the timing and amount of milestone payments and other payments that we receive from or pay to third parties. If any of our drug candidates fails during clinical trials or does not obtain regulatory approval, or, even if approved, fails to achieve market acceptance, our business may not become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods thereafter. Our prior losses and expected future losses have had, and will continue to have, an adverse effect on our working capital and shareholders' equity. Our prior losses and expected future losses may also impact investors' perception of the potential value of our Company and could impair our ability to raise additional capital, expand our business or continue our operations. Failure to become and remain profitable may also adversely affect the market price of our Shares. A decline in the market price of our Shares could cause potential investors to lose all or part of their investment in our business.

Goodwill and intangible assets represent a significant portion of the assets on our consolidated balance sheet. We recorded impairment loss on intangible assets during the Track Record Period. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2020 and March 31, 2021, our goodwill amounted to RMB471.9 million as a result of the Acquisition, and our intangible assets amounted to RMB95.8 million and RMB95.6 million, respectively, which represented a significant portion of the assets on our consolidated balance sheet as of the same dates. In 2019, we recorded an impairment of intangible assets of RMB51.7 million. For details, please refer to "Financial Information – Results of Operations – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019 – Other Gains and Losses, Net" and "Financial Information – Results of Operations – Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020." The impairment assessment of goodwill and intangible assets are based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to make a significant provision for our goodwill and intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of goodwill and intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to goodwill and intangible assets, see "Financial Information – Significant Accounting Policies – Goodwill" and "Financial Information – Significant Accounting Policies – Intangible Assets." For a detailed discussion on the impairment testing on goodwill and intangible assets, see notes 17 and 19 to the Accountants' Report in Appendix I to this document.

We recorded net cash outflow from operating activities since our inception. Even if we consummate this offering, we may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

Since our inception, our operations have consumed substantial amounts of cash. We had raised over RMB2,331.8 million in pre-IPO financing since our inception in 2018. We spent RMB235.0 million and RMB174.4 million in net cash to finance our operations in 2019 and 2020, respectively. We spent RMB42.8 million and RMB48.0 million in net cash to finance our operations for the three months ended March 31, 2020 and 2021, respectively. While we believe we have sufficient working capital to fund our current operations for the next 12 months, we expect that we may continue to experience net cash outflows from our operating activities in the near future and we cannot assure you that we will always generate positive cash flows from operating activities in the future. Negative cash flows may materially adversely affect our liquidity and financial condition.

We expect our expenses to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our clinical-stage drug candidates, continue the research and development of our pre-clinical stage drug candidates and initiate additional clinical trials of, and seek regulatory approval for, these and other future drug candidates.

In addition, if we obtain regulatory approvals for any of our drug candidates, we expect to incur significant commercialization expenses relating to product manufacturing, marketing, sales and distribution and post-approval commitments to continue monitoring the efficacy and safety data of our future products on the market. In particular, costs that may be required for the manufacture of any drug candidate that has received regulatory approval may be substantial as we may need to modify or increase our production capacity in the future at manufacturing facilities. We may also incur expenses as we create additional infrastructure to support our operations as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations through public or follow-on offerings, debt financing, collaborations or licensing arrangements or other sources. If we are unable to raise capital when needed or on acceptable terms, we could be forced to delay, limit, reduce or terminate our research and development programs or any future commercialization efforts. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We had net liabilities during the Track Record Period.

We had net liabilities of RMB636.2 million, RMB816.2 million and RMB882.8 million as of December 31, 2019 and 2020, and March 31, 2021, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may have net liabilities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Fair value change for our financial liabilities at fair value through profit and loss may materially affect our financial condition and results of operations. The measurement of our financial instruments involves the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs which, by their nature, are subjective and uncertain.

To date, we entered into various investment agreements with independent investors pursuant to which the we issued Preferred Shares and written share purchase options to the investors to subscribe for our Preferred Shares. We recorded these financial instruments as financial liabilities at fair value through profit or loss for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various

parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some significant unobservable inputs, such as fair value of our ordinary shares, possibilities under different scenarios such as qualified public offering, liquidation, and discount for lack of marketability, require management estimates. Management estimates and assumptions 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 which may be charged into the profit or loss of the financial statements. Please also see Note 40(c) to the Accountants' Report in Appendix I to this prospectus for more information about the fair value measurement of the level 3 valuations. As such, the fair value of conversion feature has been, and will continue to be, subject to uncertainties in accounting estimation, and result in significant fluctuations in profit or loss until the Preferred Shares are converted into Shares upon Listing.

Although our Preferred Shares will be automatically converted to Shares upon the closing of the Global Offering, to the extent we need to revalue the Preferred Shares prior to the closing of the Global Offering, any change in fair value of these Preferred Shares could materially affect our financial positions and performance. We recorded a loss on fair value change of financial liabilities at fair value through profit or loss of RMB37.2 million for the year ended December 31, 2019, and recorded a gain on the same of RMB37.9 million for the year ended December 31, 2020. We recorded a gain on fair value change of financial liabilities at fair value through profit or loss of RMB6.7 million for the three months ended March 31, 2020, and recorded a loss on the same of RMB21.4 million for the three months ended March 31, 2021. After the automatic conversion of all Preferred Shares into Shares upon the closing of the Global Offering, we do not expect to recognize any further (loss) gain on fair value change from Preferred Shares in the future.

We have significant amount of contract costs. Potential impairment of contract costs may adversely affect our business, financial condition and results of operations.

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as of part of cost of sales in the consolidated statement of profit or loss in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the years ended December 31, 2019 and 2020 was RMB37.2 million and RMB62.8 million, respectively. The amount of capitalized costs recognized in profit or loss during the three months ended March 31, 2021 was RMB5.1 million. There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the years ended December 31, 2019 and 2020, and the three months ended March 31, 2021. We incur costs to fulfill a contract in its service contracts. We first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which we recognize an asset for these costs only if they meet certain criteria. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the

customer of the goods or services to which the asset relates. The asset is subject to impairment review. Any significant impairment of contract costs could have a material adverse effect on our business, financial condition and results of operations.

Raising additional capital may cause dilution to the interests to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations, licensing arrangements, strategic alliances or partnerships and government grants or subsidies. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your 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 give rise to increased fixed payment obligations and 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, the issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline.

In the event we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party our rights to technologies or drug candidates on unfavorable terms, which we would have otherwise sought to develop or commercialize on our own or reserve for future potential arrangements when we are more likely to achieve more favorable terms.

RISKS RELATED TO OUR RELIANCE ON THIRD PARTIES

As we rely on third parties to conduct our pre-clinical studies and clinical trials, if we lose our relationships with these third parties or if they do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

We have relied on and plan to continue to rely on third-party contract research organization ("CROs") to monitor and manage data for some of our ongoing pre-clinical and clinical programs. We rely on these parties for the execution of our pre-clinical 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 and legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities.

We also rely on third parties to assist in conducting our pre-clinical studies in accordance with Good Laboratory Practices ("GLP"). We and our CROs are required to comply with GCP, GLP and other regulatory regulations and guidelines enforced by the NMPA, FDA, EMA or other comparable regulatory authorities for all of our drug candidates in clinical development. Regulatory authorities enforce these GCP, GLP or other regulatory requirements through periodic inspections of trial sponsors, investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP, GLP or other regulatory requirements, the relevant data generated in our clinical trials may be deemed unreliable and the NMPA, FDA, EMA or other comparable regulatory authorities may require us to perform additional clinical studies before approving our marketing applications. There can be no assurance that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials complies with GCP requirements. In addition, our clinical trials must be conducted with drug candidates or products produced under cGMP requirements. Failure to comply with these regulations may require us to repeat pre-clinical and clinical trials, which would delay the regulatory approval process.

If any of our relationships with our third-party CROs is terminated, we may not be able to (i) enter into arrangements with alternative CROs or do so on commercially reasonable terms or (ii) meet our desired clinical development timelines. In addition, there is a natural transition period when a new CRO commences work, and the new CRO may not provide the same type or level of services as the original provider and data from our clinical trials may be compromised as a result. There is also a need for relevant technology to be transferred to the new CRO, which may take time and further delay our development timelines.

Except for remedies available to us under our agreements with our CROs, we cannot control whether or not our CROs devote sufficient time and resources to our ongoing clinical, nonclinical and pre-clinical programs. If our CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to their 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 commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed and our costs could increase. In turn, our ability to generate revenues could be delayed or compromised.

Because we rely on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves certain risks that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these third parties, which could increase the risk that such information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party service providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, 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 impact on our business, financial condition and prospects.

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

We may form or seek strategic alliances, create joint ventures or collaborations, or enter into additional licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our drug candidates and any future drug candidates that we may develop. Any of these relationships may require us to incur recurring or non-recurring expenses and other charges, increase our near and long-term expenditures, issue securities that dilute the value of our Shares, or disrupt our management and business. In addition, 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 drug candidates because they may be deemed to be at too early a stage of development for collaborative effort and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy. If and when we collaborate with a third party for the development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party.

Further, collaborations involving our drug candidates are subject to specific risks, which include, but are not limited to, the following:

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

- collaborators may not pursue the development and commercialization of our drug candidates or may elect not to continue or renew the development or commercialization programs based on clinical trial results, change in their strategic focus due to the acquisition of competitive drugs, 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, discontinue a clinical trial, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drug candidates or future drugs;

- collaborators with marketing and distribution rights to one or more of our drug candidates or future drugs may not commit sufficient resources to their marketing and distribution;

- collaborators may not properly maintain or defend 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 jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- collaborators may not always be cooperative or responsive in providing their services in a clinical trial;

- disputes may arise between us and a collaborator that cause a delay or termination of the research, development or commercialization of our drug 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 commercialization of the applicable drug candidates; and

- collaborators may own or co-own intellectual property covering our drug candidates or future drugs that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into collaboration agreements and strategic partnerships or license our drugs, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate these agreements or partnerships with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business.

Neither can we be certain that, following a strategic transaction or license, we will be able to 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 drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization 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 commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate product sales revenue, which would harm our business, financial condition, results of operations and prospects.

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

Although we own and intend to further develop our own manufacturing facilities, we also use third-party manufacturers to manufacture certain of our drug candidates. Reliance on third-party manufacturers would expose us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA, FDA, EMA or other comparable regulatory authorities must evaluate and/or approve any manufacturers as part of their regulatory oversight of our drug candidates. This evaluation would require new testing and cGMP-compliance inspections by the NMPA, FDA, EMA or other comparable regulatory authorities;

- our third-party manufacturers might be unable to timely manufacture our drug candidates or produce the quantity and quality required to meet our clinical needs, if any;

- manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state agencies in the United States to ensure strict compliance with cGMP and other government regulations and by other comparable regulatory authorities for corresponding non-U.S. requirements. We do not have control over third-party manufacturers' compliance with these regulations and requirements;

- we may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our drug candidates;

- manufacturers 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 jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- manufacturers may infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property rights of third parties;

- raw materials and components used in the manufacturing process, particularly those for which we have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects; and

- our contract manufacturers and critical reagent suppliers may be subject to inclement weather, as well as natural or man-made disasters.

Each of these risks could delay or prevent the completion of our clinical trials or the approval of our drug candidates, result in higher costs or adversely impact commercialization of our future approved drug candidates. In addition, we will rely on third parties to perform certain specification tests on our drug candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm and regulatory authorities could place significant restrictions on our Company until deficiencies are remedied.

Currently, the raw materials for our manufacturing activities are supplied by multiple source suppliers. We have agreements for the supply of drug materials with manufacturers or suppliers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. However, there is a risk that, if supplies are interrupted, it would materially harm our business.

Manufacturers of drug 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 federal, state and non-U.S. regulations. Furthermore, if contaminants are discovered in our supply of our drug 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 drug candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor 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 drug candidates for commercial sale and our drug candidates to patients in clinical trials would be jeopardized.

Any delay or interruption in the provision of clinical trial supplies or any of our failure to maintain the relationship with our key manufacturers or suppliers could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

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

Our success depends in large part on our ability to protect our proprietary technology and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. As of the Latest Practicable Date, our

owned patent portfolio consisted of 18 patents and 35 patent applications relating to certain of our drug candidates and technologies, including 8 Patent Cooperation Treaty (PCT) patent applications, 18 PRC patent applications and nine patent applications in other jurisdictions. We also co-owned 2 PCT patent applications with our collaborators. In addition, as of the Latest Practicable Date, we in-licensed the exclusive Greater China rights relating to one issued patent and four pending patent applications. We are also pursuing additional patent protection for these drug candidates and technologies, as well as for other of our drug candidates and technologies. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in China, the United States and other countries or regions, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we or our licensors may not be able to file and prosecute all necessary or desirable patent applications in all jurisdictions at a reasonable cost or in a timely manner. We or our licensors could also fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or drug candidates or which effectively prevent others from commercializing competitive technologies and drug candidates. The patent examination process may require us or our licensors to narrow the scope of the claims of our or our licensors' pending and future patent applications, which may limit the scope of patent protection that may be obtained. We cannot assure that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it can invalidate a patent or prevent a patent application from being issued as a patent.

Even if patents do issue on any of these applications, there can be no assurance that a third party will not challenge their validity, enforceability, or scope, which may result in the patent claims being narrowed or invalidated, or that we or our licensors will obtain sufficient claim scope in those patents to prevent a third party from competing successfully with our drug candidates. We or our licensors may become involved in interference, *inter partes* review, post grant review, *ex parte* reexamination, derivation, opposition, invalidation or similar other proceedings challenging our patent rights or the patent rights of our licensors. An adverse determination in any such proceeding could reduce the scope of, or invalidate, our or our licensors' patent rights, allow third parties to commercialize our technology or drug candidates and compete directly with us. Thus, even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage.

Our competitors may be able to circumvent our or our licensors' patents by developing similar or alternative technologies or drug candidates in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and other

countries. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and drug candidates, or limit the duration of the patent protection of our technology and drug candidates. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such assets might expire before or shortly after such assets are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing drug candidates similar or identical to ours.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. Under the America Invents Act ("AIA") enacted in 2011, the United States moved to this first-to-file system in early 2013 from the previous system under which the first to make the claimed invention was entitled to the patent. Assuming the other requirements for patentability are met, the first to file a patent application is entitled to the patent. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our patents or pending patent applications, or that we or our licensors were the first to file for patent protection of such inventions.

We enjoy only limited geographical protection with respect to certain patents and may not be able to protect our intellectual property rights throughout the world, including in the PRC.

Filing and prosecuting patent applications and defending patents covering our drug candidates in all countries throughout the world could be prohibitively expensive. Competitors may use our and our licensors' technologies in jurisdictions where we or our licensors have not obtained patent protection to develop their own drug candidates and, further, may export otherwise infringing drug candidates to territories, including the PRC, where we and our licensors have patent protection, but enforcement rights are not as strong as that in the United States or Europe. These drug candidates may compete with our drug candidates, and our and our licensors' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

The laws of some jurisdictions, including the PRC, do not protect intellectual property rights to the same extent as the laws or rules and regulations in the United States and Europe, and many companies have encountered significant difficulties in protecting and defending such rights in such jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our or our licensors' patents or marketing of competing drug candidates in violation of our proprietary rights generally. Proceedings to enforce our or our licensors' patent rights in other jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being

invalidated or interpreted narrowly and our patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against us. 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 around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our drug candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize our drug candidates in all of our expected significant foreign markets. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition from others in those jurisdictions.

Some countries also have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In those countries, the patent owner may have limited remedies, which could materially diminish the value of such patents. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired.

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

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

Our owned and in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to modify or cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

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

Claims that our drug candidates or the sale or use of our future products infringe, misappropriate or otherwise violate the patents or other intellectual property rights of third parties could result in costly litigation or could require substantial time and money to resolve, even if litigation is avoided.

We cannot guarantee that our drug candidates or the sale or use of our future products do not and will not in the future infringe, misappropriate or otherwise violate third-party patents or other intellectual property rights. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, or with respect to the use or manufacture of the compounds we have developed or are developing. Litigation relating to patents and other intellectual property rights in the biopharmaceutical and pharmaceutical industries is common, including patent infringement lawsuits. The various markets in which we plan to operate are subject to frequent and extensive litigation regarding patents and other intellectual property rights. Some claimants may have substantially greater resources than we have and may be able to sustain the

costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. Third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

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

If a third party were to assert claims of patent infringement against us, even if we believe such third-party claims are without merit, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, and the holders of any such patents may be able to block our ability to commercialize the applicable product unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable. Similarly, if any third-party patents were held by a court of competent jurisdiction to cover aspects of our compositions, formulations, or methods of treatment, prevention, or use, the holders of any such patents may be able to block our ability to develop and commercialize the applicable product unless we obtained a license or until such patent expires or is finally determined to be invalid or unenforceable. In addition, defending such claims would cause us to incur substantial expenses and could cause us to pay substantial damages, if we are found to be infringing a third party's patent rights. These damages potentially include increased damages and attorneys' fees if we are found to have infringed such rights willfully. In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a drug candidate, or be forced, by court order or otherwise, to modify or cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time-consuming, regardless of the outcome. 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. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs.

Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

Despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our drug candidates, 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 drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, CNIPA, or the applicable foreign counterpart, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future drug candidates. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business.

Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages, cease the sale of certain drugs or enter into a license agreement and pay royalties (which may not be possible on commercially reasonable terms or at all).

Intellectual property litigation may lead to unfavorable publicity which may harm our reputation and cause the market price of our Shares to decline, and any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our drug candidates.

During the course of any intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our drug candidates, future drugs, programs or intellectual property could

be diminished. Accordingly, the market price of our Shares may decline. Such announcements could also harm our reputation or the market for our drug candidates, which could have a material adverse effect on our business.

In the event of intellectual property litigation, there can be no assurance that we would prevail, even if the case against us is weak or flawed. If third parties successfully assert their intellectual property rights against us, prohibitions against using certain technologies, or prohibitions against commercializing our drug candidates, could be imposed by a court or by a settlement agreement between us and a plaintiff. In addition, if we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated the patent or other intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. Additionally, we may be required to obtain a license from the intellectual property owner in order to continue our research and development programs or to commercialize any resulting product. The necessary license may not be available to us on commercially acceptable terms, or at all. This may not be technically or commercially feasible, may render our products less competitive, or may delay or prevent the launch of our products to the market. Any of the foregoing could limit our research and development activities, our ability to commercialize one or more drug candidates, or both.

Most of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

In addition, any future intellectual property litigation, interference or other administrative proceedings will result in additional expense and distraction of our personnel. An adverse outcome in such litigation or proceedings may expose us or any future strategic partners to loss of our proprietary position, expose us to significant liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all, each of which could have a material adverse effect on our business.

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

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patent rights. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity, and is therefore costly, time-consuming, and inherently uncertain. In addition, the United States has recently enacted and is implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any. Depending

on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. For example, in a recent case, *Amgen v. Sanofi*, the federal circuit held that broad functional antibody claims are invalid for lack of enablement. Although we do not believe that our currently issued patents and any patents that may issue from our pending patent applications directed to our drug candidates if issued in their currently pending forms, as well as patent rights licensed by us, will be found invalid based on this decision, we cannot predict how future decisions by the courts, the U.S. Congress or the USPTO may impact the value of our patent rights. There could be similar changes in the laws of foreign jurisdictions that may impact the value of our patent rights or our other intellectual property rights.

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

In addition to our issued patents and pending patent applications, we rely on trade secret and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug 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, be a distraction to our management and scientific personnel and have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

Our rights to develop and commercialize our drug candidates are subject, in part, to the terms and conditions of licenses granted to us by others.

We rely on licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development of our drug candidates. These and other licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use and in all territories in which we may wish to develop or commercialize our drug products. As a result, we may not be able to prevent competitors from developing and commercializing competitive drug products in territories included in all of our licenses.

We may not have the right to control the preparation, filing, prosecution, maintenance, enforcement, and defense of patents and patent applications covering the drug candidates that we license from third parties. Moreover, we have not had and do not have primary control over these activities for certain of our patents or patent applications and other intellectual property rights that we jointly own with certain of our licensors and sub-licensors. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced, and defended in a manner consistent with the best interests of our business. If our licensors fail to prosecute, maintain, enforce and defend such patents, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our drugs that are subject of such licensed rights could be adversely affected.

Pursuant to the terms of the license agreements with some of our licensors, the licensors may have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity or unenforceability of these patents. Even if we are permitted to pursue the enforcement or defense of our licensed patents, we will require the cooperation of our licensors and any applicable patent owners and such cooperation may not be provided to us. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent us from continuing to license intellectual property that we may need to operate our business. If we lose any of our licensed intellectual property, our right to develop and commercialize any of our drug candidates that are subject of such licensed rights could be adversely affected.

In addition, our licensors may have relied on third party consultants or collaborators or on funds from third parties such that our licensors are not the sole and exclusive owners of the patents we in-license. This could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

In spite of our best efforts, our licensors might conclude that we have materially breached our license agreements and might therefore terminate the license agreements, thereby removing our ability to develop and commercialize drug products covered by these license agreements. If such licenses are terminated, we may be required seek alternative in-license arrangements, which may not be available on commercially reasonable terms or at all, or may be non-exclusive. If these in-licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, we may need to modify or cease the development, manufacture, and commercialization of one or more of our drug candidates and competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. In addition, we may seek to obtain additional licenses from our licensors and, in connection with obtaining such licenses, we may agree to amend our existing licenses in a manner that may be more favorable to the licensors, including by agreeing to terms that could enable third parties

(potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses. Any of these events could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

Our business relies on our ability to develop and commercialize drug candidates we have licensed from third parties, and we have entered into license agreements with third parties providing us with rights to various third-party intellectual property, including rights in patents and patent applications. Our licenses may not encumber all intellectual property rights owned or controlled by the affiliates of our licensors and relevant to our drug candidates, and we may need to obtain additional licenses from our existing licensors and others to advance our research or allow commercialization of drug candidates we may develop. In such case, we may need to obtain additional licenses which may not be available on an exclusive basis, on commercially reasonable terms or at a reasonable cost, if at all. In that event, we may be required to expend significant time and resources to redesign our drug candidates or the methods for manufacturing them or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected drug candidates, which could harm our business, financial condition, results of operations, and prospects significantly.

In addition, if our licensors breach the license agreements, we may not be able to enforce such agreements against our licensors' parent entity or affiliates. Under each of our license and intellectual property-related agreements, in exchange for licensing or sublicensing us the right to develop and commercialize the applicable drug candidates, our licensors will be eligible to receive from us milestone payments, tiered royalties from commercial sales of such drug candidates, assuming relevant approvals from government authorities are obtained, or other payments. Our license and intellectual property-related agreements also require us to comply with other obligations including development and diligence obligations, providing certain information regarding our activities with respect to such drug candidates and/or maintaining the confidentiality of information we receive from our licensors.

If we fail to comply with our obligations under our current or future license agreements, our counterparties may have the right to terminate these agreements and, upon the effective date of such termination, have the right to re-obtain the licensed and sub-licensed technology and intellectual property. If any of our licensors terminate any of our licenses, we might not be able to develop, manufacture or market any drug or drug candidate that is covered by the licenses provided for under these agreements and other third parties may be able to market drug candidates similar or identical to ours. In such case, we may have to negotiate new or reinstated agreements with less favorable terms, and may be required to provide a grant back license to the licensors under our own intellectual property with respect to the terminated products. We

may also face claims for monetary damages or other penalties under these agreements. While we would expect to exercise all rights and remedies available to us, including seeking to cure any breach by us, and otherwise seek to preserve our rights under the intellectual property rights licensed and sublicensed to us, we may not be able to do so in a timely manner, at an acceptable cost or at all. In particular, some of the milestone payments are payable upon our drug candidates reaching development milestones before we have commercialized, or received any revenue from, sales of such drug candidate, and we cannot guarantee that we will have sufficient resources to make such milestone payments. Any uncured, material breach under the license agreements could result in our loss of exclusive rights and may lead to a complete termination of our rights to the applicable drug candidate. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, and prospects.

It is possible that we may be unable to obtain any additional licenses at a reasonable cost or on reasonable terms, if at all. Disputes may arise regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or violate intellectual property of the licensor that is not subject to the license agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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. The following examples are illustrative:

- others may be able to make compounds that are similar to our drug candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;

- 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 patents applied for not being issued 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 patents applied for not being issued 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 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 or other third parties;

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

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive drugs for commercialization 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;

- third parties may gain unauthorized access to our intellectual property due to potential lapses in our information systems; and

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

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

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

We own registered trademarks and are currently registering trademarks. We may not be able to obtain trademark protection in territories that we consider of significant importance to us. In addition, any of our trademarks or trade names, whether registered or unregistered, may be challenged, opposed, infringed, cancelled, circumvented or declared generic, or determined to be infringing on other marks, as applicable. We may not be able to protect our rights to these trademarks and trade names, which we will need to build name recognition by potential collaborators or customers in our markets of interest. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

Terms of our future patents may not be sufficient to effectively protect our drug candidates and business.

In many countries where we file applications for patents, the term of an issued patent is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. Although various extensions may be available, the life of a patent and the protection it affords are limited. Even if we obtain patents covering our drug candidates, we may still be open to competition from other companies, as well as generic medications once the patent life has expired for a drug. Although there are patent regulations in the PRC in respect of regulatory data protection of new drugs containing new chemical components and the general principles of patent term extension or patent linkages for other drugs in the PRC, there are still uncertainties with respect to how the PRC government will implement the patent term extension or patent linkage mechanisms in China as there is a lack of currently effective operational details. Therefore, it is possible that a lower-cost generic drug can emerge onto the market much more quickly. In October 2020, the Standing Committee of the NPC promulgated the amended Patent Law of the PRC (《中華人民共和國專利法》) which, became effective on June 1, 2021 and provides for patent term extension and adjustments for patents and a patent linkage system for the first time. The Proposed Amendments to Implementing Rules of the Patent Law of the People's Republic of China (Draft) (《專利法實施細則修改建議(徵求意見稿)》) was published by the China National Intellectual Property Administration (CNIPA) on November 27, 2020, and proposed detailed implementation rules for patent term extension and adjustment, including for example, the eligible type of patents, requirements for the application

for patent term extension and adjustment, how to calculate the extension, and limitations during the extended patent term. The NMPA and the CNIPA jointly promulgated the Implementation Measures for Early Resolution Mechanism of Pharmaceutical Patent Disputes (Trial) (《藥品專利糾紛早期解決機制實施辦法(試行)》) in July 2021, which became effective on July 4, 2021 and sets forth details of how such patent linkage system would be implemented. The Supreme People's Court published Provisions of the Supreme People's Court on Several Issues Concerning Application of Law to the Trial of Patent Civil Cases Involving the Review and Approval for Drug Marketing (Draft) (《關於審理涉藥品上市審評審批專利民事案件適用法律若干問題的規定(徵求意見稿)》) to solicit public comments on October 29, 2020. The CNIPA also published the Administrative Ruling Measures for the Early Resolution Mechanism for Drug Patent Disputes (《藥品專利糾紛早期解決機制行政裁決辦法》), which became effective in July 2021 and provides details of how to seek administrative rulings with CNIPA. The Announcement of CNIPA on Implementing the Interim Measures for Handling Relevant Review under the Amended Patent Law (國家知識產權局《關於施行修改後專利法的相關審查業務處理暫行辦法》的公告) was published in May 2021 and became effective on June 1, 2021, which stipulates the details for the requirements for the application for patent term extension and adjustment. However, the implementation of the patent term extensions and adjustments and patent linkage system require further promulgation of regulations and detailed implementation measures. These factors may result in weaker protection for us against generic competition in the PRC than could be available to us in other jurisdictions, such as the United States. In addition, patents which we expect to obtain in the PRC may not be eligible to be extended for patent terms lost during clinical trials and the regulatory review process.

If we are unable to obtain patent term extensions or if such extensions are less than requested for, our competitors may obtain approval of competing products following our patent expirations and our business, financial condition, results of operations and prospects could be materially harmed as a result.

If we do not obtain additional protection under the Hatch-Waxman Amendments and similar legislation in other countries extending the terms of our patents, if issued, relating to our drug candidates, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA regulatory approval for our drug candidates, one or more of our U.S. patents, if issued, may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984 (the "Hatch-Waxman Amendments"). The Hatch-Waxman Amendments permit a patent term extension of up to five years as compensation for patent term lost during drug development and the FDA regulatory review process. Patent term extensions, however, cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval by the FDA, and only one patent can be extended for a particular drug.

The application for patent term extension is subject to approval by the USPTO, in conjunction with the FDA. We may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain

a patent term extension for a given patent or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our drug will be shortened and our competitors may obtain earlier approval of competing drugs, and our ability to generate revenues could be materially adversely affected.

RISKS RELATED 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 commercialization of our drugs.

Our research and development operations and manufacturing facilities are in China, which we believe confers clinical, commercial and regulatory advantages. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. See "Regulations" for a discussion of the regulatory requirements that are applicable to our current and planned business activities in China. 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. For example, in July 2021, the CDE issued a Notice for Soliciting Opinions on the "Clinical Value-Oriented Anti-tumor Drug Clinical Research and Development Guidelines" (關於公開徵求《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》意見的通知), or the Draft Guidelines, with the purpose to better address the needs of patients and to promote the clinical value-oriented research and development of anti-tumor drugs. However, uncertainty remains as to the official issuance of the Draft Guidelines and how it will be interpreted and enforced. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our drug candidates in China and reduce the current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the pharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's regulatory policies, but we cannot ensure that our strategy and approach will continue to be aligned.

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

A significant portion of our operations are in China. Our financial condition and results of operations are affected to a large extent by economic, political and legal developments in China.

As a developing country, the PRC differs from most developed countries regarding their economies in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces

for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industrial development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past four decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our business, financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

In addition, the PRC government had, in the past, implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Our primary business is governed by PRC laws and regulations. Our primary business operation is supervised by relevant regulatory authorities in China. The PRC legal system is a civil law system based on written statutes and, unlike the common law system, prior court decisions can only be cited as reference and have limited precedential value. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system and regulatory structure. Such unpredictability towards our contractual, property and procedural rights as well as our rights licensed, approved or granted by the competent regulatory authority could adversely affect our business and impede our ability to continue our operations. In addition, the PRC legal system is based in part on

government policies and internal rules, some of which are not published on a timely basis, if at all, and which may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Further, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

In addition, any administrative or court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce various contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the PRC State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded, at least in part, by the PRC government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Currently, as the term "state secret" is not clearly defined, there is no assurance that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad, or to our foreign partners in China.

If we are unable to obtain the necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial condition and prospects. If relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to specific administrative penalties imposed by those government authorities.

The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.

While we have not started commercialization of drug candidates, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our drug products, the competitive position of our drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or prevent us from selling our drug products in certain

countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. Recently there have been heightened tensions in international economic relations, such as the one between the United States and China. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People's Republic of China as a phase one trade deal, effective on February 14, 2020.

In addition, political tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by former U.S. President Donald J. Trump in August 2020 that prohibit certain transactions with certain Chinese companies and their applications. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The current international trade tensions and political tensions between the United States and China, and any escalation of such tensions, could have an adverse effect on our business, prospects, financial condition and results of operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) and its implementation rules, an enterprise established outside of the PRC with "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the De Facto Standards of Organizational Management (《國家税務總局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》), or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this Circular only applies to offshore enterprises that are majority-owned and controlled by PRC enterprises or PRC enterprise groups, not those owned and controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises.

According to SAT Circular 82, an offshore incorporated enterprise that is majority-owned and controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that our Company should not be considered as a PRC resident enterprise for PRC tax income purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of ordinary shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realized on the transfer of our Shares by such shareholders may be subject to PRC tax at a rate of 20% in the case of non-PRC individuals (which in the case of dividends may be withheld at source) unless a reduced rate is available under an applicable tax treaty. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ordinary shares.

Failure to renew our current leases or locate desirable alternatives for our leased properties could materially and adversely affect our business.

We lease properties for our offices and laboratories. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the U.S. dollar, and since then RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization in recent years, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future.

Significant revaluation of RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency.

In addition, the PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE

approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than RMB owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than RMB. In light of the flood of capital outflows of China, the PRC government may from time to time impose more restrictive foreign exchange policies and step up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process may be required by SAFE or other government authorities to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

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》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the Ministry of Commerce, or MOFCOM, be notified in advance of any change of control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned; (ii) such transaction involves factors that impact or may impact national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of NPC which became effective in 2008 and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council which became effective in 2008 and was later amended in September 2018, 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 anti-monopoly enforcement agency of the State Council when the applicable 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 (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire 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 abovementioned 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 defense 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 such 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 scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially adversely affected.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of their accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of their registered capital. The reserve fund cannot be distributed to us as dividends. At its discretion, our PRC subsidiary may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary reserve fund.

Our PRC subsidiaries generate primarily all of their revenue in RMB, which is not freely convertible into other currencies. As result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their RMB revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and more restrictions and a substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the PRC Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

In July 2014, 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 (《國家外匯管理局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. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as changes of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents. If our shareholders who are PRC residents fail to make the required registration or to update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions into our PRC subsidiaries.

In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, or SAFE Circular 13, effective in June 2015. Under SAFE Circular 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

The NDRC, MOFCOM and SAFE have respectively promulgated certain regulations regarding overseas direct investment, according to which, our shareholders or beneficial owners who are PRC entities are required to comply with overseas direct investment registration or filing requirements. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

We may not be informed of the identities of all the PRC residents holding direct or indirect interests in our company and we do not have control over them and cannot compel them to comply with the SAFE, NDRC and MOFCOM regulations. Therefore, we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or continuously comply with all requirements under SAFE Circular 37 or other related rules, or these PRC residents have complied with or will in the future comply with overseas direct investment registration or filing requirements as required by

SAFE, NDRC and MOFCOM regulations. The failure or inability of the relevant shareholders to comply with the registration or filing procedures set forth in these regulations may subject us to fines and legal sanctions, such as restrictions on our cross-border investment activities, on the ability of our foreign-invested subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits could be materially and adversely affected.

Any failure to comply with PRC regulations regarding our employee equity incentive plans, housing provident fund or the mandatory social insurance may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

We and our directors, executive officers and other employees who are PRC citizens or who have resided in China for a continuous period of not less than one year and who will be granted restricted shares or options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any share incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We plan to assist our employees to register their share options or shares. However, any failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to make payments under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our foreign-invested enterprises in China and limit our foreign-invested enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

The SAT has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in China who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold applicable income taxes, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

In addition, according to the Social Insurance Law (《社會保險法》) implemented on December 29, 2018, the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) implemented on March 24, 2019 and other applicable PRC regulations, any employer operating in China must apply for registration for payment and deposit of the social insurance and housing provident fund, and contribute social insurance premium and pay housing provident contribution for its employees. Any failure to make timely and adequate contribution of social insurance premium or housing provident fund for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such overdue social insurance premium or housing provident contribution within a specified period of time, and the competent authority may further impose fines or penalties. In the ordinary course of our business, we have failed to comply with such regulations involving, in the aggregate, an immaterial amount. As of the Latest Practicable Date, we have not received any order of correction or any fines or penalties from the competent authority and also have not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such failure. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance by making contribution of overdue social insurance premium or housing provident fund or to pay any overdue fine or penalty related thereto.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval from governmental authorities and limitation on the available loan amount, or we may make additional capital contributions to our foreign-invested subsidiaries in China.

Any loans to our foreign-invested subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our foreign-invested subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign-invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities, unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯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, effective in June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses (《國家外匯管理局關於加強外匯業務管理有關問題的通知》), and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses (《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》). According to SAFE Circular 19, the flow and use of RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. SAFE promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. SAFE promulgated the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, effective on October 25, 2019. Pursuant to SAFE Circular 28, foreign-invested enterprise engaged in non-investment business are further permitted to use RMB converted from foreign currency-denominated capital for equity investments in China on the condition that the domestic investment is genuine, does not violate applicable laws and complies with the negative list on foreign investment. Considering that these circulars are relatively new, it is unclear how they will be implemented, and there exist great uncertainties with respect to their interpretation and implementation by the authorities. Violations of SAFE Circular 19, SAFE Circular 16 and SAFE Circular 28 could result in administrative penalties. SAFE Circular 19, SAFE Circular 16 and SAFE Circular 28 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

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 we 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 to our PRC subsidiaries or future capital contributions by us to our foreign-invested subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries

when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributable to a PRC establishment of a non-PRC company.

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Bulletin 7. Pursuant to this Bulletin, an "indirect transfer" of "PRC taxable assets," including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the shareholders, business model and organizational structure; the replaceability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. On October 17, 2017, the SAT issued the Bulletin of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors are not subject to the PRC enterprise income tax pursuant to SAT Bulletin 7 where such shares were acquired in a transaction through a public stock exchange. However, the sale of ordinary shares by a non-PRC resident enterprise outside a public stock exchange may be subject to PRC enterprise income tax under SAT Bulletin 7.

There are uncertainties as to the application of SAT Bulletin 7. SAT Bulletin 7 may be determined by the tax authorities to be applicable to the sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under SAT Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under SAT Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Bulletin 7/SAT Bulletin 37, our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

We are subject to risk of recoverability of value-added tax.

We had value-added tax recoverable of RMB57.2 million, RMB63.0 million and RMB 55.8 million as of December 31, 2019 and 2020, and March 31, 2021, respectively. The amount of input value-added taxes and output value-added taxes are determined by the applicable value-added tax rate in effect during the period when the purchase from vendor and the periodic lease payments are made. While the value-added tax recoverable may enable us to reduce future tax payment, our value-added tax recoverable may also pose risk to us as its recoverability is dependent on deduction from future value-added tax payables arising on our Group's future revenues and the then applicable value-added tax rate in effect.

We have historically received government grants for our research and development activities and enjoyed preferential tax treatment during the Track Record Period. Expiration of, or changes to, these incentives or policies, or our failure to satisfy any condition for these incentives, would have an adverse effect on our results of operations.

We have historically benefited from government grants primarily as incentives for our research and development activities. We recorded government grants of RMB4.3 million and RMB6.1 million for the years ended December 31, 2019 and 2020, respectively. We recorded government grants of RMB26 thousand and RMB6.7 million for the three months ended March 31, 2020 and 2021, respectively. These government grants were generally in support of our research and development activities. Our government grants may vary from period to period, going forward, and our business and results of operations may be affected as a result. During the Track Record Period, we enjoyed preferential tax treatment. For example, HJB Hangzhou, one of our subsidiaries, benefits from a preferential tax rate of 15% for a period of three years starting from 2020 as it has been qualified as a High and New Technology Enterprise under the relevant PRC laws and regulations since December 1, 2020. Our eligibility to receive these financial incentives in the future depends on our ability to maintain the relevant qualifications. The incentives are subject to the discretion of the central government or relevant local government authorities, which could determine to reduce the amount of, or cease to provide, the grants or incentives at any time, generally with prospective effect. In addition, the policies according to which we historically received government grants may be lifted or withdrawn by the relevant government authorities at their sole discretion. There can be no assurance that we will continue to receive such government grants or receive a similar level of government grants, or at all, in the future. The discontinuation or reduction of financial incentives currently available to us could have a material adverse effect on our business, financial condition and results of operations.

We are subject to credit risks in relation to trade receivables and customers could default on their obligations to pay our fees.

We are exposed to credit risks of our customers. In general, we normally grants a credit period of 30 days to customers effective from the date when the services have been completed and accepted by customers. However, there is no guarantee that all our customers will settle payment in full as it falls due. If any of our customers refuses to settle the payment, becomes insolvent or delays its payment of our fees, our cash flow, as well as our business, results of operations, and financial position could be adversely affected. As of December 31, 2019, 2020 and March 31, 2021, we had concentration of credit risk of the trade receivables amounting to RMB2.9 million, RMB10.7 million and RMB10.0 million, respectively, representing 37%, 65% and 68% of total trade receivables as of the same dates, from our largest customer. RMB8.1 million, RMB16.0 million and RMB14.6 million, respectively, of the trade receivables were due from the five largest customers, representing 99%, 98% and 99% of total trade receivables as of December 31, 2019, 2020 and March 31, 2021. Any financial difficulties experienced by our customers may result in a reduction in their engagement of our services and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition and results of operations.

RISKS RELATED TO THE GLOBAL OFFERING

No public market currently exists for our Shares; an active trading market for our Shares may not develop and the market price and trading volume of our Shares may decline or became volatile, which could lead to substantial losses to investors.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and Joint Representatives (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop partly because there will be only a limited number of Shares being traded on the Stock Exchange due to a significant amount of Shares held by existing Shareholders being subject to lock-up arrangements. Currently, the Shares beneficially held by our Pre-IPO Investors and Dr. Qian (including any nominee or trustee holding on trust for him and the companies controlled by him) are, and the Offer Shares to be subscribed for by the Cornerstone Investors will be, subject to lock-up arrangements whereby they have agreed not to dispose of their Shares within six months after the Listing Date. Assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.90 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share, there still remains approximately 18.56% of our Company's enlarged issued share capital after the Global Offering not being subject to any lock-up arrangement (i.e. 81.44% of our Company's enlarged issued share capital after the Global Offering will be subject to a 6-month lock-up arrangement from the Listing Date). See "Summary – Pre-IPO Investors", "Cornerstone Investors – Restrictions on Disposals by the Cornerstone Investors" and "Underwriting – Underwriting Arrangements and

Expenses – Undertakings Pursuant to the Hong Kong Underwriting Agreement – (B) Undertakings by Dr. Qian" for further details. If an active and liquid trading market for our Shares does develop, we cannot guarantee you that it will be sustained following the Global Offering, or that the market price or trading volume of the Shares will not decline following the Global Offering.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Shares could fall below the Offer Price when trading commences during the period before trading of our Shares begins.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date which is expected to be on or about Friday, September 17, 2021. However, the Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Wednesday, September 29, 2021. As a result, investors may not be able to sell or otherwise deal in the Shares during the seven Business Days between the Price Determination Date and the Listing Date. Accordingly, holders of our Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the Price Determination Date and the Listing Date.

Future sales or perceived sales of our Shares in the public market by major Shareholders following the Global Offering could materially and adversely affect the price of our Shares.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for a return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our pipeline drug candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our shareholders. We plan to use the net proceeds from the Global Offering to conduct clinical trials in China on our most promising drug candidates and to expand our sales and marketing staff in preparation for the approval and commercialization of those drug candidates. For details, see "Future Plans and Use of Proceeds – Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

We are an exempted company incorporated in the British Virgin Islands and continued in the Cayman Islands and, because judicial precedent regarding the rights of shareholders is comparatively limited under the laws of the Cayman Islands, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders 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 laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See the section headed "Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law".

As a result of all of the above, minority Shareholders may enjoy different remedies when compared to the laws of the jurisdiction such shareholders are located in.

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

Facts, forecasts and statistics in this document 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 China Insights Consultancy that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Underwriters nor our or their respective affiliates or advisers have 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 document 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.

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

Subsequent to the date of this document but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in the Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the Global Offering.

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The 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 or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

We will ensure that there is an effective channel of communication between the Stock Exchange and us 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 who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Dr. Xueming Qian (錢雪明) and Ms. Leung Kwan Wai (梁君慧);

(b) each Director will provide their contact information to the authorized representatives. This will ensure that the authorized representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will endeavor to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Anglo Chinese Corporate Finance, Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange; and

(e) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, e-mail address and fax numbers where applicable).

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

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

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

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

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

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

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

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

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

(iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Albert Da Zhu (朱達) and Ms. Leung Kwan Wai (梁君慧), as joint company secretaries. See "Directors and senior management – Joint company secretaries" for their biographies.

Ms. Leung is a member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators), and therefore meets the qualification requirements under Rule 3.28 Note 1 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

While Mr. Zhu does not possess the formal qualifications required of a company secretary, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Pursuant to HKEX-GL108-20, the waiver is granted on two conditions:

(i) Mr. Zhu must be assisted by Ms. Leung, who possesses all the requisite qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year waiver period; and

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

Prior to the end of the three-year period, the qualifications and experience of Mr. Zhu and the need for on-going assistance of Ms. Leung will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zhu, 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.

WAIVER AND EXEMPTION IN RESPECT OF THE PRE-IPO EQUITY INCENTIVE PLAN

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it or the right to it was given, and their potential dilution effect on the shareholding upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options (the "**Disclosure Requirements**").

As of the Latest Practicable Date, the Company had granted options under the Pre-IPO Equity Incentive Plan to 215 grantees to subscribe for an aggregate of 61,859,469 Shares, a portion of which corresponding to (i) 35,511,323 Shares has been issued and are held by Success Reach International Limited and Success Link International L.P., and (ii) 3,687,040 Options have been exercised and issued to certain Grantees. The remaining 22,661,106 Shares underlying the outstanding Options granted to 210 grantees under the Pre-IPO Equity Incentive Plan represent 5.09% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding any shares to be issued under the Pre-IPO Equity Incentive Plan). See "Statutory and general information – Share Schemes" in Appendix IV for details.

Our Company has applied to the Stock Exchange and the SFC for (a) a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and (b) an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that:

(i) given that 210 grantees of outstanding options are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Equity Incentive Plan in this prospectus on an individual basis would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation, disclosure preparation and printing;

(ii) material information relating to the options under the Pre-IPO Equity Incentive Plan will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Equity Incentive Plan, the exercise price per Share, the potential dilution effect on the shareholding and impact on the earnings per Share upon the full exercise of the options granted under the Pre-IPO Equity Incentive Plan;

(iii) as of the Latest Practicable Date, only 1 grantee was a Director, 5 grantees were senior management and 1 grantee was a connected person of the Company, and the remaining 203 grantees comprised 196 employees and former employees of the Group and 7 consultants of the Group; therefore disclosure of names, addresses and entitlements on an individual basis in the Prospectus will require a substantial volume of additional disclosure that does not provide any material information to the investing public;

(iv) the proposed alternative disclosure contains such particulars and information which is necessary to enable an investor to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company and will not prejudice the interest of the investing public; and

(v) the grant and exercise in full of the options under the Pre-IPO Equity Incentive Plan would not cause any material adverse impact on the financial position of our Company.

The Stock Exchange has granted a waiver from strict compliance with Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules on the conditions that:

(i) for grants under the Pre-IPO Equity Incentive Plan to our Directors, the senior management, connected person(s) of our Group, consultants (who are not employees or former employees of the Group) and employees and former employees of the Group who have been granted outstanding options to subscribe for 300,000 shares or above, disclosure be made on an individual basis, including all the particulars

required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) for the remaining grantees under the Pre-IPO Equity Incentive Plan, disclosure will be made on an aggregate basis, including (1) the aggregate number of the other grantees and the number of Shares subject to the options granted to them under the Pre-IPO Equity Incentive Plan, (2) the consideration paid for the grant of the options granted under the Pre-IPO Equity Incentive Plan, and (3) the exercise period and the exercise price for the options granted under the Pre-IPO Equity Incentive Plan;

(iii) the aggregate number of Shares underlying the options granted under the Pre-IPO Equity Incentive Plan and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date be disclosed;

(iv) the dilution effect and impact on earnings per Share upon the full exercise of the options granted under the Pre-IPO Equity Incentive Plan be disclosed;

(v) a summary of the major terms of the Pre-IPO Equity Incentive Plan be disclosed;

(vi) the particulars of the waiver be disclosed;

(vii) a list of all the grantees (including those persons whose details have already been disclosed) under the Pre-IPO Equity Incentive Plan containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V; and

(viii) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the Securities and Futures Commission exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have applied for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the grounds that:

(i) for grants under the Pre-IPO Equity Incentive Plan to our Directors, the senior management, connected person(s) of our Group, consultants (who are not employees or former employees of the Group) and employees and former employees of the

Group who have been granted outstanding options to subscribe for 300,000 shares or above, disclosure be made on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(ii) for the remaining grantees under the Pre-IPO Equity Incentive Plan, disclosure will be made on an aggregated basis, including (1) the aggregate number of the other grantees and the number of Shares subject to the options granted to them under the Pre-IPO Equity Incentive Plan, (2) the consideration paid for the grant of the options granted under the Pre-IPO Equity Incentive Plan, and (3) the exercise period and the exercise price for the options granted under the Pre-IPO Equity Incentive Plan; and

(iii) a list of all grantees (including those persons whose details have already been disclosed) under the Pre-IPO Equity Incentive Plan containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that the particulars of the exemption be disclosed and this prospectus will be issued on or before September 14, 2021.

EXEMPTION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Pursuant to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a prospectus shall state the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of a prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities.

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

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

Pursuant to Rule 4.04(1) of the Listing Rules, the Accountant's Report contained in a prospectus must include, inter alia, the results of the Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to Rule 18A.06 of the Listing Rules, an eligible biotech company must comply with Rule 4.04 as 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.

Our Company is a biotech company as defined under Chapter 18A of the Listing Rules and is seeking a listing under Chapter 18A of the Listing Rules. We are required to disclose only our financial results for the two financial years ended December 31, 2019 and 2020 under Chapter 18A of the Listing Rules.

Accordingly, we have applied for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the 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;

(b) as of the Latest Practicable Date, our Company had not commercialised any products and therefore did not generate any revenues from product sales;

(c) the Accountant's Report for each of the two financial years ended December 31, 2019 and 2020 has been prepared and is set out in Appendix I to the Prospectus in compliance with Rule 18A.06 of the Listing Rules;

(d) notwithstanding that the financial results set out in the Prospectus are only for the two financial years ended December 31, 2019 and 2020 and the three months ended March 31, 2021, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in the Prospectus;

(e) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2019 and 2020 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2018 would require additional work to be performed by our Company and its auditors, it will be unduly burdensome for our Company to strictly comply with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(f) our Company is of the view that the Accountant's Report covering the two financial years ended December 31, 2019 and 2020 and the three months ended March 31, 2021, together with other disclosure in this prospectus, already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company has been included in this 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 our 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 condition that the particulars of the exemption be disclosed in this prospectus and this prospectus will be issued on or before September 14, 2021.

WAIVER AND CONSENT IN RELATION TO CORNERSTONE INVESTMENTS BY AN EXISTING SHAREHOLDER, CERTAIN CLOSE ASSOCIATES OF EXISTING SHAREHOLDERS AND A CORE CONNECTED PERSON

QH Oil Investments LLC is an existing Shareholder and a Pre-IPO Investor of our Company, which will hold approximately 1.98% of the total issued share capital of our Company immediately before the Global Offering. CCT China Merchant Buyout Fund, EverestLu Holding Limited and TLS Beta Pte. Ltd. are also existing Shareholders and Pre-IPO Investors of our Company, which will hold approximately 2.70%, 3.97% and 6.43% of the total issued share capital of our Company immediately before the Global Offering, respectively. Members of the LAV Group are also existing Shareholders and Pre-IPO Investors of our Company, which will collectively hold approximately 16.60% of the total issued share capital of our Company immediately before the Global Offering. Each of QH Oil Investments LLC,

China Structural Reform Fund Corporation Limited (a close associate of CCT China Merchant Buyout Fund and EverestLu Holding Limited), Aranda Investments Pte. Ltd. (a close associate of TLS Beta Pte. Ltd.) and LAV Amber Limited (a close associate of the LAV Group and a core connected person of our Company) has entered into a cornerstone investment agreement with our Company, pursuant to which each of them has agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our Offer Shares in the Global Offering.

Waiver from strict compliance with Rules 9.09 and 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.

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer, in the case of a new applicant, from four clear business days before the expected hearing date until listing is granted (the "**Rule 9.09 Relevant Period**").

Our Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit QH Oil Investments LLC, an existing Shareholder, as well as China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited, certain close associates of existing Shareholders, to participate as cornerstone investors in the Global Offering.

Additionally, our Company has applied for a waiver from strict compliance with the requirements under Rule 9.09 of the Listing Rules to allow LAV Amber Limited, a core connected person of our Company, to subscribe for Shares as a cornerstone investor during the Rule 9.09 Relevant Period.

The Stock Exchange has granted the requested waivers and consents subject to the following conditions:

(a) our 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 QH Oil Investments LLC, China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited in the Global Offering will be at the same Offer Price and on substantially the same terms as each other, being the only 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 QH Oil Investments LLC, China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited, by virtue of our Company's relationship with QH Oil Investments LLC, CCT China Merchant Buyout Fund, EverestLu Holding Limited, TLS Beta Pte. Ltd. and LAV Group, 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, save as disclosed in the section headed "Cornerstone Investors" of this prospectus, the cornerstone investment agreement of each of QH Oil Investments LLC, China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited does not contain any material terms which are more favorable than those in each other's cornerstone investment agreement; and

(d) details of the cornerstone investments by QH Oil Investments LLC, China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited and the allocation will be disclosed in this prospectus and the allotment results announcement of our Company.

For further information, including the identity and background of QH Oil Investments LLC, China Structural Reform Fund Corporation Limited, Aranda Investments Pte. Ltd. and LAV Amber Limited and the terms of their cornerstone investments, please see "Cornerstone Investors".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, 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 document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this document misleading.

THE HONG KONG PUBLIC OFFERING AND THIS DOCUMENT

This document 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 document and the Green Application Form set out 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 document and the Green Application Form, 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 document and the Green Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorised by (i) our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, (ii) any of their respective directors, agents, employees or advisers, or (iii) any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement.

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, September 17, 2021 and, in any event, not later than Tuesday, September 21, 2021 (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 and our Company on or before Tuesday, September 21, 2021, the Global Offering will not become unconditional and will lapse immediately.

See "Underwriting" for further information about the Underwriters and the underwriting arrangement.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set forth in the section headed "How to apply for Hong Kong Public Offer Shares" in this document and on the Green Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this document.

SELLING RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Offer Shares will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers of the Offer Shares described in this document and on the Green Application Form.

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 document in any jurisdiction other than Hong Kong. Accordingly, this document 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 document 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue (including the shares on conversion of the Preference Shares), to be issued pursuant to 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 Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 29, 2021. No part of our Shares or loan capital 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. All the Offer Shares will be registered on the Hong Kong Branch Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering". Assuming that the Over-allotment Option is exercised in full, our Company may be required to allot and issue up to an aggregate of 6,049,500 additional Shares.

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 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 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.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar. Our Hong Kong branch register of members will be maintained in Hong Kong by our Hong Kong Branch Share Registrar.

All Offer Shares issued pursuant to applications made in the Global Offering will be registered in our Hong Kong branch register of members. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.13% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on ever sale of the Shares. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding, and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, holders of the Shares resulting from the subscription, purchase, holding, or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all.

Unless otherwise indicated (i) the translation between Renminbi and Hong Kong dollars was based on the rate of RMB1 to HK$0.83195, and (ii) the translation between U.S. dollars and Hong Kong dollars was based on the rate of US$1 to HK$7.77090.

TRANSLATION

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated. However, the English names of any Laws, governmental authorities, institutions, natural persons or other entities for which no official English translation exists are unofficial translations for your reference only and their names in the original language shall prevail.

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart in this document between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Xueming Qian (錢雪明)	Room 301, Block 106 District B Xinle Huayuan Hong Kong Road, Mudu Zhen Suzhou, Jiangsu China	United States
Dr. Michael Ming Shi (石明)	3137 Fox Drive Chalfont, PA 18914 USA	United States
Mr. Albert Da Zhu (朱達)	Room 503, No. 171 Feng Yuan Road Guangzhou China	China
Non-executive Director		
Dr. Yining (Jonathan) Zhao (趙奕寧)	18 Ewell Ave Lexington MA 02421 USA	United States
Independent non-executive Directors		
Mr. Jiasong Tang (唐稼松)	Room 202, Unit 2, Building 3 Zijin Shanglin Yuan 16 Jinma Road Qixia District Nanjing City, Jiangsu China	China
Dr. Jun Bao (包駿)	Room 1801, Building 3 Lane 1333, Hope Road Jiading District Shanghai China	United States
Mr. Zhihua Zhang (張志華)	Room 1601, No. 8, Lane 566 Yuyao Road Jing'an District Shanghai China	China

See "Directors and senior management" for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Representatives	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**BOCI Asia Limited** 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	China Renaissance Securities (Hong Kong) Limited Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Legal advisers to our Company	*As to Hong Kong and U.S. laws* **Skadden, Arps, Slate, Meagher & Flom and affiliates** 42/F, Edinburgh Tower, The Landmark 15 Queen's Road Central Central Hong Kong
	As to PRC law **Zhong Lun Law Firm** 6/10/11/16/17F, Two IFC, 8 Century Avenue Pudong New Area Shanghai PRC

	As to Cayman Islands and BVI law **Walkers (Hong Kong)** 15/F, Alexandra House 18 Chater Road Central Hong Kong
Legal advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws* **Latham & Watkins LLP** 18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law* **King & Wood Mallesons** 17/F, One ICC Shanghai ICC 999 Huai Hai Road (M) Shanghai PRC
Reporting accountant and auditor	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road, Jing'an District Shanghai PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Headquarters	B6-501, 218 Xinghu Street Biobay Suzhou 215123 China
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Registered office in the Cayman Islands	**Walkers Corporate Limited** 190 Elgin Avenue, George Town Grand Cayman KY1-9008 Cayman Islands
Company website	**http://www.transcenta.com/** (the information contained on this website does not form part of this document)
Joint company secretaries	Mr. Albert Da Zhu (朱達) B6-501, 218 Xinghu Street Biobay Suzhou 215123 China Ms. Leung Kwan Wai (梁君慧) *Associate of The Chartered Governance Institute, Associate of The Hong Kong Chartered Governance Institute* Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Dr. Xueming Qian (錢雪明) B6-501, 218 Xinghu Street Biobay Suzhou 215123 China Ms. Leung Kwan Wai (梁君慧) Level 54 Hopewell Centre 183 Queen's Road East Hong Kong

Audit committee	Mr. Jiasong Tang (唐稼松) *(Chairperson)* Dr. Yining (Jonathan) Zhao (趙奕寧) Mr. Zhihua Zhang (張志華)
Remuneration committee	Dr. Jun Bao (包駿) *(Chairperson)* Mr. Jiasong Tang (唐稼松) Mr. Zhihua Zhang (張志華)
Nomination committee	Mr. Zhihua Zhang (張志華) *(Chairperson)* Dr. Xueming Qian (錢雪明) Dr. Jun Bao (包駿)
Principal share registrar and transfer office	**Walkers Corporate Limited** 190 Elgin Avenue, George Town Grand Cayman, KY1-9008 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	**Anglo Chinese Corporate Finance, Limited** 40/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Principal banks	**The Hongkong and Shanghai Banking Corporation Limited** Level 10, HSBC Main Building 1 Queen's Road Central Hong Kong **China Construction Bank, Suzhou Branch** No. 158 Wangdun Road, Wuzhong District Suzhou City, Jiangsu Province China

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged CIC for preparing the CIC Report, an independent industry report in respect of the Global Offering. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, 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. The information from official and non-official sources has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties (excluding CIC) involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the CIC Report that would qualify, contradict or have a material impact on the information in this section.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged CIC to conduct a detailed analysis and prepare an industry report on the worldwide biologics market. CIC is an independent consulting firm founded in Hong Kong. It offers industry research and market strategies and provides growth consulting and corporate training. We incurred a fee of US$60,000 for the preparation of the CIC Report. The payment of such amount was not contingent upon our successful Listing or on the results of the CIC Report. Except for the CIC Report, we did not commission any other industry report in connection with the Global Offering.

We have included certain information from the CIC Report in this prospectus because we believe such information facilitates an understanding of the biologics market for potential investors. In compiling and preparing the CIC Report, CIC has adopted the following assumption: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the global and China's biologics market during the forecast period, such as the increasing number of new cancer incidences, increasing number of biologics and bi-specific antibody drugs, supportive government programs and policies, increasing R&D expenditures and improved affordability of drugs; and (iv) there is no extreme force majeure or industry regulation by which the market may be affected dramatically or fundamentally. CIC conducted both primary and secondary research using a variety of

resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of China, the International Monetary Fund, World Health Organization, U.S. Food and Drug Administration, Global Health Data Exchange, National Medical Products Administration of China and National Health Commission of China.

OVERVIEW OF ONCOLOGY DRUG MARKET

Overview of Oncology Drug Market Around the Globe and in China

The oncology drug market is directly correlated to patient population. From 2015 to 2019, total cancer incidence increased from 16.7 million to 18.8 million around the globe and increased from 3.9 million to 4.5 million in China. Cancer incidence is projected to reach 24.6 million by 2030 around the globe and reach 5.8 million by 2030 in China. The following table sets forth the projection of cancer incidence by cancer types around the globe and in China for the periods indicated.

Cancer incidence around the globe, 2020E-2030E

Cancer site	2020E (Thousand patients)	2030E (Thousand patients)	CAGR
Lung	2,206.8	2,895.2	2.8%
Breast	2,261.4	2,738.4	1.9%
Colorectum	1,880.7	2,450.7	2.7%
Prostate	1,414.3	1,906.9	3.0%
Stomach	1,089.1	1,417.5	2.7%
Liver	905.7	1,150.1	2.4%
Oesophagus	604.1	778.9	2.6%
Cervix uteri	604.1	766.6	2.4%
Thyroid	586.2	708.1	1.9%
Bladder	573.3	684.3	1.8%
Top ten cancers	12,125.7	15,496.7	2.5%
All cancer types	19,292.8	24,588.8	2.5%
TMB-H cancers	975.1	1,242.8	2.4%
HPV-related cancers	647.3	821.4	2.4%

Cancer incidence in China, 2020E-2030E

Cancer site	2020E (Thousand patients)	2030E (Thousand patients)	CAGR
Lung	946.8	1,267.1	3.0%
Stomach	514.1	599.8	1.6%
Colorectum	445.6	570.8	2.5%
Liver	447.5	581.3	2.7%
Breast	339.3	402.4	1.7%
Oesophagus	347.4	432.2	2.2%
Thyroid	212.3	236.3	1.1%
Brain, CNS	120.8	136.9	1.3%
Cervix	116.7	125.4	0.7%
Pancreas	111.8	149.4	2.9%
Top ten cancers	3,602.3	4,501.6	2.3%
All cancer types	4,634.0	5,774.6	2.2%
TMB-H cancers	234.2	291.9	2.2%
HPV-related cancers	125.1	134.3	0.7%

Source: NCCR; WHO; China Insights Consultancy

According to NCCR and WHO, the aggregate incidence of the ten most prevalent cancer types in China accounted for 77.7% of the total cancer incidence, reaching 3.5 million in 2019. Lung, gastric, pancreatic, cervical and liver cancers are among the most prevalent cancer types in China. The oncology biologic market size for each specific indication is expected to be correlated to the relevant patient population and survival rate. According to American Cancer Society and literature reviews, the five-year relative survival rates of the top five cancers in terms of incidence in China are 19.7% (lung cancer), 35.1% (gastric cancer), 56.9% (colon and rectum cancer), 12.1% (liver cancer) and 82.0% (breast cancer), respectively. The five-year

relative survival rates of the top five cancers in terms of incidence in the U.S. are 90% (breast cancer), 24% (lung cancer – NSCLC), 6% (lung cancer – SCLC), 98% (prostate cancer), 63% (colon and rectum cancer – colon), 67% (colon and rectum cancer – rectum) and 92% (melanoma cancer), respectively. The five-year relative survival rates describe the percentage of patients with a disease alive five years after the disease is diagnosed, divided by the percentage of the general population of corresponding sex and age alive after five years. The figures of China are calculated on the basis of people diagnosed with cancer between 2012 and 2015, and the figures of the U.S. are calculated on the basis of people diagnosed with cancer between 2009 and 2015.

Development of Oncology Treatments

Oncology treatments have undergone significant development over the years, with chemotherapeutic drugs, targeted small molecule drugs and monoclonal antibodies becoming the major oncology treatments available to date. Chemotherapeutic drugs were the first systemic drugs to treat cancer. Although widely used in a broad range of indications, they frequently cause severe side effects. Since the early 2000s, there has been major progress in developing molecularly targeted drugs including small molecule drugs and monoclonal antibodies, which have revolutionized oncology treatments. Molecularly targeted drugs generally interfere with specific intracellular signaling that drives tumor growth and metastasis. Monoclonal antibodies are the largest category of therapeutic biologics and are used in targeted therapy and immuno-oncology therapy, which target tumor-selective antigens with a high degree of target specificity, reducing off-target toxicity and side effects.

Different types of oncology drugs can be used in combination treatments to achieve better therapeutic effects, representing the future trends for oncology treatment. In recent years, combination therapies of two or more monoclonal antibodies, as well as monoclonal antibody-based therapy in combination with chemotherapeutic drugs and molecularly targeted drugs, have been increasingly used. In addition, research and development on bi-specific antibody drugs is also gaining popularity.

The development of precision diagnosis and therapy could stimulate the research and development of precision drugs like oncology antibody drugs which could be matched with patients who have specific gene mutations and overexpression of cancer biomarkers. Under this background, more oncology antibody drugs, such as immune checkpoint inhibitors, and targeted therapeutic antibodies, such as Herceptin and Rituxan, have been included in the treatment guidelines published by NCCN and CSCO, trying to meet the unmet clinical needs for precision drugs. These factors increasingly enhance the position of antibody-based therapy in the treatment for cancer patients.

Key Growth Drivers of Oncology Drug Market

The primary market drivers and trends for the oncology drug market in China include:

- *Enlarging patient pool.* Incidence of cancer amounted to 4.5 million in 2019 and is projected to reach 5.8 million in 2030. The enlarging patient pool brings increased demand for as well as opportunities for development of oncology drugs. Aging population, environmental deterioration and unhealthy lifestyle may all be the potential reasons for the increasing incidence of cancers. In addition, the development of diagnosis technologies like next generation sequencing may also lead to earlier detection of cancers, in light of the fact that most cancers are not easily to be detected at an early stage, which will also enlarge the patient pool.

- *Accelerated approval process around the globe.* Before 2016, the approval process for targeted and immuno-oncology therapies was slow. From 2006 to 2016, a total of 21 targeted and immuno-oncology drugs were approved. However, the National Medical Products Administration in China, or the NMPA, significantly sped up the approval process for innovative drugs since 2017, and approved 7, 16 and 13 new targeted and immuno-oncology drugs in 2017, 2018 and 2019, respectively. The FDA in the United States also accelerates the approval process of new drugs by Breakthrough Therapy, Fast Track, Priority Review and Accelerated Approval. Over the past five years, the FDA has approved a vast number of newly launched oncology therapeutics for 89 indications, with some drugs approved for treating multiple tumor types. Some of these drugs are still under clinical trials to investigate the efficacy for other tumor indications.

- *Improved affordability.* China's medical reimbursement policies have become more favorable for oncology drugs. Starting from 2016, an increased number of expensive oncology drugs were added to the National Reimbursement Drug List ("NRDL"), or the NRDL, primarily due to the introduction of the policy of negotiation access to medical insurance. The 4th NRDL has been expanded in two rounds of negotiations in July 2017 and September 2018, after which 14 and 17 oncology drugs were added into the List B catalog, respectively. The 5th NRDL was then adjusted in the negotiation that occurred in November 2019 to add 70 drugs with an average price cut of 60.7%, making oncology drugs much more affordable for the patients. Among the commonly used oncology drugs, Cetuximab, Trastuzumab and Bevacizumab which are already covered by the NRDL have fallen sharply in price. Oncology drugs such as Pembrolizumab, Nivolumab and Trastuzumab Emtansine are yet to be included in the NRDL.

OVERVIEW OF ONCOLOGY ANTIBODY DRUG MARKET

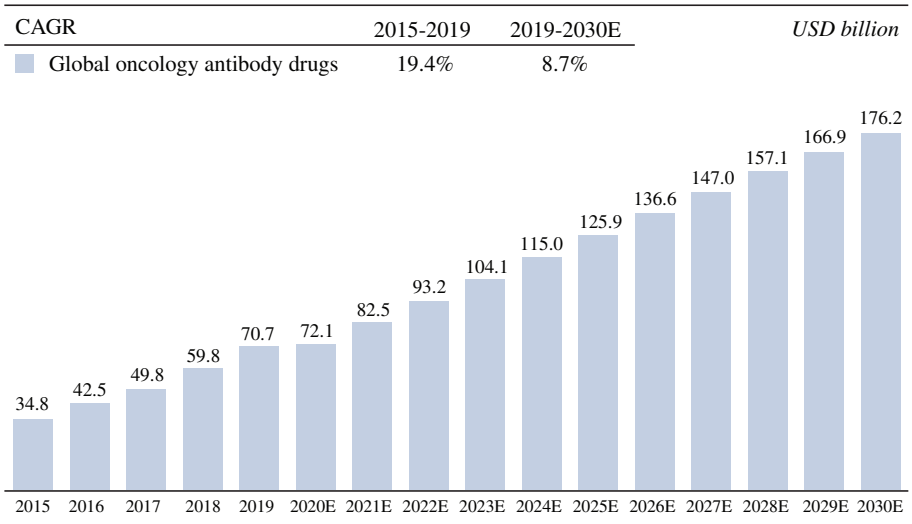
Oncology antibody drugs have generally shown higher efficacy and lower toxicity in treating cancers than traditional therapies such as chemotherapy and radiotherapy. Antibodies target tumor-selective antigens with a high degree of target specificity, which reduces off-target toxicity and side effects, and have gained increasing acceptance among patients and doctors. Oncology antibody drugs include monoclonal antibodies (also known as naked monoclonal antibodies), bi-specific antibodies and antibody-drug conjugate (ADCs, also known as conjugated monoclonal antibodies).

The evolution of oncology antibody drugs is part of the consistent progress of antibody drugs and oncology treatments, recognized as the innovation of antibody types as well as the development and discovery of new biomarkers. Since 2000, increasing number of genes and biomarkers have been found and thus driving the development of blockbuster targeted oncology antibody drugs. Especially after 2015, a huge number of new targeted oncology drugs including immune checkpoint inhibitors were approved and helped increase the overall survival rates for many cancer patients. According to NCCN and CSCO treatment guidelines for cancers, the oncology antibody drugs are increasingly used in all the treatment lines for different cancer types like NSCLC and gastric cancer, while the medical prognosis still needs to be improved. For cancers like pancreatic cancer and biliary tract cancer, few antibody drugs are included in the treatment lines which leaves significant unmet clinical needs.

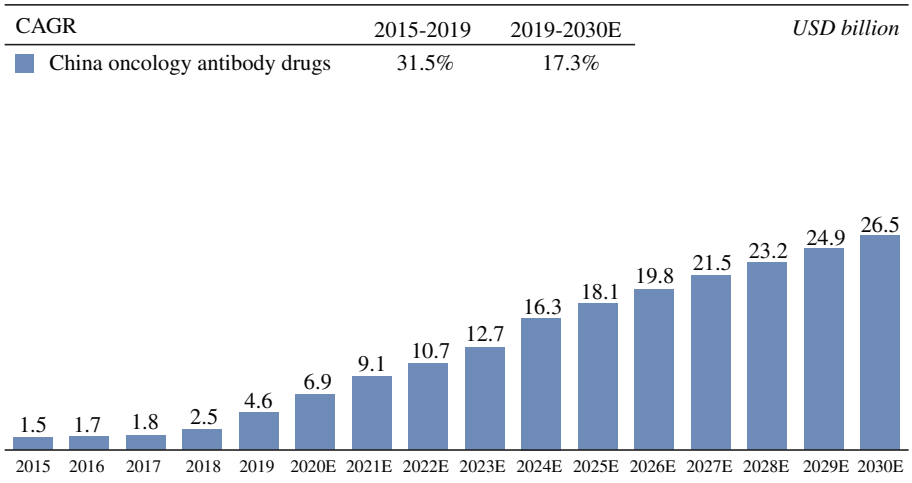
Market Size of Oncology Antibody Drugs

The size of the oncology antibody drugs market around the globe and in China is expected to reach US$176.2 billion and US$26.5 billion, respectively, in 2030. The following diagrams illustrate the market size of oncology antibody drugs around the globe and in China in 2015 and the estimated market size from 2020 to 2030.

Market size of oncology antibody drugs around the globe, 2015-2030E



Market size of oncology antibody drugs in China, 2015-2030E



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Annual reports; Literature Review; China Insights Consultancy

The total sales value of top oncology antibody drugs from 2015 to 2020 has been increasing year by year according to the annual reports of the MNCs, which is the basis of the historical market size of global and China oncology antibody drugs. According to WHO and NCCR, the incidence of cancers around the globe and in China will expand from 19.3 million and 4.6 million respectively in 2020 to 24.6 million and 5.8 million in 2030, enlarging the patient pool for oncology antibody drugs. The number of clinical trials for oncology antibody drugs is also increasing, which indicates more R&D inputs in this area. Subsequently, the indication of oncology antibody drugs will be extended and the efficacy will be improved. Meanwhile, the diagnosis rate and treatment rate are also expected to increase with the development of economy and technologies. Each patient will have a longer period to be treated with oncology antibody drugs with the rising 5-year survival rates of cancers around the globe and in China, which increases the sales volume of oncology antibody drugs thus further expanding the market.

OVERVIEW OF ANTI-PD-(L)1 THERAPIES MARKET

Overview of PD-(L)1 Antibodies for TMB-H tumors

Mechanism of Action of PD-(L)1 Antibodies for the treatment of TMB-H tumors

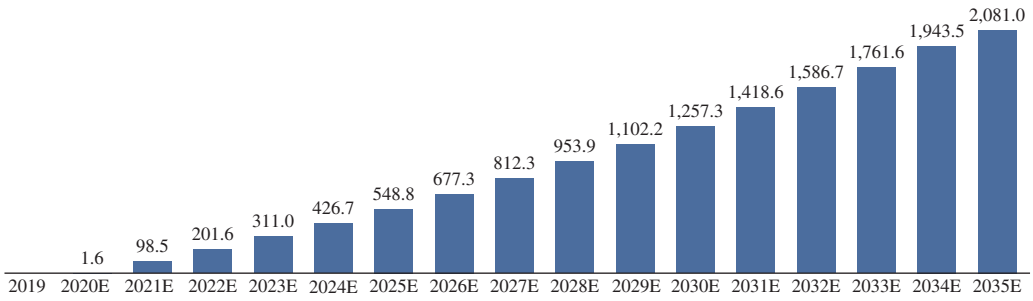
TMB ("Tumor Mutation Burden") generally refers to the total number of somatic gene coding errors, base substitutions, gene insertion or deletion errors detected per million bases (Mut/Mb), which can indirectly reflect the ability and degree of tumors to produce new antigens, and has been proven to predict the efficacy of immunotherapy for many tumors as an independent biomarker. Tissue TMB ("tTMB") and Blood TMB ("bTMB") are both proved to predict the immunotherapy effects. TMB-H indicates more mutations, some of which are expressed and translated to novel peptide, then become neoantigens through MHC on the tumor cells' surface, and there is a higher possibility that TMB-H tumors will be killed by T-cells activated by PD-(L)1 inhibitors.

Market Size of PD-(L)1 inhibitors for the treatment of TMB-H tumors

Globally, the incidence of TMB-H cancers is estimated to be 975.1 thousand in 2020 and the number is expected to further expand to 1,242.8 thousand in 2030. In China, this number is estimated to be 234.2 thousand in 2020 and is expected to expand to 291.9 thousand in 2030. The size of the TMB-H PD-(L)1 inhibitors market in the U.S. and China is expected to reach US$2,081.0 million and US$500.2 million, respectively, in 2035. The basis for the increase in the market size of TMB-H PD-(L)1 inhibitors market is as follows: the increasing awareness among doctors to choose TMB as a biomarker associated with response to immune checkpoint inhibitors; the diagnostic tool to identify patients with TMB-H solid tumors become well accessible in both the U.S. and China, which leads to easier patient screening; the increasing affordability among patients; and the easier access to PD(L)1 inhibitors targeting TMB-H solid tumors indication due to the increasing number of drugs to be approved in the future, especially in China where there is no approved PD-(L)1 inhibitors targeting TMB-H solid tumors in the region. The following diagram illustrates the market size of TMB-H PD-(L)1 inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

Market size of the U.S. TMB-H PD-(L)1 inhibitors, 2019-2035E

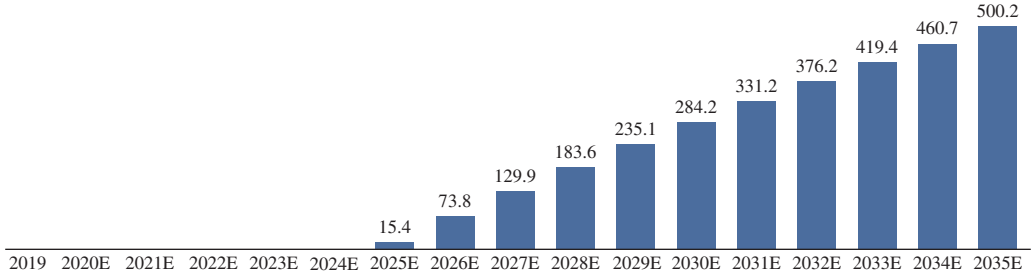
CAGR 2020E-2035E: 61.2% *USD million*



Note: Assuming in 2035, there will be over 100 thousand late stage TMB-H solid tumor patients in the United States. Assuming around 50% of the patients will progress to second-line treatment and 85% of them will use PD-(L)1 inhibitors.

Market size of China TMB-H PD-(L)1 inhibitors, 2019-2035E

CAGR 2025E-2035E: 41.7% *USD million*



Source: FDA; WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Note: Assuming in 2035, there will be over 230 thousand late stage TMB-H solid tumor patients in China. Assuming around 50% of the patients will progress to second-line treatment and 80% of them will use PD-(L)1 inhibitors, and the annual spending of PD-(L)1 inhibitors will decrease to US$5,000.

Combination therapy of PD-(L)1 and Claudin 18.2 inhibitors

For gastric cancer and esophageal cancer patients who have medium to high Claudin 18.2 expression, and show TMB-H, combination therapies of Claudin 18.2 and PD-(L)1 inhibitors are regarded potentially beneficial. According to Klempner S et.al (2021), nonclinical studies indicate enhanced anti-tumor activity with zolbetuximab plus anti-murine PD-1 antibody, therefore a hypothesis was raised that a combination of zolbetuximab with pembrolizumab might augment ADC and anti-tumor immune response in Claudin 18.2 overexpressing gastric and Gastroesophageal Junction (GEJ) adenocarcinoma patients. Based on this assumption, a phase II clinical trial was conducted to evaluate the tolerance and safety of combination therapy of zolbetuximab and pembrolizumab for metastatic or advanced unresectable gastric and GEJ Adenocarcinoma patients expressing both medium to high Claudin 18.2 and PD-L1 positive. The result of this study has not been published yet. From the academic perspective, a study by Zhang et.al (2020) demonstrated that targeting Claudin 18.2 could promote T-cells infiltration and antigen-presentation, which enhances the efficacy of immune checkpoint inhibitors such as PD-(L)1 inhibitors. They regarded the combination therapies of Claudin 18.2 and PD-(L)1 inhibitors being potential, and worth further academic and clinical researches. Moreover, preclinical and clinical studies for Claudin 18.2/PD-L1 bi-specific antibodies such as TST006 and Q-1802 are ongoing, which strengthen the potential synergy of Claudin 18.2 and PD-(L)1 targets.

Competitive Landscape of PD-(L)1 Antibodies for TMB-H Tumors

As of March 2021, only Keytruda has been approved for the second-line treatment of TMB-H solid tumor patients in the U.S., according to FDA and NMPA, and only MSB2311 of Transcenta is conducting clinical trials of anti-PD-(L)1 drugs targeted TMB-H solid tumor patients in China, according to CDE. The following diagram illustrates the approval history of TMB-H PD-(L)1 drugs in the U.S. and China as of March 2021.

Approval history of TMB-H PD-(L)1 drugs in the U.S. and China, as of March 2021

Drug name	Company	Indications	Treatment line	Approval date	Approved region
Keytruda (Pembrolizumab)	MSD	Monotherapy for the treatment of adult and pediatric patients with unresectable or metastatic tumor mutational burden-high (TMB-H) ≥10 mutations/megabase (mut/Mb) solid tumors	2L	2020/06/17	The U.S.

Note: Keytruda is a humanized antibody targeting PD-1.

Ongoing clinical trials* of TMB-H PD-(L)1 drugs conducted in the United States and China, as of March 2021

Drug name	Company	Indications	Phase	First posted date	Trial number
MSB2311	Transcenta	Advanced solid tumors	I	2018/07/23	CTR20180925
Nivolumab	BMS	TMB-H advanced or metastatic solid tumors	II	2018/09/12	NCT03668119
Envafolimab	Alphamab/ 3D Medicines	Advanced solid tumor or lymphoma	II	2021/08/06	CTR20211041

Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: FDA; NMPA; CDE

Competitive Landscape of PD-(L)1 Antibodies

As of the Latest Practicable Date, several PD-(L)1 mAbs had been approved globally. The following tables set forth approved drugs targeting PD-(L)1 in China and the United States as of the Latest Practicable Date.

PD-1 mAbs Approved by the FDA

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
Keytruda (Pembrolizumab)	MSD	29	Advanced melanoma	Sept, 2014
			Advanced NSCLC	Oct, 2015
			Recurrent or metastatic head and neck squamous cell carcinoma	Aug, 2016
			Classical Hodgkin lymphoma (cHL)	Mar, 2017
			Locally advanced or metastatic urothelial carcinoma	May, 2017
			Metastatic nonsquamous NSCLC	May, 2017
			MSI-H or dMMR unresectable or metastatic solid tumors	May, 2017
			Recurrent locally advanced or metastatic gastric or gastroesophageal junction cancer	Sept, 2017
			Refractory or relapsed primary mediastinal large B-cell lymphoma (PMBCL)	Jun, 2018
			Recurrent or metastatic cervical cancer	Jun, 2018
			Metastatic nonsquamous NSCLC with No EGFR or ALK Genomic Tumor Aberrations	Aug, 2018
			Metastatic Squamous Non-Small Cell Lung Cancer (NSCLC)	Oct, 2018
			Hepatocellular carcinoma (HCC) previously treated with Sorafenib	Nov, 2018
			Recurrent locally advanced or metastatic Merkel cell carcinoma	Dec, 2018
			Melanoma with involvement of lymph node(s) following complete resection	Feb, 2019
			Advanced renal cell carcinoma (RCC)	Apr, 2019
			Head and neck squamous cell carcinoma	Jun, 2019
			Metastatic SCLC	Jun, 2019
			Recurrent locally advanced or metastatic squamous cell carcinoma of the esophagus	Jun, 2019
			Advanced endometrial carcinoma	Sept, 2019
			BCG-Unresponsive, High-Risk, Non-Muscle Invasive Bladder Cancer	Jan, 2020
			unresectable or metastatic tumor mutational burden-high (TMB-H) solid tumors	Jun, 2020
			Recurrent or Metastatic Cutaneous Squamous Cell Carcinoma (cSCC)	Jun, 2020
			Unresectable or Metastatic MSI-H or dMMR Colorectal Cancer	Jun, 2020
			Relapsed or Refractory Classical Hodgkin Lymphoma (cHL)	Oct, 2020
			Combo With Chemotherapy Locally Recurrent Unresectable or Metastatic TNBC Express PD-L1	Nov, 2020
			Metastatic SCLC	Mar, 2021

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
			Locally Advanced or Metastatic Esophageal or Gastroesophageal Junction (GEJ) Carcinoma	Mar, 2021
			Locally Advanced Unresectable or Metastatic HER2-Positive Gastric or Gastroesophageal Junction Adenocarcinoma	May, 2021
Opdivo (Nivolumab)	BMS	21	Advanced melanoma	Dec, 2014
			BRAF V600 Wild-Type Melanoma	Oct, 2015
			Advanced NSCLC	Oct, 2015
			Metastatic renal cell carcinoma	Nov, 2015
			Classical Hodgkin lymphoma	May, 2016
			Recurrent or metastatic squamous cell carcinoma of the head and neck	Nov, 2016
			Locally advanced or metastatic urothelial carcinoma	Feb, 2017
			MSI-H or dMMR metastatic colorectal cancer	Aug, 2017
			Hepatocellular carcinoma previously treated with Sorafenib	Sept, 2017
			Adjuvant Therapy in Patients with Completely Resected Melanoma with Lymph Node Involvement or Metastatic Disease	Sept, 2017
			Intermediate- and Poor-Risk Advanced Renal Cell Carcinoma	Apr, 2018
			Previously Treated MSI-H/dMMR Metastatic Colorectal Cancer	Jul, 2018
			Metastatic SCLC	Aug, 2018
			Combo with Yervoy Hepatocellular Carcinoma (HCC) Previously Treated with Sorafenib	Mar, 2020
			Combo with Yervoy Metastatic Non-Small Cell Lung Cancer Whose Tumors Express PD-L1≥1%	Mar, 2020
			Combo with Yervoy First-Line Treatment of Metastatic or Recurrent Non-Small Cell Lung Cancer	Mar, 2020
			Advanced Esophageal Squamous Cell Carcinoma (ESCC) After Chemotherapy	Jun, 2020
			Combo with Yervoy for Previously Untreated Unresectable Malignant Pleural Mesothelioma	Oct, 2020
			Combo with Cabometyx for First-line Treatment for Patients with Advanced Renal Cell Carcinoma	Jan, 2021
			Advanced or Metastatic Gastric Cancer, Gastroesophageal Junction Cancer, and Esophageal Adenocarcinoma Regardless of PD-L1 Expression Status	Apr, 2021
			Adjuvant Treatment of Completely Resected Esophageal or Gastroesophageal Junction Cancer in Patients who have Received Neoadjuvant Chemoradiotherapy	May, 2021
Libtayo (Cemiplimab)	Regeneron	3	Advanced cutaneous squamous cell carcinoma	Sept, 2018
			First Immunotherapy Indicated for Patients with Advanced Basal Cell Carcinoma	Feb, 2021
			First-line Advanced Non-Small Cell Lung Cancer with PD-L1 Expression of ≥50%	Feb, 2021

PD-1 mAbs by Approved the NMPA

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
Keytruda (Pembrolizumab)	MSD	6	Unresectable or metastatic melanoma	Jul, 2018
			EGFR/ALK negative metastatic non-squamous NSCLC	Mar, 2019
			EGFR/ALK negative metastatic NSCLC	Sep, 2019
			Metastatic squamous NSCLC	Nov, 2019
			Esophageal squamous cell carcinoma	Jun, 2020
			Metastatic or unresectable refractory HNSCC	Dec, 2020
Opdivo (Nivolumab)	BMS	3	EGFR/ALK negative locally advanced or metastatic NSCLC	Jun, 2018
			Recurrent or metastatic head and neck squamous cell carcinoma	Sep, 2019
			Advanced or recurrent stomach cancer or esophagogastric junction adenocarcinoma	Mar, 2020
Airuika (Camrelizumab)	Hengrui	5	Refractory Hodgkin's lymphoma	Mar, 2019
			HCC	Mar, 2020
			Late stage esophageal squamous cell carcinoma	Jun, 2020
			Late stage non-squamous NSCLC	Jun, 2020
			TNBC	July, 2020
Baizean (Tislelizumab)	Beigene	3	Refractory or relapsed classical Hodgkin's lymphoma	Dec, 2019
			Late stage squamous NSCLC	Jan, 2021
			Late stage or metastatic urothelial carcinoma	Apr, 2020
Tuoyi (Toripalimab)	Junshi	3	Unresectable, metastatic malignant melanoma	Dec, 2018
			Refractory or metastatic nasopharyngeal	Feb, 2021
			Previous treated locally advanced or metastatic urothelial carcinoma	Apr, 2021
Daboshu (Sintilimab)	Innovent	3	Refractory Hodgkin's lymphoma	Dec, 2018
			Non-squamous NSCLC	Feb, 2021
			1L treatment combo with chemo for squamous NSCLC	Jun, 2021
Annike (Penpulimab)	Akeso/Sino Biopharma	1	2L+ recurrent or refractory classic Hodgkin's lymphoma	Aug, 2021
GLS-010 (Zimberelimab)	Gloria/Wuxi Biologics	1	2L+ recurrent or refractory classical Hodgkin's lymphoma (R/R cHL)	Aug, 2021

PD-L1 mAbs Approved by the FDA

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
Tecentriq (Atezolizumab)	Roche/ Genentech	9	Locally advanced or metastatic urothelial carcinoma	May, 2016
			Metastatic NSCLC	Oct, 2016
			Metastatic non-squamous NSCLC with no EGFR or ALK genomic tumor aberrations	Dec, 2018
			Unresectable locally advanced or metastatic triple-negative breast cancer (TNBC)	Mar, 2019
			Extensive-stage small cell lung cancer	Mar, 2019
			Metastatic non-squamous NSCLC	Dec, 2019

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
			Metastatic Non-Small Cell Lung Cancer	May, 2020
			Hepatocellular Carcinoma	May, 2020
			Advanced Melanoma	Jul, 2020
Bavencio (Avelumab)	Merck/Pfizer	4	Metastatic merkel cell carcinoma	Mar, 2017
			Locally advanced or metastatic urothelial carcinoma	May, 2017
			Advanced renal cell carcinoma	May, 2019
			Locally Advanced or Metastatic Urothelial Carcinoma	June, 2020
Imfinzi (Durvalumab)	AstraZeneca/ Medimmune	4	Previously Treated Patients with Advanced Bladder Cancer	May, 2017
			Unresectable stage III non-small cell lung cancer	Feb, 2018
			Extensive-Stage Small Cell Lung Cancer	Mar, 2020

PD-L1 mAbs Approved by the NMPA

Trade name (Generic name)	Company	Number of indication	Indications	Approval date
Imfinzi (Durvalumab)	AstraZeneca	1	Advanced NSCLC	Dec 9, 2019
Tecentriq (Atezolizumab)	Roche	2	SCLC	Feb 13, 2020
			Unresectable HCC	Oct 28, 2020

Market Drivers and Future Trends of China's PD-(L)1 Inhibitor Market

The primary market drivers and trends for the PD-(L)1 inhibitor market in China include:

- *Enlarging patient pool*. Incidence of cancer amounted to 4.5 million in 2019 and is projected to reach 5.8 million in 2030. The relapse rate of HCC after surgery within five years is between 40% and 70%. The relapse rate of DLBCL and Stages I-III breast cancer within five years reached 40% and 30%, respectively. Cancer treatment features high cost and long-term medication demand. Since PD-(L)1 inhibitors have demonstrated better efficacy and safety profiles in the treatment of cancer, the increasing prevalence of cancer is expected to drive the demands for PD-(L)1 inhibitors.

- *Increasing clinical use of immuno-oncology therapy*. The development of PD-(L)1 inhibitors increasingly focuses on indications with unmet medical needs, especially those with sizeable patients or growing incidence rates, such as HCC and BTC in China. In addition, there is a trend to use PD-(L)1 as maintenance therapy to avoid recurrent/refractory cancers, which in turn contributes to greater usage of PD-(L)1 inhibitors. Due to a better efficacy and safety profile, PD-(L)1 inhibitors are emerging as the standard of care for a number of advanced-stage cancers, such as first-line treatment for melanoma and NSCLC, leading to a wider patient coverage

for approved indications. In addition, the improved PFS and overall survival benefit in a number of major cancer types enable a longer treatment period and further increase demand for such drugs.

- *Improved affordability*. In China, the PD-(L)1 inhibitor market is also driven by improved affordability. Increasing per capita disposable income and per capita healthcare expenditure (including the increasing purchase of private insurance), the development of China's national reimbursement system and the price reduction after NRDL inclusion are factors that contribute to greater affordability of these relatively costly drugs for patients, thereby fueling market growth. After 2020 NRDL negotiation, all four PD-1 drugs from local pharmaceutical companies are included in NRDL list. The annual spending of these PD-1 drugs decreased around 60% to RMB50,000 to RMB76,000 per year.

- *Emerging combination strategy*. Combination therapies with immune checkpoint inhibitors as components are expected to improve the response rate and durability of monotherapies of the inhibitors, leading to potentially better efficacy for approved indications and efficacy in cancer types currently without effective treatments. As of March 5, 2021, there were 166 clinical trials with a PD-(L)1 inhibitor as a component in a combination therapy in China. The development of combination therapy increases the market potential for PD-(L)1 inhibitors.

OVERVIEW OF ANTI-CLAUDIN 18.2 THERAPIES MARKET

Overview of Anti-Claudin 18.2 Therapies

Mechanism of Action of Anti-Claudin 18.2 Therapies

For mechanism of action of anti-Claudin 18.2 therapies, see "Business-Our Drug Pipeline-Key Products-TST001: A Humanized Claudin 18.2 mAb for Solid Tumors-Mechanism of Action."

Major Cancers with Claudin 18.2 Expression

Claudin 18.2 is a pan-cancer target and is highly expressed in gastric cancer, pancreatic cancer, gallbladder and biliary tract cancer, esophageal cancer and lung cancer. The following table sets forth the major cancers with Claudin 18.2 expression.

Major cancers with Claudin 18.2 expression

Cancer type	Global incidence* (thousand people)		Claudin 18.2 expression rate	Claudin 18.2 medium to high expression rate# (of all patients)
	2020E	2030E		
• Stomach	1,089.1	1,417.5	~96%	~52%
• Pancreas	495.8	657.6	~63%	~49%
• Gallbladder and biliary tract	251.8	328.0	~40%-80%	~40%
• Esophagus	604.1	778.9	~18%~60%	~30%
• Lung	2,206.8	2,895.2	~40%	~10%
• Liver	905.7	1,164.7	~17%	<10%
• Ovary	314.0	381.3	~15%	<10%
• Colon	1,148.5	1,509.3	~13%	<5%
• Breast	2261.4	2738.4	~6%	N/A

Note: * Represents total patient incidence for respective type of cancer.
Claudin 18.2 medium to high expression means Claudin 18.2 expression rate exceeding 40%.

Source: *American Association for Cancer Research; Virchows Arch (2011) 459:73–80; Japanese Journal of Clinical Oncology, 2019, 49(9) 870–876; Virchows Archiv (2019) 475:563–571; Chinese Journal of Cancer Research, 2020;32(2):263-270; Journal of Histochemistry & Cytochemistry 59(10) 942–952; China Insights Consultancy*

The following table sets forth the epidemiology of the cancers and current standard of care in Claudin 18.2 inhibitor market.

Epidemiology of the cancers and current standard of care (SOC) in Claudin 18.2 inhibitor market

Cancer type	Incidence* in 2020 (thousand people)				5-year survival rate	Current SOC for advanced cancers		
	The U.S.		China			First line	Second line	Third line
	2020E	2030E	2020E	2030E				
Gastric cancer	~26.3	~33.9	~514.1	~639.4	~32%-35.1%	Systematic chemotherapy (HER2 negative) ORR: ~25%; mPFS: ~2.2 months; mOS: ~5.6 months	PD-(L)1 inhibitors ORR: ~12%; mPFS: ~1.5 months; mOS: ~5.3 months	No other effective treatment
Pancreatic cancer	~56.7	~74.9	~111.8	~168.6	~9%-9.9%	Systematic chemotherapy ORR: ~19%-33%; OS: ~6-11 months	No other effective treatment	No other effective treatment
Esophageal cancer	~18.3	~23.3	~347.4	~454.0	~20%-29.7%	Systematic chemotherapy ORR: ~37%-58%; mPFS: ~4.8-7.9 months; mOS: ~10.4-13.5 months	Ramucirumab+chemotherapy ORR: ~23%; mPFS: ~6 months; mOS: ~13 months	PD-(L)1 inhibitors ORR: ~16.4%; mPFS: ~2 months; mOS: ~5.6 months
Biliary tract cancer	~11.7	~17.3	~98.1	~155.1	~2%-24%	Systematic chemotherapy mPFS: ~8 months; mOS: ~11.7 months	No other effective treatment	No other effective treatment

Note: * Represents total patient incidence for respective type of cancer.

Source: *ASCO; NCCR; WHO; Cancer.Net; The New England Journal of Medicine; Oncologist. 2019 Apr; 24(4): 475–482.; China Insights Consultancy*

Competitive Advantage of Claudin 18.2 Inhibitor

Claudin 18.2 has exhibited great potential in prolonging the progression-free survival of patients with advanced gastric cancer. The following table sets forth the competitive analysis of Claudin 18.2 inhibitor and other inhibitors used in gastric cancer.

Competitive analysis of Claudin 18.2 inhibitor and other inhibitors used in gastric cancer

Drug name	Target	Expression rate	NCT number	mOS	mDOR	mPFS	ORR	Treatment line
Zolbetuximab	Claudin 18.2	~96%	NCT01630083	13.3 months	N/A	7.9 months	39%	1L
Ramucirumab	VEGFR2	~53%	NCT01170663	9.6 months	N/A	4.4 months	28%	2L
Trastuzumab	HER2	~16%	NCT01522768	13.8 months	4.9 months	6.7 months	47%	1L
Pembrolizumab	PD-1	~42%	NCT02335411	5.6 months	8.4 months	2.0 months	11.6%	≥2L

Notes:

(i) The phase IIb study (NCT01630083, FAST 2015) evaluated Zolbetuximab in coordination with first line epirubicin, oxaliplatin and capecitabine (EOX) chemotherapy in 161 patients with advanced/recurrent gastric/GEJ cancer.

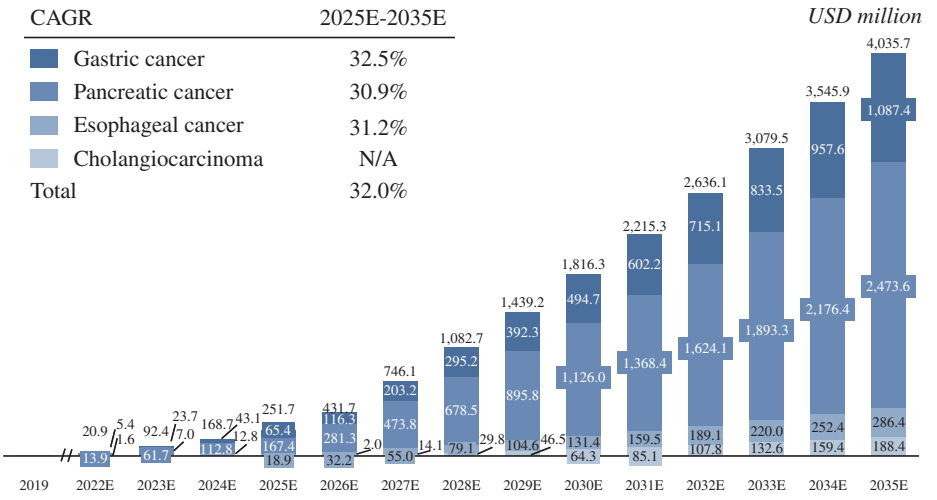
(ii) FAST study revealed an encouraging mPFS of 7.9 months in experimental groups and 5.3 months in the control.

Source: Journal of Oncology, 2020, 1–7.; J Hematol Oncol, 2017(10): 105; Biologics, 2015(9): 93-105; Lancet, 2018(367): 687-697; Transl Gastroenterol Hepatol, 2020(5):9; Onco Targets Ther. 2018; 11: 6525–6537

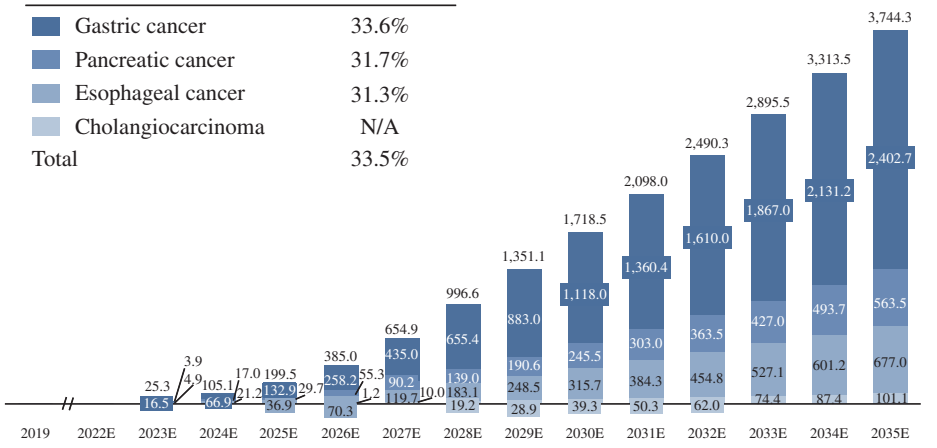
Market Size of Claudin 18.2 Inhibitor

The size of the Claudin 18.2 inhibitors market in the U.S. and China is expected to reach US$4.0 billion and US$3.7 billion, respectively, in 2035. The following diagrams illustrate the market size of Claudin 18.2 inhibitors by indications in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

Market size of Claudin 18.2 antibodies in the U.S., by indications, 2019-2035E



Market size of Claudin 18.2 antibodies in China, by indications, 2019-2035E



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Competitive Landscape of Claudin 18.2 Inhibitor

Multiple drug types targeting Claudin 18.2 are under clinical development globally, including mAbs, bi-specific antibodies, ADCs, and Car-T. Car-T has totally different mechanism than other drug types and so far marketed Car-T therapies have been approved for use in last line treatment of cancer only thus it has limited market potential. The below table sets forth a comparison between TST001 and its competitive drug candidates, including mAbs, bispecific antibodies and ADCs, in the U.S. and China as of the Latest Practicable Date.

Ongoing clinical trials* of Claudin 18.2 targeted antibodies conducted in the U.S. and China, as of the Latest Practicable Date

Drug name	Indications	Company	Clinical stages	Type	First posted date	Location of trials	Mono or Combo	Trial number
IMAB362	First-line Treatment for Claudin 18.2-positive and HER2-Negative, locally advanced unresectable or metastatic Gastric or Gastroesophageal Junction (GEJ) Adenocarcinoma	Astellas	Phase III	mAb	2018/04/20	The U.S.	IMAB362 + mFOLFOX6	NCT03504397
	First-line Treatment for Claudin 18.2-Positive, HER2-Negative, locally advanced unresectable or metastatic Gastric or GEJ Adenocarcinoma		Phase III	mAb	2018/08/31	The U.S.	IMAB362 + CAPOX	NCT03653507
	First-line Treatment for Claudin 18.2-positive Pancreatic Adenocarcinoma		Phase II	mAb	2019/01/25	The U.S.	IMAB362 + Nab-P + GEM	NCT03816163
	First-line treatment for Claudin 18.2-positive and HER2-negative GEJ Adenocarcinoma		Phase III	mAb	2019/04/19	China	IMAB362 + mFOLFOX6	CTR20190258
	First-line treatment for Claudin 18.2-positive and HER2-negative GEJ Adenocarcinoma		Phase III	mAb	2019/04/23	China	IMAB362 + CAPOX	CTR20190261
	First-line treatment for Claudin 18.2-positive and HER2-negative GEJ Adenocarcinoma		Phase I	mAb	2019/04/2	China	Mono	CTR20190250
AMG910	Claudin 18.2-positive GEJ Adenocarcinoma	Amgen	Phase I	Bispecific antibody	2020/02/7	The U.S	Mono	NCT04260191
TST001	Advanced and/or metastatic solid tumors including Gastric, GEJ, Pancreatic, Colon and Lung cancer	Transcenta	Phase I	mAb	2020/05/21	The U.S	Mono	NCT04396821
	Advanced/metastatic solid tumor		Phase II	mAb	2021/08/16	China	Mono and Combo	CTR20201281
AB011	Solid tumor with positive expression of Claudin 18.2	Carsgen Therapeutics	Phase I	mAb	2020/05/21	China	Mono	CTR20200515
ASKB589	Advanced/metastatic solid tumor	Aosaikang Pharmaceutical	Phase I/II	mAb	2020/10/29	China	Mono	CTR20202121
CMG901	Advanced Solid Tumor, Gastric Cancer, Gastroesophageal Junction Adenocarcinoma, Pancreatic Cancer	CONMED	Phase I	ADC	2020/12/9	China	Mono	CTR20202456
MIL93	Locally advanced/metastatic solid tumor	Mab-works	Phase I	mAb	2020/12/02	China	Mono	CTR20202436
M108	Advanced/unresectable solid tumor	FutureGen Biopharm	Phase I	mAb	2021/03/31	China	Mono	CTR20210508
Q-1802	Advanced Solid tumor	QureBio	Phase I	Bispecific antibody	2021/04/14	China	Mono	CTR20210800
LM-102	Claudin 18.2 Positive Advanced Solid Tumors	LaNova Medicines	Phase I	mAb	2021/7/22	China	Mono and Combo	CTR20211708
TJ-CD4B/ ABL111	Advanced or Metastatic Solid Tumors	I-Mab/ ABL Bio	IND approved	Bispecific antibody	2021/03/30	The U.S.	Mono	N/A
NBL-015	Claudin 18.2+ advanced solid tumor	CSPC	IND approved	mAb	2021/05/25	The U.S.	Mono	N/A

Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: ClinicalTrials.gov; CDE

Key Growth Drivers and Trends of the Claudin 18.2 Inhibitors Market

The primary market drivers and trends for *the Claudin 18.2 inhibitors market* in China include:

- *High expression rate*. Claudin 18.2 has expression rate of 96% in gastric cancer, and over 40% in pancreatic cancer. The medium to high expression is especially high in GI cancer patients. For patients with advanced metastatic gastric cancer, the expression rate of HER2 is less than 20%, while medium to high expression rate of Claudin 18.2 is around 50%. In FAST study, only 14% of Claudin 18.2 positive patients co-express HER2, indicating that Claudin 18.2 may be considered as a non-overlapping target for gastric cancer treatment. Claudin 18.2 therefore has the potential to be the preferred drug for gastric and pancreatic cancer. In addition, systematic chemotherapy with unsatisfying prognosis is still the first-line treatment of specific cancers with high Claudin 18.2 expression rate like pancreatic cancer and cholangiocarcinoma, which result in a lack of effective targeted therapy. As such, Claudin 18.2 inhibitors may satisfy the potential clinical demand.

- *Combination therapy with chemotherapy.* Compared with single chemotherapy, Zolbetuximab extends the average PFS from 4.8 months to 7.9 months, and the median OS from 8.4 months to 13.2 months. For patients with over 70% tumor cells that highly or moderately express Claudin 18.2, the median OS for patients treated with combination therapy of EOX and Zolbetuximab is nearly twice than those treated with EOX alone (16.7 months vs 9 months), without significant increase of grade three adverse reaction. This suggests that Claudin 18.2 antibody like Zolbetuximab combined with chemotherapy as the first-line treatment of advanced gastric or gastroesophageal junction adenocarcinoma has better efficacy and safety.

Anti-Claudin 18.2 Drugs in Treatment of Gastric Cancer

Pathology and Epidemiology of Gastric Cancer

Gastric cancer is mainly caused by gastric mucosa barrier damage, which makes promoters more likely to induce the cancer gene expression and gene mutation of stem cells. Carcinogens turn new protocells into poorly differentiated, out-of-control abnormal cells that gradually take up the space in normal gastric cells, eventually leading to organ failure and death.

Target therapy for gastric cancer is primarily targeted at HER2 at present and more new targets are to be developed, including Claudin 18.2 in the first-line therapy. In 2010, the HER2 biologics Herceptin was approved to launch on the market. Since then, the research of biologics for gastric cancer has stepped into an acceleration phase globally. Currently, the development of biologics for gastric cancer concentrates on the targets of HER2, VEGFR2 and PD-1. As only 16% gastric cancer patients are HER2 positive, more effective antibody drugs for the majority of gastric cancer patients are expected to be developed in the future. In FAST study, only 14% of Claudin 18.2 positive patients co-express HER2, indicating that Claudin 18.2 may be considered as a non-overlapping target for gastric cancer treatment.

Claudin 18.2 Treatment for Gastric Cancer

The anti-HER2 monoclonal antibody Trastuzumab plus standard chemotherapy have significantly improved response rate and survival outcomes in primary HER2 overexpression patients. Unfortunately, about 50% of patients did not respond to the combination treatment which suggested the existence of a primary resistance. In addition, the HER2 overexpression rate is only 13%-20% among gastric cancer patients. Despite immune checkpoint inhibitors having achieved positive results in many clinical trials, some randomized phase III trials reported negative outcomes with immune checkpoint inhibitors compared to chemotherapy.

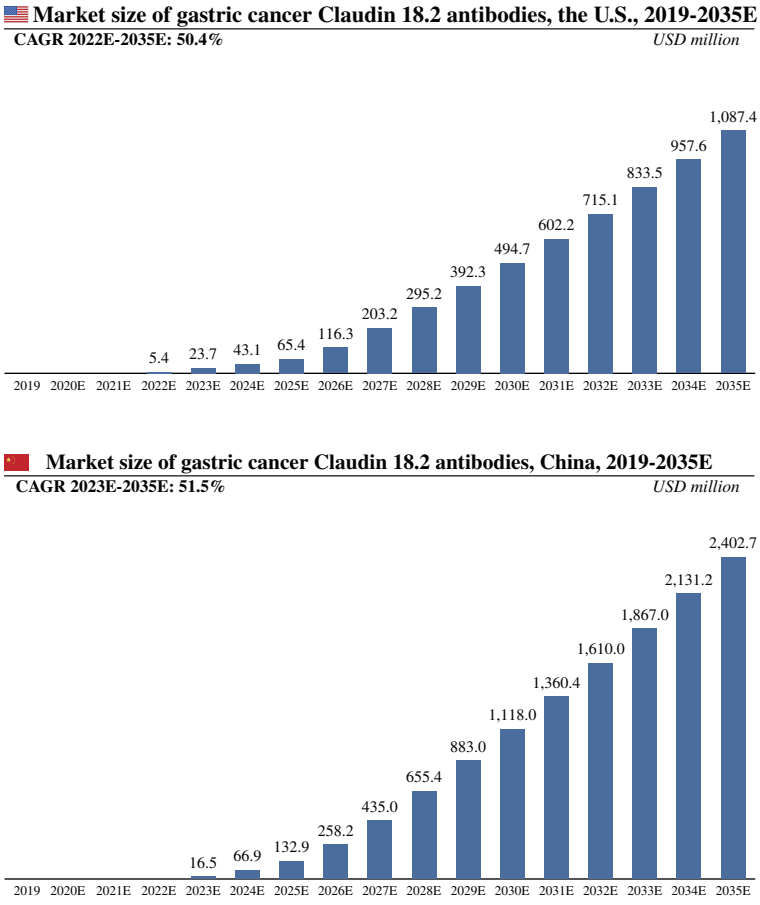
The KEYNOTE-061 phase III trial, comparing pembrolizumab with paclitaxel in gastric cancer patients who progressed on first-line chemotherapy, failed to improve OS and PFS. Several phase I -III trials focusing on immunotherapies for gastric cancer have found unsatisfactory objective response rates, ranging between 10% and 25%. The noticeable deficiency of PD-(L)1 blockades is inconsistency across a homogeneous study population with similar tumor characteristics. The exception to this can be observed in tumors with specific genetic changes, such as MSI-H, dMMR, and TMB-H. Another randomized phase III study Checkmate-649, Nivolumab in combination with chemotherapy, became the first PD-1 inhibitor to demonstrate superior OS and PFS in gastric cancer, which indicates that the PD-1 inhibitors have potential positive efficacy in treating gastric cancer.

Claudin 18.2 is a gastric specific membrane protein that has been identified as the potential target for treatment of gastric cancer due to its restricted expression in normal cells and solid tumors. By far, IMAB362 is the world's leading chimeric monoclonal antibody that targeted at Claudin 18.2. The phase II clinical results indicated that it can significantly prolong the survival time of advanced gastric cancer patients. The IMAB362 combined with chemotherapy for the first treatment of gastric cancer has begun its phase III clinical trial in 2018 around the globe. Claudin 18.2 targeted agent, such as IMAB362, has exhibited great potential in prolonging the progression-free survival of patients with advanced gastric cancer. Therefore, Claudin 18.2 is considered as a novel treatment target in gastric cancer which has a high expression rate of more than 90%, the combination therapy of Claudin 18.2 inhibitors and PD-(L)1 inhibitors could be a potential combination treatment for gastric cancer patients.

Market Size of Gastric Cancer Claudin 18.2 Inhibitors

The basis for the increase in the market size of Claudin 18.2 inhibitors market is as follows: the incidences of Claudin 18.2 positive cancers are relatively high both in the U.S. and in China, with over 50 thousand Claudin 18.2 positive cancer patients in the U.S. and 570 thousand Claudin 18.2 positive cancer patients in China. For those cancer patients who express Claudin 18.2, the current treatment options are limited especially among gastric cancer and pancreatic cancer patients. Therefore, there are huge unmet medical needs. In addition, zolbetuximab, a Claudin 18.2 inhibitors from Astellas, has already shown positive clinical data in recent studies. A a result, the likelihood of approval for Claudin 18.2 inhibitors in both the U.S. and China is relatively high.

The size of the gastric cancer Claudin 18.2 inhibitors market in the U.S. and China is expected to reach US$1,087.4 million and US$2,402.7 million, respectively, in 2035. The following diagram illustrates the market size of gastric cancer Claudin 18.2 inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Note: Assuming Claudin 18.2 antibodies will be used in first-line, second-line and third-line treatment of Claudin 18.2 positive gastric cancer. Assuming in 2035, for patients with high expression rate (>75%), 80% of the patients in the United States and 50% of the patients in China will use Claudin 18.2 antibodies. For patients with mid-level expression rate (40% ~ 75%), assuming 50% of the patients in the United States and 35% of the patients in China will use Claudin 18.2 antibodies.

Anti-Claudin 18.2 Drugs in Treatment of Pancreatic Cancer

Pathology and Epidemiology of Pancreatic Cancer

Pancreatic cancer is another kind of cancer of the digestive system, which is common in both the United States and China, with most patients in locally advanced and metastatic stage. It is a cancer in which pancreatic cells become cancerous and have the ability to invade other tissues. Pancreatic cancer is mainly adenocarcinoma of pancreas, which originates in the part of the pancreas that makes digestive enzymes. Several other cancers in this area are known as non-adenocarcinomas, and a very small number of tumors originate from neuroendocrine cells.

Claudin 18.2 Treatment for Pancreatic Cancer

The use of adjuvant chemotherapy was supported by the landmark randomized study (CONKO-001) which compared adjuvant gemcitabine after complete surgical resection against surgery alone. For metastatic pancreatic cancer, chemotherapy is still the preferred regimen according to the NCCN guideline, which shows ORR of around 25% and OS of 6 to 11 months in the first line treatment. Erlotinib is an EGFR targeted drug used in third-line treatment for people with advanced pancreatic cancer. This drug can be prescribed along with the chemo drug gemcitabine, but the whole effect is not significant as only some people may benefit more from this combination than others.

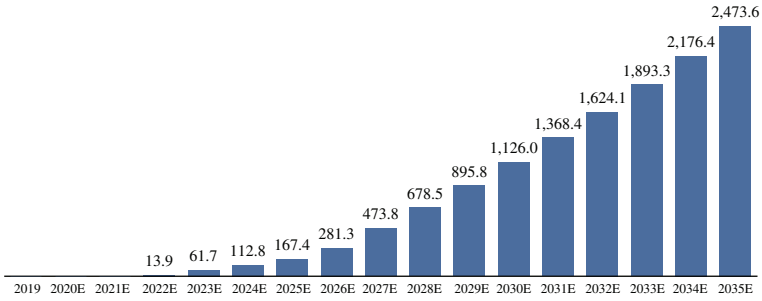
Claudin 18.2 expression rate in pancreatic cancer patients is about 63%, which indicates that the Claudin 18.2 targeted drugs could have potentially positive effects for pancreatic cancer compared to current treatment methods. And there are 3 Claudin 18.2 targeted candidates potentially for pancreatic cancer with ongoing clinical trials in the U.S., among which IMAB362 of Astellas combined with chemotherapy for first line treatment of pancreatic cancer in phase II is the most promising one, and TST001 of Transcenta is another candidate conducting the phase I trial.

Market Size of Pancreatic Cancer Claudin 18.2 Inhibitors

The size of the pancreatic cancer Claudin 18.2 inhibitors market in the U.S. and China is expected to reach US$2,473.6 million and US$563.5 million, respectively, in 2035. The following diagram illustrates the market size of pancreatic cancer Claudin 18.2 inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

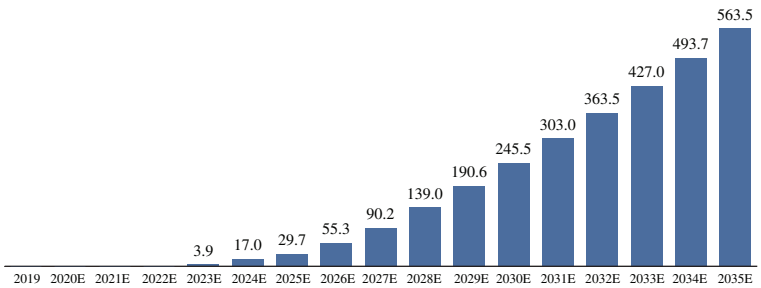
Market size of pancreatic cancer Claudin 18.2 antibodies, the U.S., 2019-2035E

CAGR 2022E-2035E: 49.0% *USD million*



Market size of pancreatic Claudin 18.2 antibodies, China, 2019-2035E

CAGR 2023E-2035E: 51.3% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Note: Assuming in 2035, among pancreatic cancer patients with high Claudin 18.2 expression rate, 80% of the patients in the United States and over 50% of the patients in China will use Claudin 18.2 antibodies. Among patients with mid-level Claudin 18.2 expression rate, 55% of the patients in the United States and 35% of the patients in China will use Claudin 18.2 antibodies.

Anti-Claudin 18.2 Drugs in Treatment of Esophageal Cancer

Pathology and Epidemiology of Esophageal Cancer

Esophageal cancer bears the characteristics of multi-stage, multi-factor and progressive evolution. It develops from normal mucosa to basal cell hyperproliferation, atypical hyperplasia, carcinoma in situ, and infiltrating carcinoma. Long-term accumulation of genetic changes leads to malignant proliferation of esophageal cells and the overexpression or abnormal expression of proteins.

Claudin 18.2 Treatment for Esophageal Cancer

The esophageal cancer can be classified into esophageal squamous cell carcinoma and esophageal adenocarcinoma, with ESCC accounting for 95% of patients. 60% of patients are at the stage of locally advanced or metastatic. The current first-line treatment is largely based on the Trastuzumab combined with chemotherapies. PD-1 inhibitors are recommended by NCCN guideline for esophageal cancer as the second-line treatment. Globally launched biologics for esophageal cancer, such as Herceptin, Keytruda, Opdivo and Camrelizumab, target at HER2 and PD-1. They fall far short of demand comparing with the high morbidity rate and the high mortality of esophageal cancer.

In the early stage of treatment, traditional methods such as surgeries and chemoradiotherapies are normally received by most of the Chinese patients, which results in a low survival rate. Patients urgently require more bio-targeted treatments with strong specificity and better curative effect at the locally advanced or metastatic stage, which indicates a huge market potential for Claudin 18.2 antibody drugs, as Claudin 18.2 expression rate in esophageal cancer is around 18% to 60% which is relatively high.

Esophageal cancer is one of the most lethal cancers in the world, and its morbidity and mortality rates rank among the top ten in China. Currently, surgical resection, radiotherapy and chemotherapy are the primary clinical treatments for esophageal cancer. However, outcomes are still unsatisfactory due to the limited efficacy and severe adverse effects of conventional treatments. In the research of targeting key signaling pathways, EGFR antibody was not included in NCCN guidelines because of its low overall survival and serious side effects. Among HER2 antibody drugs, trastuzumab is the standard first-line treatment for HER2-positive esophageal cancer patients, but its response rate is only between 30% and 60%. In addition, even if some patients are HER2-positive, they still cannot respond to trastuzumab. Ramucirumab is a VEGFR2 targeted antibody drug, and it is recommended by NCCN guideline

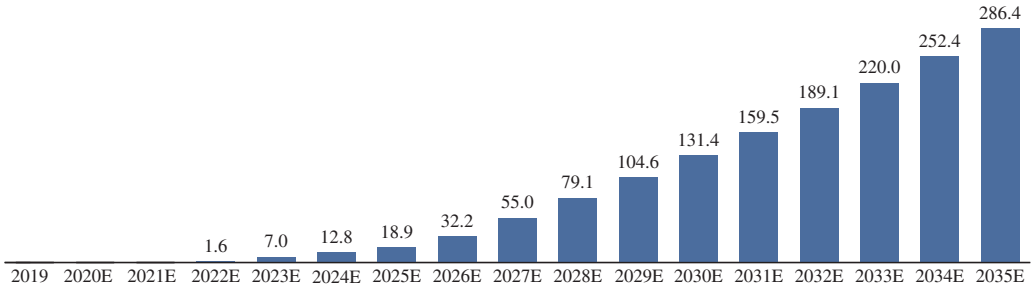
as second-line treatment of esophageal cancer combined with chemotherapy, with ORR, mPFS and mOS around 23%, 6 months and 13 months respectively. Among PD-(L)1 inhibitors, pembrolizumab has achieved good results in clinical trials, but its severe adverse reactions require further study. Claudin 18.2 is also expressed in esophageal cancer with an expression rate around 40% which also indicates the potential of Claudin 18.2 targeted drugs for pancreatic cancer treatment.

Market Size of Esophageal Cancer Claudin 18.2 Inhibitors

The size of the esophageal cancer Claudin 18.2 inhibitors market in the U.S. and China is expected to reach US$286.4 million and US$677.0 million, respectively, in 2035. The following diagram illustrates the market size of esophageal cancer Claudin 18.2 inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

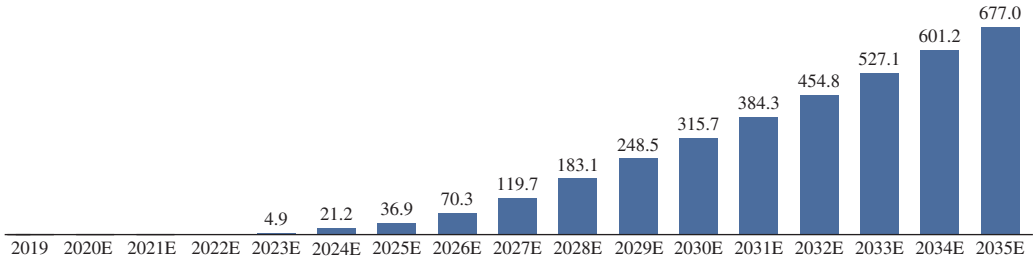
Market size of esophageal cancer Claudin 18.2 antibodies, the U.S., 2019-2035E

CAGR 2022E-2035E: 49.2% *USD million*



Market size of esophageal cancer Claudin 18.2 antibodies, China, 2019-2035E

CAGR 2023E-2035E: 50.8% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Note: Assuming in 2035, among ESCC patients with high Claudin 18.2 expression rate, 80% of the patients in the United States and over 50% of the patients in China will use Claudin 18.2 antibodies. Among patients with mid-level Claudin 18.2 expression rate, 55% of the patients in the United States and 35% of the patients in China will use Claudin 18.2 antibodies.

Anti-Claudin 18.2 Drugs in Treatment of Gallbladder and Biliary Tract Cancer

Pathology and Epidemiology of Gallbladder and Biliary Tract Cancer

Biliary tract cancer is a relatively rare malignancy, which includes cholangiocarcinoma and gallbladder carcinoma. Cholangiocarcinoma is further classified into extrahepatic and intrahepatic cholangiocarcinoma. The initial transformation cells that cause tumors in the biliary system may come from pluripotent liver stem cells. In addition, the expression of CK7 and CK19 and the absence of CK20 may relate to the origin of the tumor.

Claudin 18.2 Treatment for Gallbladder and Biliary Tract Cancer

In the treatment of gallbladder and biliary tract cancer, radical resection is the standard and only approach for patients at the early stage. However, most of the patients cannot receive surgical resection, as the cancer has stepped into the metastatic stage by the time of diagnosis. Thus, chemotherapy with subsequent supportive R1/R2 (R1 resection indicates resection of macroscopic disease with microscopic margins positive for tumor. R2 indicates gross macroscopic residual tumor after resection) has become the main approach for these patients. Due to the deterioration of gallbladder and biliary tract cancer and the rapid rate of physical decline, only a few of them could receive the second-line treatment. The targets of PD-1, PD-L1, HER2, LAG-3, and TGF-β have been used in the pipeline of Chinese biologics for the treatment of gallbladder and biliary tract cancer. Some of the immunotherapies have been off-labeled into systemic treatment. However, evidences of the immunotherapy are still scarce, so the development of new biologics still has the potential to innovate the guidelines of gallbladder and biliary tract cancer.

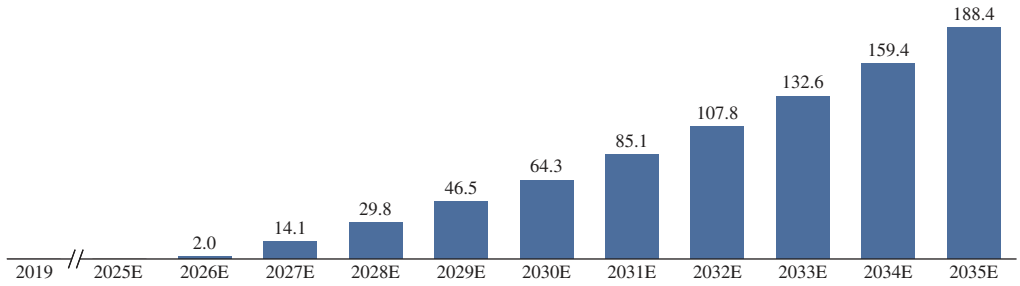
For resectable disease, a systemic review and meta-analysis showed that there was no significant gain in overall survival given by adjuvant chemotherapy in the whole population. For unresectable disease, chemoradiotherapy has been considered a possible option in the treatment of locally advanced and nonresectable biliary tract cancer with survival rates between 9 and 14 months. However, the only randomized experience available demonstrated inferiority of chemoradiotherapy compared to chemotherapy. The clinical trial results for targeted therapies were disappointed and targeted therapies failed to prolong survival outcomes in the treatment of nonresectable and metastatic biliary tract cancer, both in first- and second-line settings. Combination chemotherapy still remains the standard treatment in advanced disease. Similar to gastric cancer, Claudin 18.2 also has a relatively high expression rate as around 40% to 80% in gallbladder and biliary tract cancer, the combination therapy of Claudin 18.2 inhibitors and PD-(L)1 inhibitors may also have a potentially promising treatment efficacy for gallbladder and biliary tract cancer patients.

Market Size of Cholangiocarcinoma Cancer Claudin 18.2 Inhibitors

The size of the cholangiocarcinoma cancer Claudin 18.2 inhibitors market in the U.S. and China is expected to reach US$188.4 million and US$101.1 million, respectively, in 2035. The following diagram illustrates the market size of cholangiocarcinoma cancer Claudin 18.2 inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

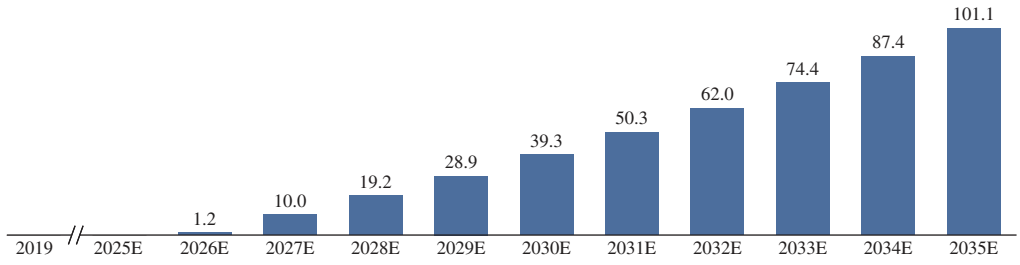
Market size of cholangiocarcinoma Claudin 18.2 antibodies, the U.S., 2019-2035E

CAGR 2026E-2035E: 66.0% *USD million*



Market size of cholangiocarcinoma Claudin 18.2 antibodies, China, 2019-2035E

CAGR 2026E-2035E: 63.8% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Note: Assuming in 2035, among cholangiocarcinoma patients with high Claudin 18.2 expression rate, 80% of the patients in the United States and over 50% of the patients in China will use Claudin 18.2 antibodies. Among patients with mid-level Claudin 18.2 expression rate, 55% of the patients in the United States and 35% of the patients in China will use Claudin 18.2 antibodies.

OVERVIEW OF ANTI-PD-L1/TGF-β BI-FUNCTIONAL THERAPIES MARKET

Overview of PD-L1/TGF-β Bi-functional Antibodies

Mechanism of Action of PD-L1/TGF-β Bi-functional Antibodies

For mechanism of action of PD-L1/TGF-β Bi-functional antibodies, see "Business – Our Drug Pipeline – Key Products-TST005: A PD-L1/TGF-β Bi-functional Antibody Candidate for Solid Tumors – Mechanism of Action."

The following table sets forth the epidemiology of the cancers and current standard of care in PD-L1/TGF-β bi-functional antibody drugs market.

Epidemiology of the cancers and current standard of care (SOC) in PD-L1/TGF-β Bi-functional antibody drugs market

Cancer type	Incidence* in 2020 (thousand people)				5-year survival rate	Current SOC for advanced cancers		
	The U.S.		China			First line	Second line	Third line
	2020E	2030E	2020E	2030E				
HPV-related cancer (cervical cancer accounts for more than 80% of HPV-related cancer)	~14.5	~15.6	~125.1	~134.3	~66%-67.6% (cervical cancer)	Systematic chemotherapy (cervical cancer) ORR: 36% OS: ~13.3 months	Bevacizumab plus chemotherapy (cervical cancer) ORR: 48% OS: ~17.0 months	No other effective treatment
NSCLC	~182.3	~221.2	~757.5	~1,013.7	~25%	Pembrolizumab or / and chemotherapy PFS:~7.1-10.3 months OS:~20.0-30.0 months EGFR-TKI or / and chemotherapy ORR: ~58%-83% mOS: ~19.3-34.9 months mPFS:~9.2-13.1 months	Pembrolizumab or / and chemotherapy ORR:~8.9%-23.3% PFS:~4.1-5.2 months	No other effective treatment
SCLC	~45.6	~55.3	~189.4	~253.4	~7%	Systematic chemotherapy ORR: ~67%-86% OS: ~10.4-15.4 months PFS:~5.2-6.9 months	Pembrolizumab or / and chemotherapy ORR:~33% mPFS:~1.9 months mOS:~9.7 months	No other effective treatment
Nasopharyngeal cancer	~1.9	~2.1	~51.2	~58.8	~49%-85%	Systematic chemotherapy ORR: ~21.7%-86% mOS: ~11.5-28.5 months mPFS:~2.5-26 months	Systematic chemotherapy mOS: ~11.9 months mPFS:~5.6 months	Anti-PD-(L)1 or / and chemotherapy ORR:~20.5%-34.1% mOS:~16.5%-17.1% mPFS:~2.4-9.9 months
Pancreatic cancer	~56.7	~74.9	~111.8	~168.6	~9%-9.9%	Systematic chemotherapy ORR:~19%-33%; OS: ~6-11 months	No other effective treatment	No other effective treatment
Gastric cancer	~26.3	~33.9	~514.1	~639.4	~32%-35.1%	Systematic chemotherapy (HER2 negative) ORR:~25%; mPFS: ~2.2 months; mOS: ~5.6 months	PD-(L)1 inhibitors ORR: ~12%; mPFS: ~1.5 months; mOS: ~5.3 months	No other effective treatment
Biliary tract cancer	~11.7	~17.3	~98.1	~155.1	~2%-24%	Systematic chemotherapy mPFS: ~8 months; mOS: ~11.7 months	No other effective treatment	No other effective treatment

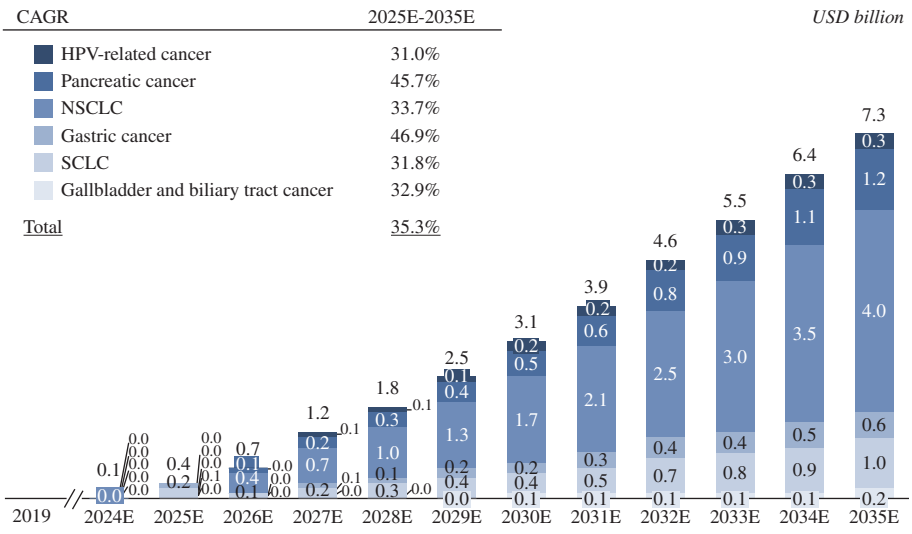
Note: * Represents total patient incidence for respective type of cancer.

Source: *ASCO; NCCR; WHO; ESMO Cancer.Net; Transl Lung Cancer Res. 2017 Dec; 6(Suppl 1): S84S87; J Oncol Pract. 2018 Jun; 14(6): 359366; J Immunother Cancer. 2019; 7: 159; Ann Transl Med. 2018 Jun; 6(11): 201; Analysis of Oncology, 30(12), 1852-1855; China Insights Consultancy*

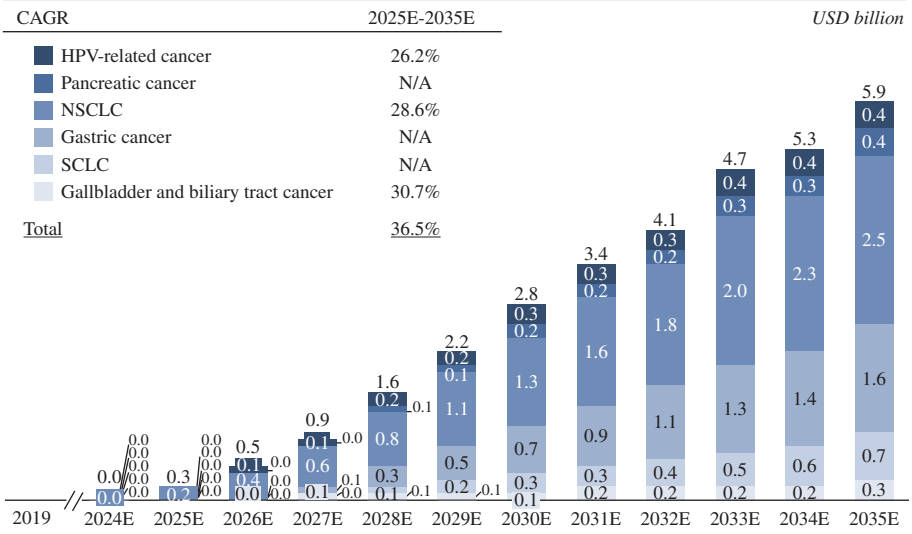
Market Size of PD-L1/TGF-β Bi-functional Antibodies

The size of the PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$7.3 billion and US$5.9 billion, respectively, in 2035. The following diagram illustrates the market size of PD-L1/TGF-β Bi-functional antibodies by indications in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

Market size of PD-L1/TGF-β bispecific antibodies in the U.S., by indications, 2019-2035E



Market size of PD-L1/TGF-β bispecific antibodies in China, by indications, 2019-2035E



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Competitive Landscape of PD-L1/TGF-β Bi-functional Antibodies

The below table sets forth the ongoing clinical trials of PD-L1/TGF-β Bi-functional antibody drugs conducted in the U.S. and China, as of August 2021.

Ongoing Clinical trials* of PD-L1/TGF-β Bi-functional antibody drugs conducted in the U.S. and China, as of March 2021

Drug name	Indication	Company	Phase	First posted date	Location of trials	Mono or Combo	Trial number
M7824	High PD-L1 expressing NSCLC	Merck	Phase III	2018/08/15	The U.S	Mono	NCT03631706
	Unresectable stage III NSCLC		Phase III	2020/07/1	China	Combo with cCRT	CTR20200028
	Cholangiocarcinoma		Phase II/III	2020/09/9	China	Combo with Gemcitabine and Cisplatin	CTR20201010
	HPV related cancer		Phase II	2018/02/9	The U.S	Mono	NCT03427411
	Locally advanced or metastatic second line (2L) biliary tract cancer		Phase II	2019/02/7	The U.S	Mono	NCT03833661
	Unresectable stage III NSCLC		Phase II	2019/02/15	The U.S	Combo with Etoposide, Pemetrexed, Carboplatin, Paclitaxel, Cisplatin and radiotherapy	NCT03840902
	Locally Advanced or Metastatic Cholangiocarcinoma		Phase II	2019/07/12	China	Mono	CTR20191364
	Advanced, unresectable cervical cancer with disease progression during or after platinum-containing chemotherapy		Phase II	2020/01/29	The U.S	Mono	NCT04246489
	Thymoma or thymic cancer returned or progressed after treatment with at least one platinum-containing chemotherapy		Phase II	2020/06/5	The U.S	Mono	NCT04417660
	High Mobility Group AT-Hook 2 (HMGA2) expressing Triple Negative Breast Cancer (TNBC)		Phase II	2020/07/28	The U.S	Mono	NCT04489940
	Advanced unresectable cervical carcinoma		Phase II	2020/08/3	China	Mono	CTR20201516
	Metastatic urothelial cancer		Phase II	2020/08/6	The U.S	Mono	NCT04501094
	Untreated resectable NSCLC		Phase II	2020/09/23	The U.S	Mono	NCT04560686
	mCRC MSI-H solid tumor		Phase I/II	2018/02/19	The U.S	Mono	NCT03436563
	Previously treated advanced pancreatic adenocarcinoma		Phase I/II	2018/03/2	The U.S	Combo with Gemcitabine	NCT03451773
	Relapsed SCLC		Phase I/II	2018/06/13	The U.S	Combo with Topotecan or Temozolomide	NCT03554473
	Stage IV NSCLC		Phase I/II	2019/02/15	The U.S	Combo with Cisplatin/Carboplatin, Pemetrexed, Paclitaxel/Nab-paclitaxel, Gemcitabine and Docetaxel	NCT03840915
	Metastatic Triple Negative Breast Carcinoma (TNBC)		Phase I	2018/07/6	The U.S	Combo with Eribulin Mesylate	NCT03579472
	Stage II-III HER2 positive breast cancer		Phase I	2018/08/8	The U.S	Mono	NCT03620201
	Metastatic non-prostate genitourinary malignancies		Phase I	2020/01/22	The U.S	Combo with M9241 and radiotherapy	NCT04235777
	Metastatic or locally advanced urothelial cancer		Phase I	2020/04/16	The U.S	Mono	NCT04349280
	Locally advanced or advanced cervical cancer		Phase I	2020/09/16	The U.S	Combo with Cisplatin/Carboplatin, Paclitaxel, Bevacizumab and radiotherapy	NCT04551950
SHR1701	Unresectable stage III NSCLC	Hengrui	Phase II	2020/10/10	China	Mono or combo with Cisplatin/Carboplatin/ Paclitaxel	CTR20201959
	Advanced solid tumors and B-cell lymphomas		Phase I/II	2020/05/29	China	Combo with SHR 2554	NCT04407741
	Advanced or Metastatic Pancreatic Cancer		Phase I/II	2020/11/9	China	Combo with Gemcitabine and Docetaxel	CTR20202208
	Advanced Solid Tumors		Phase I/II	2020/11/25	China	Combo with Famectinib malate	CTR20202300
	Advanced Solid Tumors		Phase I	2018/10/9	China	Mono	CTR20181823
	Advanced Solid Tumors		Phase I	2018/12/18	China	Mono	CTR20182404
	Recurrent or Metastatic Nasopharyngeal Carcinoma		Phase I	2020/02/20	China	Mono	CTR20200232
PM8001	Advanced Solid Tumors	Biotheus	Phase II	2020/06/24	China	Mono	CTR20200730
QLS31901	Advanced Malignant Tumors	Qilu Pharmaceutical	Phase I	2021/07/08	China	Mono	NCT04954456
TST005	Locally advanced or metastatic solid tumors	Transcenta	Phase I	2021/07/012	The U.S	Mono	NCT04958434
Y101D	Metastatic or locally advanced solid tumors	YZY Biopharma	Phase I	2021/07/22	China	Mono	CTR20211776

Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: ClinicalTrials.gov; CDE

Market Drivers and Future Trends of China's PD-L1/TGF-β Bi-functional inhibitor Market

The primary market drivers and trends for the PD-L1/TGF-β bi-functional inhibitor market in China include:

- *Inhibit cancer metastasis*. High TGF-β expression is associated with cancer metastasis and poor patient prognosis, and inhibiting TGF-β signaling pathway is expected to prevent metastasis of cancer and improve the prognosis. Researches and studies indicate that inhibiting both PD-L1 and TGF-β pathway could effectively prevent metastasis and improve survival rate. Therefore, PD-L1/TGF-β bi-functional antibody has the potential to develop.

- *Treat "cold tumors"*. "Cold tumors" are characterized as initial resistance of immune checkpoints, due to the lack of tumor T-cell infiltration. A research indicates that the lack of response to Atezolizumab is associated with a signature of TGF-β signaling in fibroblasts. The research illustrates that therapeutic administration of a TGF-β blocking antibody along with anti-PD-L1 could reduce TGF-β signaling in stromal cells, then facilitate T-cells' penetration in to the tumor center, and finally trigger vigorous anti-tumor immunity and tumor regression.

- *Better efficacy*. In addition to preventing cancer cell metastasis and enhancing T-cell immune response, bi-functional antibody can also reduce the drug resistance to PD-L1. Phase 1 trial NCT02517398 showed that NSCLC patients who progressed after 1L treatment and treated with bi-functional antibody had higher ORRs than 2L+ patients with PD-L1. Another study showed that bi-functional antibody is an effective combination partner for radiotherapy or chemotherapy in mouse models.

PD-L1/TGF-β Bi-functional in Treatment of HPV-related cancer

Epidemiology of HPV-related cancer

HPV-related cancers mainly include cervical cancer, head and neck cancer, and anogenital tract cancer. There are more than 200 types of human papillomavirus (HPV). Around 40 kinds of HPV can infect human genital area like vulva, vagina, cervix, rectum, anus, penis, and scrotum, as well as mouth and throat. These kinds of HPV are spread during sexual contact. Other types of HPV cause common warts like hand warts and plantar warts on the feet but these are not sexually transmitted. Genital HPV infections are very common. In fact, most people who have sex could contract HPV at some point in their lives. Most people contracted HPV have no symptom and feel totally well, so they usually do not even know they are infected. Most genital HPV infections are not harmful at all and could disappear naturally. But some kinds of HPV can lead to genital warts or certain types of cancer. Approximately 647.3 thousand new cases of HPV-related cancer are reported worldwide in 2020 and the number is expected to further expand to 821.4 thousand. In China, the incidence of HPV-related cancer is expected to grow from 125.1 thousand in 2020 to 134.3 thousand in 2030. According to CIC, HPV vaccines were approved in China in 2017, and the vaccines target women who are 16-26 years old. It is recommended that women should take vaccines before having sex for the first time. HPV-related cancer is most frequently diagnosed after age 40, and over 15% of cervical cancer, which is the largest category of HPV-related cancer, is diagnosed in women older than

65. HPV vaccination will not significantly affect the incidence of cervical cancer in 2030 because the majority of these patients have already missed the best opportunity to receive HPV vaccine. The influence of HPV vaccination on cervical cancer incidence may be more significant after 2035.

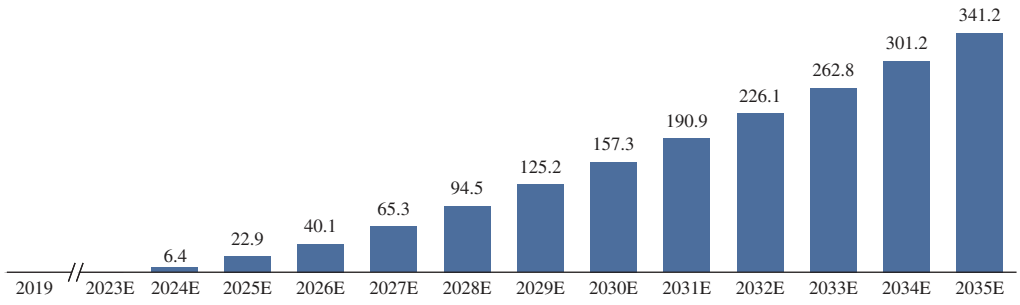
Cervical cancer is a type of cancer that occurs in the cells of the cervix. According to the International Journal of Cancer, cervical cancer accounts for approximate 83% of all HPV-related cancer globally. In China, the incidence of cervical cancer reached 115.7 thousand in 2019 and is expected to expand to 125.4 thousand by 2030, according to NCCR and WHO. The main types of cervical cancers are squamous cell carcinoma and adenocarcinoma. When diagnosed, cervical cancer is one of the most successfully treatable forms of cancer. The main treatment for advanced cervical cancer is radiotherapy such as external beam radiation therapy (EBRT) with adjuvant chemotherapy. Chemotherapy mainly adopts platinum-containing monotherapy or combination therapy. According to the CSCO guidelines for cervical cancer, bevacizumab is recommended to be used in both first- and second-line treatments.

Market Size of PD-L1/TGF-β Bi-functional Inhibitors for HPV-related Cancers in the United States and China

The size of the HPV-related cancer PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$341.2 million and US$434.4 million, respectively, in 2035. The below tables set forth the growth trend of the market size of HPV-related cancer PD-L1/TGF-β Bi-functional inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

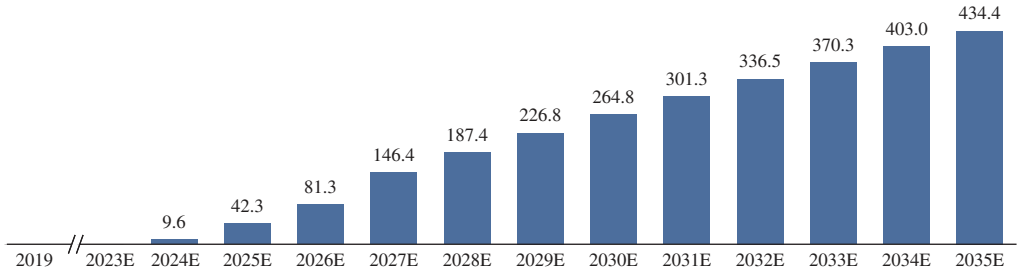
Market size of HPV-related cancer PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2024E-2035E: 43.4% *USD million*



Market size of HPV-related cancer PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2024E-2035E: 41.5% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

PD-L1/TGF-β Bi-functional in Treatment of Gastric Cancer

Epidemiology of Gastric Cancer

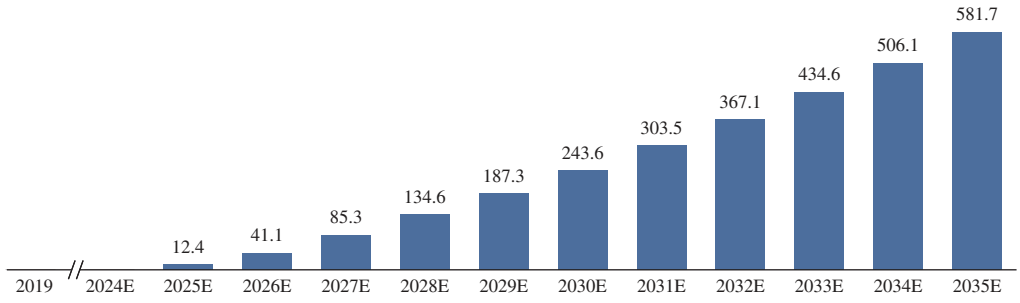
For epidemiology of gastric cancer, please refer to "– Anti-Claudin 18.2 Drugs in Treatment of Gastric Cancer" above.

Market Size of the Gastric Cancer PD-L1/TGF-β Bi-functional inhibitors

The size of the gastric cancer PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$581.7 million and US$1,622.0 million, respectively, The below tables set forth the growth trend of the market size of gastric cancer PD-L1/TGF-β Bi-functional antibodies in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

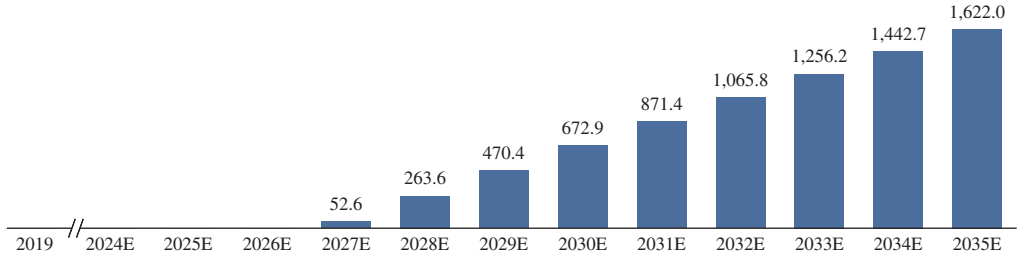
Market size of gastric cancer PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2025E-2035E: 46.9% *USD million*



Market size of gastric cancer PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2027E-2035E: 53.5% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

PD-L1/TGF-β Bi-functional in Treatment of Pancreatic Cancer

Epidemiology of Pancreatic Cancer

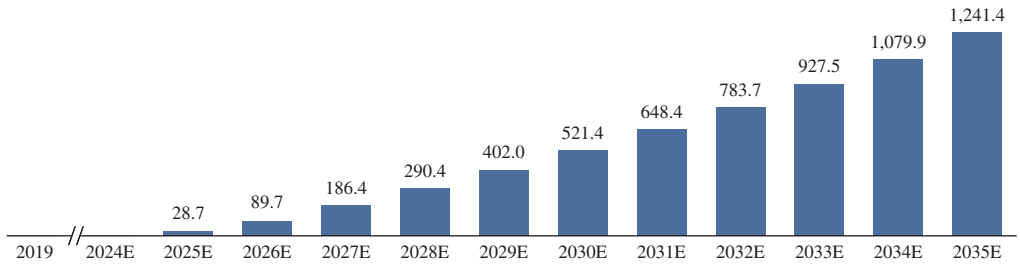
For epidemiology of pancreatic cancer, please refer to "– Anti-Claudin 18.2 Drugs in Treatment of Pancreatic Cancer" above.

Market Size of the Pancreatic Cancer PD-L1/TGF-β Bi-functional inhibitors

The size of the pancreatic cancer PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$1,241.4 million and US$378.1 million, respectively, The below tables set forth the growth trend of the market size of pancreatic cancer PD-L1/TGF-β Bi-functional antibodies in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

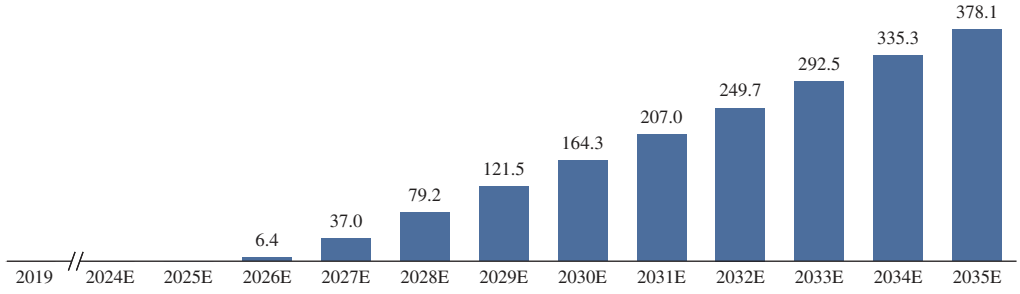
Market size of pancreatic cancer PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2025E-2035E: 45.7% *USD million*



Market size of pancreatic cancer PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2026E-2035E: 57.3% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

PD-L1/TGF-β Bi-functional in Treatment of Lung Cancer

Pathology and Epidemiology of Lung Cancer

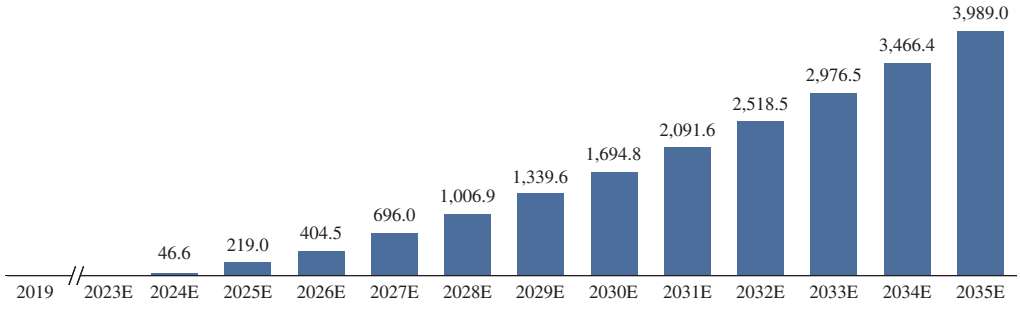
Lung cancer is one of the major causes of death due to cancers. Lung cancer starts to develop in the cells of the lungs. They grow in numbers and destroy nearby tissues and keep on doing that until the final stage arrives. There are two types of lung cancer, small cell lung cancer and non-small cell lung cancer. The small cell lung cancer type is most common in men.

Market size of the NSCLC PD-L1/TGF-β Bi-functional Inhibitors

The size of the NSCLC PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$3,989.0 million and US$2,507.7 million, respectively, in 2035. The below tables set forth the growth trend of the market size of NSCLC PD-L1/TGF-β Bi-functional inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

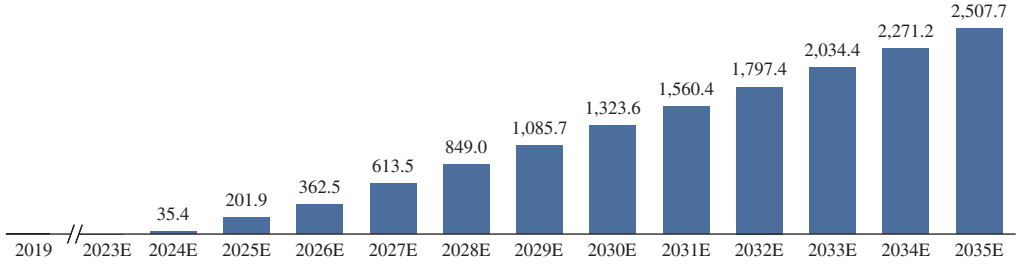
Market size of NSCLC PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2024E-2035E: 49.9% *USD million*



Market size of NSCLC PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2024E-2035E: 47.3% *USD million*



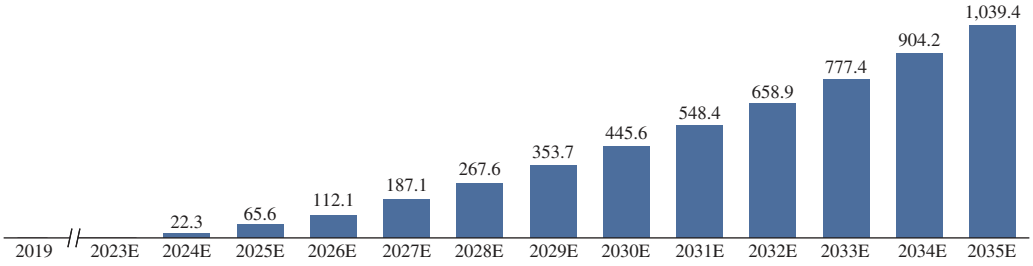
Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

Market size of the SCLC PD-L1/TGF-β Bi-functional Inhibitors

The size of the SCLC PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$1,039.4 million and US$666.5 million, respectively, in 2035. The below tables set forth the growth trend of the market size of SCLC PD-L1/TGF-β Bi-functional inhibitors in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

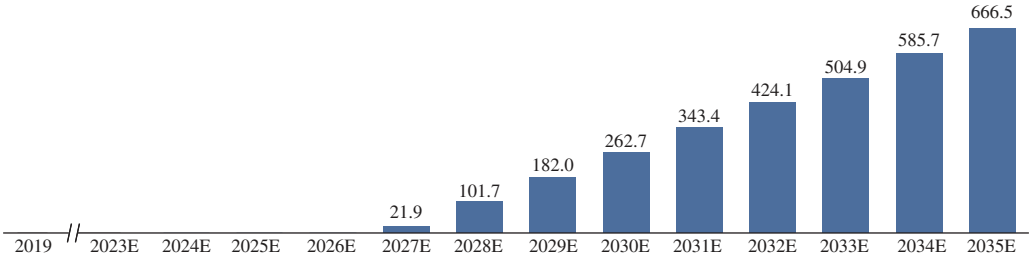
Market size of SCLC PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2024E-2035E: 41.8% *USD million*



Market size of SCLC PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2027E-2035E: 53.3% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

PD-L1/TGF-β Bi-functional in Treatment of Gallbladder and Biliary Tract Cancer

Epidemiology of Gallbladder and Biliary Tract Cancer

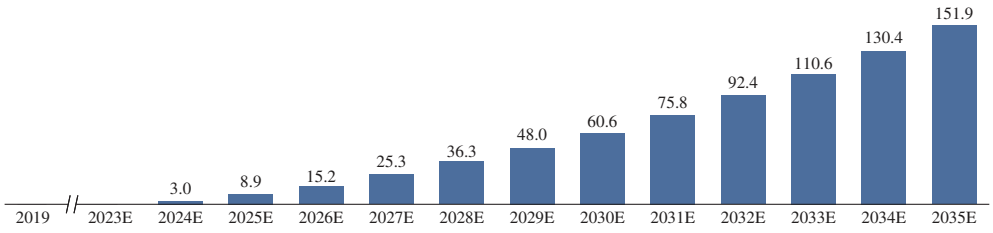
For epidemiology of gallbladder and biliary tract cancer, please refer to "– Anti-Claudin 18.2 Drugs in Treatment of Gallbladder and Biliary Tract Cancer" above.

Market Size of the Gallbladder and Biliary Tract Cancer PD-L1/TGF-β Bi-functional inhibitors

The size of the gallbladder and biliary tract cancer PD-L1/TGF-β Bi-functional antibodies market in the U.S. and China is expected to reach US$151.9 million and US$236.9 million, respectively, The below tables set forth the growth trend of the market size of gallbladder and biliary tract cancer PD-L1/TGF-β Bi-functional antibodies in the U.S. and China in 2019 and the estimated market size from 2020 to 2035.

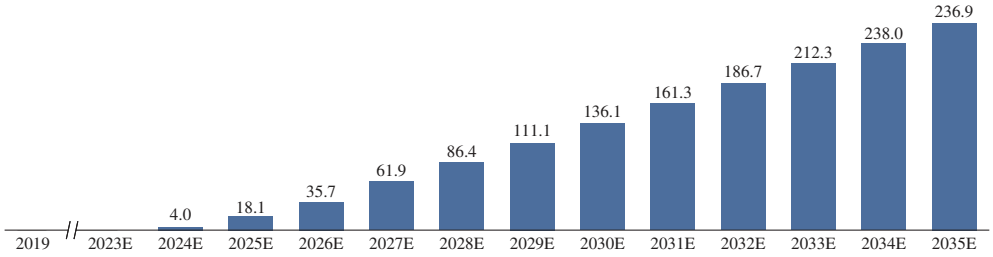
Market size of gallbladder and biliary tract cancer PD-L1/TGF-β bispecific antibodies, the U.S., 2019-2035E

CAGR 2024E-2035E: 42.8% *USD million*



Market size of gallbladder and biliary tract cancer PD-L1/TGF-β bispecific antibodies, China, 2019-2035E

CAGR 2024E-2035E: 46.4% *USD million*



Source: WHO; NCCR; ClinicalTrials.gov; CDE; Literature Review; China Insights Consultancy

OVERVIEW OF OSTEOPOROSIS DRUG MARKET

Overview of Osteoporosis

Pathology and Epidemiology of Osteoporosis

Osteoporosis is the most common bone disease, which is characterized by low bone mass and structural deterioration of bone tissue, leading to bone fragility and an increased risk of fractures. It is a result of a disruption in the balance between bone resorption and bone deposition, which is determined by the activities of two principle cell types, osteoclasts and osteoblasts. The bone rebuilding cycle needs to start from the two aspects of inhibiting osteoclasts or promoting osteoblasts. The loss of gonadotropin with aging reduces the conversion of bone marrow stromal stem cells to adipocytes, and decreases the differentiation of osteoblast precursor cells. Increased activity of osteoclasts results in osteocytes death, and at the same time, enhances the bone resorption.

According to the results of the first Chinese osteoporosis epidemiological survey disclosed by National Health Commission, osteoporosis has become a significant health problem for middle and old aged people in China, which is especially prevalent among middle and old aged women. The prevalence of osteoporosis is estimated at 19.2% in people over age 50, of which 6.0% in men, 32.1% in women, 16.2% in urban areas, and 20.7% in rural areas. The prevalence of osteoporosis is estimated at 32.0% in people over age 65, of which 10.7% in men, 51.6% in women, 25.6% in urban areas, and 35.3% in rural areas. At the same time, the prevalence rate of osteoporosis in men have no obvious difference between China and other countries. But the rate in women is significantly higher than that in European and American countries, and is similar to that in Asian countries such as Japan and Korea. Due to the relatively serious aging trend, the CAGR of osteoporosis patients in China is higher than the global average in the past five years.

In addition, lack of osteoporosis awareness and the low BMD test rate in China may indicate even higher prevalence of osteoporosis. The awareness rate of osteoporosis knowledge in people over age 20 was only 11.7%. The proportion of those who had taken BMD test was only 2.8%, including 2.5% for men, 3.2% for women, 5.0% in urban areas, and 1.5% in rural areas. Among people over 50 years old, the BMD test rate was 3.7%, of which 3.2% for men, 4.3% for women, 7.4% in urban areas, and 1.9% in rural areas.

In 2010, there were approximately 2.5 million cases of osteoporotic fractures in China and the corresponding medical cost is US$9.45 billion. It is predicted that there will be approximately 4.4 million osteoporotic fracture cases in China in 2030 and about 6 million in 2050, and the corresponding medical expenses will reach US$17.8 billion and US$25.4 billion. Osteoporotic hip fractures have numerous adverse outcomes and result in high mortality among the elderly population. The mortality is as high as 15%–33% in the first year after hip fracture.

The below diagrams lay out the specific epidemiology information of osteoporosis in China.

Source: National Health Commission; Literature Review; China Insights Consultancy

Treatments of Osteoporosis

As the pipeline for new drugs expands, monoclonal antibody drugs are bringing new blood to the biologics market for osteoporosis. Biologics for osteoporosis can be divided into two types according to their mechanism of action, which are promoting bone formation and inhibiting bone absorption. Compared with anti-RANKL monoclonal antibody, which can only inhibit bone absorption, anti-sclerostin monoclonal antibody has successfully achieved the dual goal of stopping bone loss and rebuilding bone, so it is considered a promising candidate. In 2019, Amgen's anti-sclerostin monoclonal antibody was approved in the United States, Japan and European Union for treatment of osteoporosis in postmenopausal women at increased risk of fracture. It reveals that by inhibiting the activity of sclerostin, anti-sclerostin monoclonal antibody can promote bone formation, reduce bone absorption and solve the symptoms of osteoporosis. Its powerful treatment mechanism ensures a large market in the future. In China, the market size of sclerostin inhibitors is expected to expand to US$0.1 billion in 2022 and further to US$4.4 billion in 2035, representing a CAGR of 39.2% from 2022 to 2035.

Mechanism of Action of Sclerostin Inhibitors

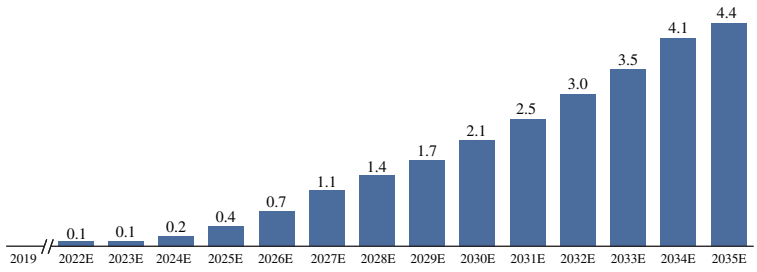
For mechanism of action of sclerostin inhibitors, see "Business – Our Drug Pipeline – Key Products – TST002 (Blosozumab): A Humanized Sclerostin mAb for Osteoporosis – Mechanism of Action."

Market Size of Anti-sclerostin Drugs

The below diagram sets forth the market size of anti-sclerostin drugs in China in 2019, and the projected market size from 2020 to 2035.

Market size of China anti-sclerostin drugs, 2019-2035E

CAGR 2022E-2035E: 39.2% *USD billion*



Source: NCCR; CDE; Literature Review; China Insights Consultancy

Competitive Landscape of Anti-sclerostin Drugs

As of March 2021, Eventity (Romosozumab) of Amgen was the only anti-sclerostin antibody drug that had been approved by the FDA in the United States. It was approved in April 2019 for the treatment of osteoporosis in postmenopausal women at high risk of fracture. In China, there was no anti-sclerostin antibody drug approved as of March 2021.

The following table sets forth the ongoing clinical trials of anti-sclerostin antibodies conducted in U.S. and China, as of March 2021.

Ongoing clinical trials* of anti-sclerostin antibodies conducted in the U.S. and China, as of March 2021

Drug name	Indications	Company	Phase	First posted date	Location of trials	Mono or combo	Trial number
Blosozumab LY2541546	Postmenopausal (PMP) women with low bone mineral density	Eli Lilly and Company	Phase II Complete	2010/06/15	The U.S.	Mono	NCT01144377
Romosozumab	Osteoporosis Bone loss Spinal cord injuries Chronic spinal paralysis	Amgen	Phase II	2021/01/14	The U.S.	Combo with alendronate	NCT04708886
	Post menopausal osteoporosis		Phase II	2021/03/16	The U.S.	Combo with denosumab	NCT04800367
SHR-1222	Osteoporosis	Hengrui Pharmaceutical	Phase I	2019/02/19	China	Mono	CTR20190244
	Post menopausal osteoporosis		Phase I	2020/06/28	China	Mono	CTR20201257

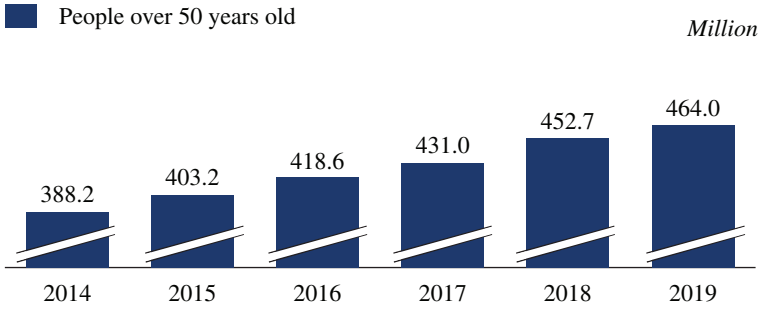
Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: ClinicalTrials.gov; CDE

Key Drivers and Future Trends of Osteoporosis Biologic Market

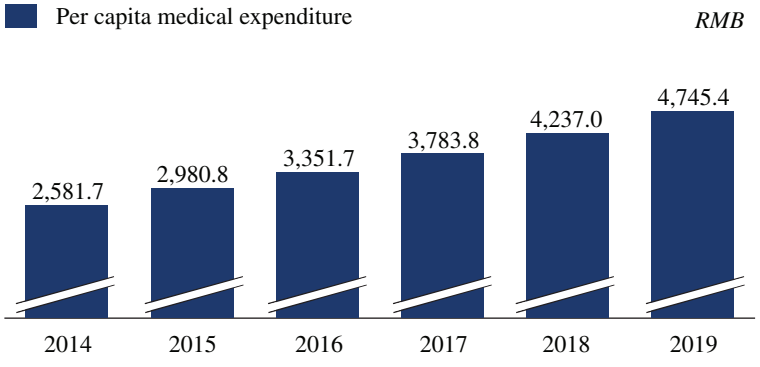
China's aging population, increased expenditure on health per capita and R&D on biosimilars will drive the growth of the osteoporosis market.

- **Aging population and unhealthy lifestyle**. The aging trend of China's population has become increasingly obvious. The number of people over 50 years old has increased from 390 million in 2014 to 460 million in 2019, which is the largest population group in China. The growth of the elderly population is bound to promote the growth of this market in the future. The diagram below illustrates the aging trend of China's population, as of 2019. In addition, unhealthy lifestyle like long-time sitting and lack of physical exercise may also increase the risk of osteoporosis, which also drives this market.



Source: National Health Commission

- **Increasing healthcare expenditure per capita**. With the growth of domestic per capita income, people are willing to spend more on medical care. In 2019, China's per capita medical expenses reached RMB4,745.4. The diagnosis rate and treatment awareness of osteoporosis in China are still very low. As medical expenses continue to increase in the future, more attention will be paid to it.



Source: National Health Commission

- **Continuous development of generic drugs and new targets**. With the expiration of denosumab patent, domestic manufacturers began to apply for the research and development of generic drugs. The discovery of a new target, anti-sclerostin, brought hope to domestic osteoporosis patients. The specific biological targeted therapy will greatly improve the treatment acceptance and willingness of people.

OVERVIEW OF ANTI-VEGFR2 THERAPIES

Overview of ANTI-VEGFR2

Mechanism of Action of VEGFR2 Inhibitors

For mechanism of action of VEGFR2 Inhibitors, see "Business – Our Drug Pipeline – Key Products – MSB0254: A Humanized VEGFR-2 mAb Candidate for Solid Tumors – Mechanism of Action."

The following diagram illustrates the epidemiology of VEGFR2 sensitive cancers around the globe and in China.

Epidemiology of VEGFR2 sensitive cancers

Cancer type	Incidence around the globe (thousand people)		Incidence in China (thousand people)		Overexpression rate
	2020E	2030E	2020E	2030E	
Ovarian cancer	~314.0	~374.2	~59.0	~66.8	75%-100%
Esophageal cancer	~604.1	~778.9	~374.4	~432.2	35%-100%
Prostate cancer	~1,414.3	~1,906.9	~79.1	~111.1	100%
Pancreatic cancer	~495.8	~657.6	~120.8	~143.3	69%-80%
Cervical cancer	~604.1	~766.6	~116.7	~125.4	73.3%-81%
Renal cell cancer	~388.2	~491.9	~75.3	~92.7	66%
Breast cancer	~2,261.4	~2,738.4	~339.3	~402.4	60%-64.5%
NSCLC	~1,765.4	~2,316.2	~757.5	~1,013.7	54.2%-58%
Gastric cancer	~1,089.1	~1,417.5	~514.1	~599.8	53%

Source: WHO; NCCR; J. Med. Chem, 2012, 55(24): 10797-10822; Curr Oncol Rep, 2011, 12(3):103-111; China Insights Consultancy

The incidence of HCC is expected to grow from 38.1 thousand in 2020 to 43.6 thousand in 2030 in the U.S., as well as from 402.7 thousand in 2020 to 523.2 thousand in 2030 in China. However, the 5-year survival rate of HCC is only around 20%. Combination therapy of atezolizumab and bevacizumab as the first-line treatment for unresectable HCC shows a median PFS of 6.8 months and an ORR of 27%, indicating unmet clinical needs for more effective therapies. Overexpression of VEGFR2 has been commonly investigated in HCC cases, accounting for a large proportion of around 60%. Consequently, VEGFR2 antibody drugs are promising for treatment of HCC globally.

Competitive Landscape of VEGFR2 Antibodies

The following table sets forth ongoing clinical trials of competitive drug candidates of MSB0254 conducted in the U.S. and China.

Ongoing clinical trials* of VEGFR2 antibodies conducted in the U.S. and China, as of March 2021

Drug name	Indications	Company	Clinical stages	First posted date	Location of trials	Mono or combo	Trial number
Ramucirumab	Advanced gastric and gastroesophageal junction adenocarcinoma	Eli Lilly	Phase III	2016/09/13	China	Combo with paclitaxel	NCT02898077
	Gastric cancer		Phase III	2017/01/13	China	Combo with paclitaxel	CTR20160574
	Hepatocellular carcinoma		Phase III	2017/06/5	China	Mono	CTR20170561
	Previously-treated mesothelioma		Phase II	2018/04/19	The U.S.	Combo with nivolumab	NCT03502746
	Advanced metastatic or recurrent solid tumor		Phase I	2018/12/18	China	Mono	CTR20182451
	Gastric cancer NSCLC Colorectal cancer	CHIATAI TIANQING	Phase I	2019/12/3	China	Mono	CTR20191906
TTAC-0001	Recurrent glioblastoma progressed on bevacizumab including therapy	PharmAbcine	Phase II	2019/02/27	The U.S.	Mono	NCT03856099
VEGFR2/KDR	Advanced metastatic or recurrent solid tumor	GenSci	Phase I	2017/09/21	China	Mono	CTR20171077
A168	Advanced solid tumor	Kelun Biotech	Phase I	2018/09/03	China	Mono	CTR20181485
	Gastric cancer NSCLC Colorectal cancer		Phase I	2020/03/10	China	Mono	CTR20200339
BC001	Advanced solid tumor	Buchang Pharma	Phase I	2018/11/28	China	Mono/Combo with paclitaxel	CTR20181073
HLX12	Gastric cancer	Henlius	Phase I	2019/03/08	China	Mono	CTR20190389
MSB0254	Advanced solid tumor	Transcenta	Phase I	2020/01/07	China	Mono	CTR20191942
AK109	Advanced solid tumor	Akesobio	Phase I	2020/05/11	China	Mono	CTR20200789
	Advanced solid tumor		Phase I	2020/09/14	China	Mono	NCT04547205

Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: ClinicalTrials.gov; CDE

Key Drivers and Future Trends of VEGFR2 Inhibitors

The primary market drivers and trends for the VEGFR2 inhibitors market in China include:

- The high expression rate of VEGFR2 in various types of cancers makes it a promising target to inhibit the growth of cancer cells. Phase III trials that focus on different cancer types have evaluated the efficacy of VEGFR2 inhibitors in cancer treatment. As increasing indications of VEGFR2 inhibitors are approved, with the development of VEGFR2 inhibitors, all these factors will drive the growth of the market.

- The potential of VEGFR2 inhibitors and other drugs for use in combination therapy of cancer treatment is being evaluated around the globe. The successful application of VEGFR2 inhibitors in adjuvant therapy, neoadjuvant therapy and combination therapy with PD-1 or PD-L1 is likely to push the market to ascend continuously.

- Future development of VEGFR2 inhibitors may focus on exploring the unidentified targets beyond known kinases in order to understand the drug resistance mechanism and design precision therapy for patients. Applying VEGFR2 inhibitors into adjuvant therapy and neoadjuvant therapy could also be promising directions that worth further investigation.

OVERVIEW OF IGA NEPHROPATHY (IGAN) DRUG MARKET

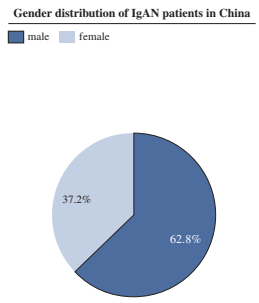
Overview of IgA Nephropathy (IgAN)

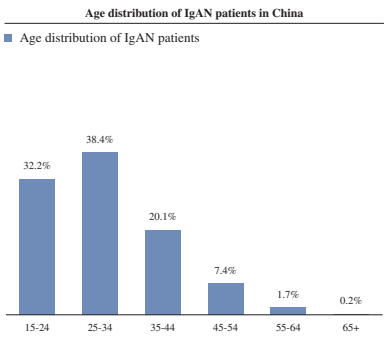
Pathology and Epidemiology of IgA Nephropathy (IgAN)

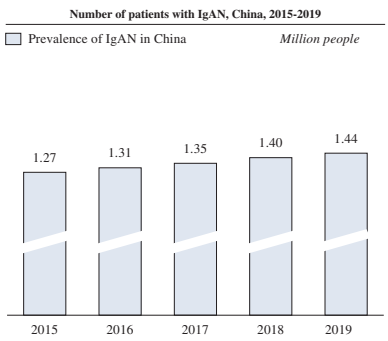
IgA nephropathy is the most common glomerular disease as well as the important cause of chronic kidney disease and end-stage renal disease. When abnormal immunoglobulin A (IgA) antibodies are lodged in the kidney, especially in the glomeruli, they can trigger inflammation and cause irreversible damage to the organs over time, eventually leading to immunity.

According to Asian Pacific Society of Nephrology (APSN), IgAN is most common in Asia among the world, accounting for approximately 40% of native biopsies, compared to 12% in the U.S. and 25% in Europe. In North America, the incidence rate in men is significantly higher than that in women, reaching 2-6:1. In China, the incidence rate of chronic glomerulonephritis is high and present an overall rise, from 9.8/100,000 people in 2014 to 12.9/100,000 people in 2019, and most of them are young adults aged 15-30. In China, the proportion of male patients with IgA nephropathy is as high as 62.8%, and the proportion of people aged 25-34 was the highest in all age groups, accounting for 38.4% in all IgA nephropathy patients. The global prevalence of IgAN is expected to grow from 6.2 million in 2019 to 8.4 million in 2030. In China, this number is around 1.4 million in 2019 and is expected to further expand to 2.0 million in 2030. Progression of illness varies among IgA nephropathy patients, with a small proportion of patients progressing rapidly and developing renal failure within a few months. More than 35% of IgA nephropathy patients progressed slowly to renal failure over 20 to 25 years. The remaining patients enter a continuous remission, or present only a moderate degree of persistent hematuria or proteinuria.

The below diagrams lay out the epidemiology information of IgAN in China.







Source: Asian Pacific Society of Nephrology; GHDx; Literature Review; China Insights Consultancy

Current Treatments of IgAN

Globally, there is no specific drug approved for IgAN. At present, the treatment methods of this disease mainly include angiotensin converting enzyme inhibitors (ACEI) or angiotensin AT1 receptor blockers (ARB), hormone and immunosuppressive agents, and traditional Chinese medicine treatment. ACEI and ARB are the first-line treatment methods, these drugs can slow down the progression rate of most patients with chronic proteinuria, and make proteinuria reach below 0.5g/day in IgA nephropathy patients. The current treatment method based on ACEI and ARB, which also supportively combined with corticosteroids and other immunosuppressive therapies, contains high drug toxicity, and the long-term use of such drugs can cause extra damage to the patients and their families. However, as these drugs can effectively reduce the urinary protein, it is still the only choice for patients.

Biologics for IgAN are highly advantageous in reducing 24-hour urine protein levels and Urine Albumin-to-Creatinine Ratio ("UACR") compared to small molecule drugs. 24-hour urine protein level and UACR measure the excretion volume of urine protein, which indicates the seriousness of IgAN. Higher deduction rate to those two indicators reflects a drug's better efficacy to treat IgAN. A clinical trial by Omeros proves that the monoclonal antibody OMS721 could significantly reduce the value of both indicators.

Development Trends and Potentials of IgAN Antibody Drug Market

In early 2017, the US Food and Drug Administration (FDA) agreed for the first time to use a new alternative indicator (glomerular filtration rate) for regulatory approval of new IgAN drugs. This decision greatly increases the likelihood of a significant reduction in the development schedule and there has been increasing pipeline over the past two years, with the focus on inhibiting B lymphocyte activity and complement pathway.

Mechanism of Action of IgAN Inhibitors

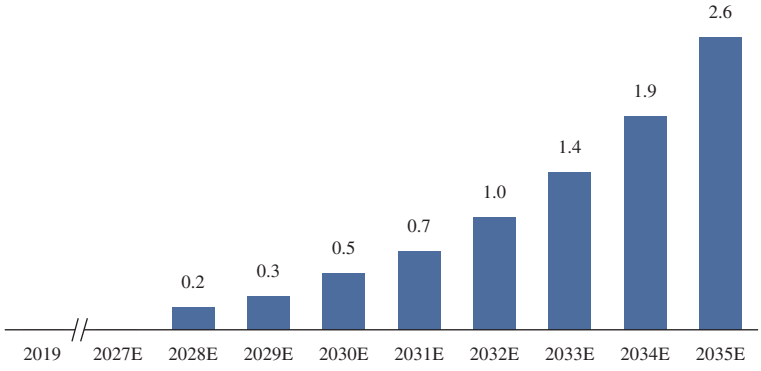
For mechanism of action of IgAN Inhibitors, see "Business – Our Drug Pipeline – Key Products – TST004: A Humanized MASP-2 mAb Candidate for Kidney Diseases – Mechanism of Action."

Market Size of IgAN Antibody Drug

The below diagram illustrates the market size of IgAN antibody drug in China from 2019 to 2035.

Market size of IgAN antibodies in China, 2019-2035E

CAGR 2028E-2035E: 46.5% *USD billion*



Source: GHDx; CDE; Literature Review; China Insights Consultancy

In the U.S., the prevalence of IgAN has grown from 300.5 thousand in 2015 to 317.9 thousand in 2019, and is expected to further grow to 360.6 thousand by 2030. As of Latest Practicable Date, there is no targeted drug approved for treatment of IgAN in the U.S., while OMS721 under phase III clinical trial and Nefecon under NDA submission serve as the most advanced antibody drug and small molecule drug for IgAN, respectively. Of the two therapies, OMS721 as an MASP2-targeted mAb is proved to have better efficacy, with a mean reduction rate of 77% of 24-hour urine protein level over 30% of that of Nefecon, and a mean reduction rate of 73% of UACR (Urine Albumin-to-Creatinine Ratios) over 28% of that of Nefecon. It is believed that MASP2-targeted antibodies have large potentials in IgAN treatment.

Competitive Landscape of IgAN Drugs

The following table sets forth the ongoing clinical trials for IgAN drugs conducted in the U.S. as of March 2021. Currently, there is no antibodies in the pipeline of China.

Ongoing clinical trials* for IgAN drugs conducted in the U.S. and China, as of March 2021

Drug name	Indications	Company	Phase	First posted date	Location of trials	Mono or combo	Trial number
OMS721	IgAN	Omeros	Phase III	2018/07/31	The U.S.	Mono	NCT03608033
	IgAN Lupus Nephritis MN C3 glomerulopathy		Phase II	2016/02/15	The U.S.	Mono	NCT02682407
Telitacicept (RC18)	IgAN	RemeGen	Phase II	2019/11/11	China	Mono	CTR20192252
BION-1301	IgAN	Chinook Therapeutics	Phase II	2020/12/24	The U.S.	Mono	NCT04684745
	IgAN		Phase I	2019/05/10	The U.S.	Mono	NCT03945318
VIS649	Proliferative Lupus Nephritis IgAN	Visterra	Phase I	2018/10/25	The U.S.	Mono	NCT03719443
Ravulizumab	IgAN	Alexion Pharmaceuticals	Phase II	2020/09/25	The U.S.	Combo with background therapy	NCT04564339

Note: * only include clinical trials that are recruiting, enrolling by invitation, active but not recruiting and completed.

Source: ClinicalTrials.gov; CDE

Key Drivers and Future Trends of IgAN Biologics Market

The primary market drivers and trends for the IgAN biologics market in China include:

- *High prevalence of IgAN in China.* Compared to other countries, the prevalence of IgAN is relatively high in China, which is 1.27 million in 2015 and 1.44 million in 2019 with a CAGR of 3.1%. The growing number indicates the increasing demand for treatment of IgAN, especially for the novel treatment options like biologics which have certain advantages.

- *Increasing demand for novel treatment in IgAN.* Approximately 40% of IgAN patients will develop life-threatening end-of-stage renal disease, which means it is important to treat IgAN effectively before the progress. More and more studies show that biologics like monoclonal antibody have competitive effect in treatment of IgAN and prevent the progress. Therefore, biologics for IgAN are expected to meet this unmet clinical need.

Overview of Systemic lupus erythematosus biologics market

Systemic lupus erythematosus (SLE) is an autoimmune disease. In this disease, the immune system of the body mistakenly attacks healthy tissue. It can affect the skin, joints, kidneys, brain, and other organs. In 2019, the number of global SLE patients was about 7.7 million, and it is estimated that it will reach 8.6 million by 2030. In China, according to the statistics of the Chinese SLE Treatment and Research group (CSTAR), 70 people in every 100,000 people suffer from SLE, and the total number of patients is nearly one million. Gender is one of the risk factors, the incidence rate of SLE in females is 7 to 9 times that in males. MASP-2 is a pro-inflammatory protein involved in the activation of the lectin pathway in the complement system. The BLyS/APRIL pathway is important in SLE as it regulates B cell homeostasis. Telitacicept (RC18), a BLyS/APRIL dual-targeted therapy developed by RemeGen, has been approved for the treatment of SLE by NMPA on Mar 9, 2021. A MASP2-BLyS/APRIL bi-specific antibody or combination therapy of MASP2-targeted drugs with BLyS/APRIL pathway antibody has potential for treating SLE in the future.

OVERVIEW

We are a clinical stage global biopharma that integrates discovery, research, development, manufacturing and business development capacities. Our management team and our key operations, including clinical development, regulatory access and business development are based in both China and the United States, while our R&D, process development and manufacturing teams are based in China. As of the Latest Practicable Date, we have discovered and developed eight of our nine drug candidates in-house, covering both validated, partially validated and novel biological pathways. For further information on our strengths and our pipeline, see "Business – Our Strengths".

In December 2018, a wholly-owned subsidiary of our Company entered into an agreement and plan of merger with Just Biotherapeutics Asia Inc. (among others), and our Company was renamed Transcenta Holding Limited.

Key business milestones

The following is a summary of our Group's key business development milestones:

Year	Event
2010	In August, our Company (formerly named Mabspace International Limited) was incorporated in the BVI
2012	In October, Mabspace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司) was established
2013	In June, we developed our proprietary antibody generation platform technology: the Immune Tolerance Breaking Technology Platform
2015	In August, we entered into our series A fundraising, and raised a total amount of approximately US$13 million
2017	In February, we filed a PCT patent application for our pH dependent PD-L1 antibody which covers our core product, MSB2311
	In March, we partnered with G-CON to build our T-BLOC facility in Hangzhou
	In September, we filed IND application to NMPA for MSB2311

Year	Event
2018	In February, we obtained IND approval from the U.S. FDA for MSB2311
	In April, we initiated Phase I clinical trial in the United States for MSB2311
	In May, we completed our series B-1 fundraising and raised a total amount of approximately US$40 million
	In May, IND approval was obtained for MSB2311 from the NMPA
	In December, Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of Mabspace International Limited) and Just Biotherapeutics Asia Inc. (among others) entered into an agreement and plan of merger (the "**Acquisition**"), and Mabspace International Limited was renamed as Transcenta Holding Limited
2019	In March, we in-licensed the Greater China rights to TST002 from Eli Lilly
	In August, we filed a PCT patent application for our Claudin 18.2 antibody which covers our key product, TST001
	In September, we obtained IND approval from the NMPA for MSB0254
	In December, we completed our series B-5 fundraising and raised a total amount of approximately US$100 million
2020	In April, we obtained IND clearance for TST001 from the NMPA and U.S. FDA
	In June, the first patient was dosed in Phase I clinical trial for TST001 in the United States, and also entered into a collaboration agreement with EMD Millipore Corporation ("**Merck**") to develop an equipment and technology portfolio within the bioprocessing manufacturing industry for the implementation of integrated continuous manufacturing
	In August, the first patient was dosed in Phase I clinical trial for TST001 in China
	In November, we submitted END of phase I package to NMPA for seeking approval for commencement of phase II trials for MSB2311, and agreed to establish a joint venture with Alebund Pharmaceuticals to carry out preclinical researches regarding TST004 in Greater China region
	In December, we completed our crossover series C-1 fundraising and raised a total amount of approximately US$105 million

Year	Event
2021	In January, the NMPA granted us approval to start Phase 2 trial of MSB2311 to further evaluate its efficacy and safety in patients with late line solid tumors with TMB-H
	In March, we filed an IND application for TST005 in the United States
	In April, we successfully dosed first patient in Phase I clinical study of TST001 in combination with CAPOX for the treatment of patients with firstline locally advanced unresectable or metastatic gastric cancer
	In April, we received IND clearance from US FDA for initiating Phase I clinical trial of TST005, a bi-functional anti-PD-L1/TGF-β antibody
	In May, we started a Phase 1 trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer and dosed multiple patients
	In August 2021, we started a Phase 2a trial for TST001 in China for late-line gastric cancer
	In September 2021, we filed an IND application for TST005 in China

CORPORATE DEVELOPMENT OF OUR GROUP

Our major subsidiaries and operating entities

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Company	Principal business activities	Date and jurisdiction of establishment	Percentage of ownership of our Company as of the Latest Practicable Date
Mabspace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司) ("**Suzhou Subsidiary**")	Research, development, manufacturing and commercialization of pharmaceutical drug candidates and provision of related technical services	October 18, 2012, PRC	100%

Company	Principal business activities	Date and jurisdiction of establishment	Percentage of ownership of our Company as of the Latest Practicable Date
HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司) ("**HJB Hangzhou**")	Research, development, manufacturing and commercialization of pharmaceutical drug candidates and provision of related technical services	February 18, 2016, PRC	100%

Acquisition of Just Biotherapeutics Asia Inc.

In December 2018, Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of our Company) and Just Biotherapeutics Asia Inc. (among others) entered into an agreement and plan of merger (the "**Acquisition**") (which was accounted for as an acquisition of business for financing reporting purpose based on the assessment made by the Company with reference to the criteria set out in IFRS 3 Business Combinations), and our Company was renamed as Transcenta Holding Limited. Prior to the Acquisition, our Company, formerly named Mabspace International Limited, operated as a clinical stage biotech company focused on discovery, clinical research and commercial development of innovative biologic medicines, while Just Biotherapeutics Asia Inc. was dedicated to designing and applying innovative bioprocessing technologies to accelerate biologics R&D and manufacturing. Prior to the Acquisition, Just Biotherapeutics Asia Inc. was a process and clinical development-focused biopharmaceutical company with sites established in Shanghai and Boston and a GMP facility, T-BLOC, in Hangzhou (which had two 500L single use bioreactors), and a team of more than 100 scientists and engineers focused in product and process development, manufacturing and supplying protein therapeutics to global markets in the pre-clinical stage, which were integrated into our Group after the Acquisition. While Just Biotherapeutics Asia Inc. had a pipeline of certain drug candidates at the time of the Acquisition, the Group has since deprioritized the development of such drug candidates.

While the Group focuses on research, development, manufacturing and commercialization of its own initiative drug candidates and does not consider CDMO services to be a focus of its business operations, the CMC functions (such as the manufacturing facilities and capabilities) acquired from the Acquisition allowed the Company to provide the CDMO services during the Track Record Period, which was primarily for the purpose of generating certain income by utilizing extra production capacity to offset, to the extent possible, the Group's operating expenses. The primary purpose of the Group's manufacturing facility is to manufacture drug substances and drug products for its own use in pre-clinical

researches and clinical trials. As the development of the Group's drug candidates proceeds forward, the Company anticipates more production/CDMO capacities will be allocated to the manufacturing of the Group's drug candidates, especially after the Group's drug candidates enter into later stage clinical trials and commercialization stage. Going forward, the Group will continue to prioritize its own needs. To the extent there are extra production capacities, the Group will continue to provide CDMO services to its customers. As a result, the Group does not have a concrete plan for the future development of its CDMO services. The core management team, R&D personnel and other key personnel of Just Biotherapeutics Asia Inc. were retained with our Group after the Acquisition, including current members of our senior management (e.g. Dr. Christopher Hwang, Dr. Frank Feng Ye and Dr. Jerry Xiaoming Yang).

The Acquisition allowed our Company to possess integrated capabilities in research, development, regulatory and manufacturing of biologics. In particular, the Acquisition provided synergies for both our Company and Just Biotherapeutics Asia Inc. through (i) investment efficiency for all parties as the Acquisition saves our Company from substantial costs that would be incurred in the construction and building of a new manufacturing facility while Just Biotherapeutics Asia Inc. would benefit by having access to a drug product pipeline developed through an internal R&D team, (ii) improved competitiveness in the market as a result of possessing integrated capabilities and (iii) economy of scale and efficiency for partners as the post-Acquisition Company will have a stronger talent pool to support a growing operation and pipeline development. As noted under the section headed "Business – Our platform – CMC", our CMC functions in our platform plays a critical role in our drug development and commercialization, and therefore will be leveraged primarily for the development and commercialization of our drug candidates, and may also be leveraged for provision of CDMO services (which commenced after the Acquisition).

As part of the Acquisition, Just Biotherapeutics Asia Inc. merged with and into Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of our Company) with Transcenta Biotherapeutics Inc. continuing as the surviving company in the merger. Immediately after the Acquisition, Transcenta Biotherapeutics Inc. remained as a wholly-owned subsidiary of our Company, while consideration shares of our Company were issued on a pro-rata basis to the pre-Acquisition shareholders of Just Biotherapeutics Asia Inc. on the basis that the pre-Acquisition valuation of our Company and its subsidiaries (taken as a whole) was equal to the pre-Acquisition valuation of Just Biotherapeutics Asia Inc. and its subsidiaries (taken as a whole), both of which were valued at US$187,500,000. The pre-Acquisition valuations were determined by our then Directors after assessing their fair market value after taking into account, among others, the respective capabilities of and previous funds raised by third party investors for our Company (formerly named Mabspace International Limited) and Just Biotherapeutics Asia Inc. (which had raised around US$82 million in previous financing rounds with a valuation of approximately US$178.5 million during its last financing round in June 2018).

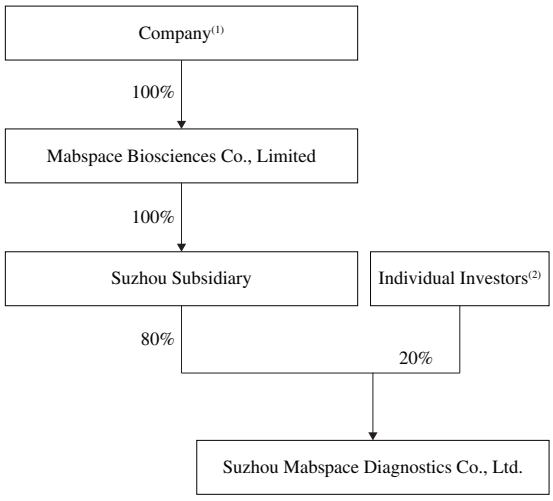
Set out below are the shareholders of and their respective interests in Just Biotherapeutics Asia Inc. ("**Just Shares**") immediately prior to the Acquisition, and the consideration shares issued by our Company to such entities (or their affiliates) pursuant to the Acquisition (excluding any shares to be issued pursuant to applicable stock incentive plans). Other than entities affiliated with LAV Group (which was interested in approximately 18.25% equity interest of Just Biotherapeutics Asia Inc. prior to the Acquisition), the pre-Acquisition shareholders of Just Biotherapeutics Asia Inc. were Independent Third Parties at the applicable time.

Name	Number of Just Shares[(1)]	Consideration shares issued by our Company
JUST Biotherapeutic, Inc.	16,043,639 ordinary shares	10,950,575 Ordinary Shares
ARCH Venture Fund VIII, L.P.	24,065,458 series A preferred shares	16,425,863 Series A-3 Preferred Shares
	1,776,260 series B-2 preferred shares	1,212,385 Series B-3 Preferred Shares
	2,691,303 series B-3 preferred shares	1,836,947 Series B-4 Preferred Shares
TLS Beta Pte. Ltd.	8,612,170 series B-3 preferred shares	5,878,231 Series B-4 Preferred Shares
	21,315,120 series B-2 preferred shares	14,548,621 Series B-3 Preferred Shares
LAV Acuity Limited	708,238 series B-3 preferred shares	483,407 Series B-4 Preferred Shares
LAV Altitude Limited	1,416,475 series B-3 preferred shares	966,814 Series B-4 Preferred Shares
HH JBC (HK) Holdings Limited	16,147,818 series B-3 preferred shares	11,021,683 Series B-4 Preferred Shares
Lilly Asia Ventures III Investment (Hong Kong) Co., Limited	6,239,193 series A preferred shares	4,258,557 Series A-3 Preferred Shares
	580,245 series B-2 preferred shares	396,046 Series B-3 Preferred Shares
LAV Bio III Investment (Hong Kong) Co., Limited	12,478,385 series A preferred shares	8,517,114 Series A-3 Preferred Shares
	1,160,490 series B-2 preferred shares	792,092 Series B-3 Preferred Shares
Suzhou Litai Venture Capital Investment Center (Limited Partnership) (蘇州禮泰創業投資中心(有限合夥))	10,695,759 series A preferred shares	7,300,383 Series A-3 Preferred Shares
	1,219,699 series B-2 preferred shares	832,505 Series B-3 Preferred Shares
	566,590 series B-3 preferred shares	386,726 Series B-4 Preferred Shares

Name	Number of Just Shares[(1)]	Consideration shares issued by our Company
Hangzhou Lemiao Investment Management Partnership (LP) (杭州樂妙投資管理合夥企業(有限合夥))	831,893 series A preferred shares	567,808 Series A-3 Preferred Shares
Hangzhou Lejimiao Investment Management Partnership (LP) (杭州樂濟妙投資管理合夥企業(有限合夥))	2,153,042 series B-3 preferred shares	1,469,558 Series B-4 Preferred Shares
Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥))	1,842,047 series A preferred shares	1,257,288 Series A-3 Preferred Shares
Taikang Life Insurance Company Limited (泰康人壽保險有限責任公司)	11,841,733 series B-2 preferred shares	8,082,567 Series B-3 Preferred Shares
	5,382,606 series B-3 preferred shares	3,673,894 Series B-4 Preferred Shares
Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司)	6,578,741 series B-1 preferred shares	4,490,315 Series B-2 Preferred Shares
Total	**154,346,904 Just Shares**	**105,349,379 consideration shares**

Note (1): Number of Just Shares includes the underlying shares of options granted.

The following diagram illustrates the corporate structure immediately prior to the Acquisition (assuming the onshore investors have exercised their option agreements to subscribe for shares of the Company):

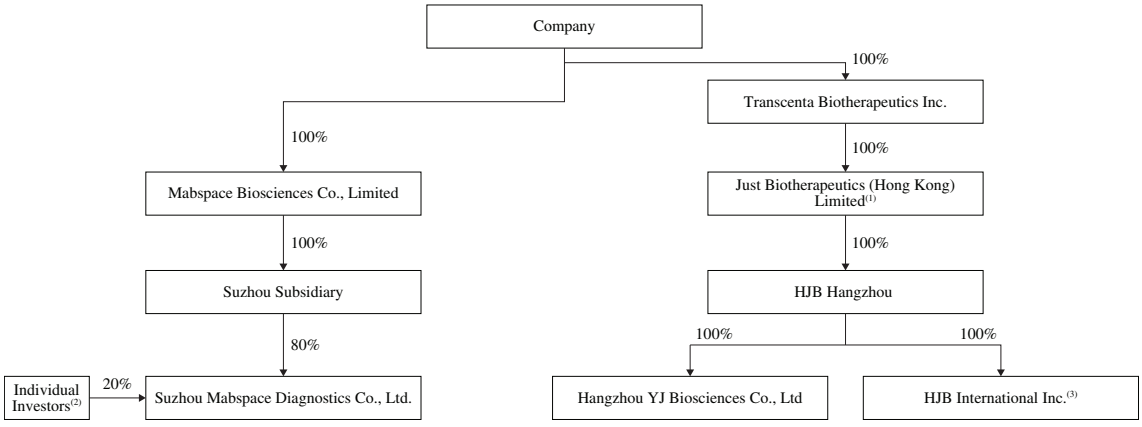


Notes:

(1) Transcenta Holding Limited was formerly named as Mabspace International Limited.

(2) The individual investors consist of Song Yixin (宋一新) and Jiang Tao (江濤) as to 14% and 6% equity interest in Suzhou MabSpace Diagnostics Co., Ltd., respectively. Suzhou Subsidiary entered into an agreement to acquire the 14% and 6% equity interest in Suzhou MabSpace Diagnostics Co., Ltd. from Song Yixin (宋一新) and Jiang Tao (江濤) for a consideration of RMB14 million and RMB6 million, respectively, on November 10, 2020. Song Yixin (宋一新) and Jiang Tao (江濤) are Independent Third Parties.

The following diagram illustrates the corporate structure immediately after the Acquisition (assuming the onshore investors have exercised their option agreements to subscribe for shares of the Company).



Notes:

(1) HJB (Hong Kong) Co., Limited was formerly named Just Biotherapeutics (Hong Kong) Limited.

(2) The individual investors consist of Song Yixin (宋一新) and Jiang Tao (江濤) as to 14% and 6% equity interest in Suzhou MabSpace Diagnostics Co., Ltd., respectively. Suzhou Subsidiary entered into an agreement to acquire the 14% and 6% equity interest in Suzhou MabSpace Diagnostics Co., Ltd. from Song Yixin (宋一新) and Jiang Tao (江濤) for a consideration of RMB14 million and RMB6 million, respectively, on November 10, 2020. Song Yixin (宋一新) and Jiang Tao (江濤) are Independent Third Parties.

(3) HJB International Inc. was re-named Transcenta Therapeutics Inc. and became a directly wholly-owned subsidiary of the Company.

Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of our Company) filed a Plan of Merger and obtained the Certificate of Merger on 21 December 2018. Save as set out above, no approval, order, consent of, or filing with, any governmental authority was required on the part of our Company (or its subsidiaries) in connection with the execution, delivery and performance of the agreement and plan of merger. The consideration shares under the Acquisition were issued to the pre-Acquisition shareholders of Just Biotherapeutics Asia Inc. in December 2018, save for certain PRC based investors who held equity interest in HJB Hangzhou instead of through Just Biotherapeutics Asia Inc. (further details of which are set out below under the section headed "– Shareholding of our Company – Major shareholding changes of HJB Hangzhou").

SHAREHOLDING OF OUR COMPANY

Major shareholding changes of our Company

Our Company was incorporated as a BVI business company in the BVI on August 20, 2010, and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021. At the time of incorporation, our Company issued 50,000 Shares to Dr. Qian for a consideration of US$50,000.

Our shareholding structure has evolved due to a number of issuance of shares of the Company and share transfers pursuant to the Pre-IPO Investments, further details of which are set out in "– Pre-IPO Investments" in this section. In addition, we have adopted the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme, further details of which are set out in "Statutory & General Information – Share Schemes" in Appendix IV to this document.

In December 2018, Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of Mabspace International Limited) and Just Biotherapeutics Asia Inc. (among others) entered into the Acquisition, and our Company was renamed as Transcenta Holding Limited. For further details relating to the Acquisition, please refer to "– Corporate development of our Group – Acquisition of Just Biotherapeutics Asia Inc." in this section.

Major shareholding changes of Suzhou Subsidiary

The Suzhou Subsidiary was incorporated in the PRC in October 2012 as a limited liability company with an initial registered capital of US$350,000 which was 100% held by MabSpace Biosciences Co., Limited ("**Mabspace HK**"). The registered capital of Suzhou Subsidiary successively increased to US$500,000 in August 2013 and to US$700,000 in December 2014, and Mabspace HK remained the sole shareholder of the Suzhou Subsidiary.

In September 2015, as part of our series A fundraising, the registered capital of Suzhou Subsidiary increased from US$700,000 to US$1,007,105, and LAV Horizon (Hong Kong) Co., Limited, LAV Excel (Hong Kong) Co., Limited and Suzhou Litai Venture Capital Investment Center (LP) (蘇州禮泰創業投資中心(有限合夥)) ("**LAV RMB**") subscribed for approximately 12.9%, 8.8% and 8.8%, respectively, of the share capital of the Suzhou Subsidiary for a total consideration of US$13 million, and Mabspace HK transferred approximately 4.7% equity interest in the Suzhou Subsidiary to LAV Horizon (Hong Kong) Co., Limited. LAV Bio III Investment (Hong Kong) Co., Limited, Lilly Asia Ventures III Investment (Hong Kong) Co., Limited and LAV RMB are affiliated entities of LAV Group.

In May 2017, Mabspace HK transferred approximately 2.3% and 4.6% equity interest in Suzhou Subsidiary to Lilly Asia Ventures III Investment (Hong Kong) Co., Limited (formerly named as LAV Excel (Hong Kong) Co., Limited) ("**Lilly Asia**") and LAV Bio III Investment (Hong Kong) Co., Limited (formerly named as LAV Horizon (Hong Kong) Co., Limited) ("**LAV Bio**"), respectively.

In April 2018, LAV Bio transferred approximately 22.2% equity interest in Suzhou Subsidiary to Mabspace HK and Lilly Asia transferred approximately 11.1% equity interest in Suzhou Subsidiary to Mabspace HK. The remaining shareholders of Suzhou Subsidiary were Mabspace HK and LAV RMB as to approximately 91.2% and 8.8%, respectively. In May 2018, our Company issued 4,670,632 Series A-1 Preferred Shares and 17,717,600 Series A-2 Preferred Shares to LAV Vitality Limited and 2,335,316 Series A-1 Preferred Shares and 8,858,800 Series A-2 Preferred Shares to LAV Verdure Limited.

In June 2018, the registered capital of Suzhou Subsidiary increased from US$1,007,105 to US$1,286,856.39, of which Mabspace HK and LAV RMB held approximately 93.1% and 6.9%, respectively.

As part of our series B-5 fundraising for investors investing in our Group at the PRC onshore level, the registered capital of Suzhou Subsidiary increased from US$1,286,856.39 to US$1,536,494.39 in December 2019. LAV RMB transferred its equity interest in Suzhou Subsidiary to Mabspace HK in December 2019, and LAV Brassicanapus, L.P. subscribed for 8,858,800 Series A-2 Preferred Shares on January 2020.

As part of our series B-5 fundraising for investors investing in our Group at the PRC onshore level, the registered capital of Suzhou Subsidiary increased successively from US$1,536,494.39 to US$1,636,350.39 in February 2020 and from US$1,636,350.39 to US$1,657,153.39 in June 2020, upon which the shareholding of the Suzhou Subsidiary was as follows:

Shareholders	**Equity interest in Suzhou Subsidiary**
Mabspace HK	90.2%
China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥))	1.3%
Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund L.P. (冷泉港(廣州)生物醫藥產業投資基金合夥企業(有限合夥))	1.5%
CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥))	2.0%
Wuhan Kanghexin Health Industry Investment Center (Limited Partnership) (武漢康和信健康產業投資中心(有限合夥))	1.3%
Shenzhen Dachen Chuangtong Equity Investment Enterprise (Limited Partnership) (深圳市達晨創通股權投資企業(有限合夥))	3.8%
Total	100%

Mabspace HK acquired all the remaining equity interest in the Suzhou Subsidiary in October 2020 and Suzhou Subsidiary became an indirectly wholly-owned subsidiary of our Company, and our Company issued the following Series B-5 Preferred Shares to the following shareholders pursuant to the option agreements entered into between the individual shareholders and our Company (among others) on or around the date of the investors' investment in our Group:

Shareholders	Series B-5 Preferred Shares
China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥))	3,496,892 Series B-5 Preferred Shares
Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund L.P. (冷泉港(廣州)生物醫藥產業投資基金合夥企業(有限合夥))	4,196,271 Series B-5 Preferred Shares
CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥))	5,595,028 Series B-5 Preferred Shares
CEG Resources Co., Ltd.	3,496,892 Series B-5 Preferred Shares
FC Bio Pathfinder Limited	10,434,923 Series B-5 Preferred Shares

Major shareholding changes of HJB Hangzhou

HJB Hangzhou was incorporated in the PRC in February 2016 as a limited liability company, and prior to the Acquisition in December 2018 was an indirect subsidiary of Just Biotherapeutics Asia Inc. Prior to the Acquisition in December 2018, the shareholding of HJB Hangzhou was as follows:

Shareholders	Equity interest in HJB Hangzhou
Just Biotherapeutics (Hong Kong) Limited (which was later re-named as HJB (Hong Kong) Co., Limited)	56.4%
Hangzhou Yishi Biosciences Co., Ltd. (杭州奕世生物科技有限公司)	0.4%
Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司)	3.4%
Taikang Life Insurance Company Limited (泰康人壽保險有限責任公司)	9.0%
Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥))	1.0%
Hangzhou Lemiao Investment Management Partnership (LP) (杭州樂妙投資管理合夥企業(有限合夥))	0.4%
Hangzhou Lejimiao Investment Management Partnership (LP) (杭州樂濟妙投資管理合夥企業(有限合夥))	1.1%
Suzhou Litai Venture Capital Investment Center (LP) (蘇州禮泰創業投資中心(有限合夥)) ("**LAV RMB**")	6.5%
Lilly Asia Ventures III Investment (Hong Kong) Co., Limited ("**Lilly Asia**")	3.6%
LAV Bio III Investment (Hong Kong) Co., Limited ("**LAV Bio**")	7.1%
TLS Beta Pte. Ltd.	11.1%
Total	100%

In November 2019 and pursuant to the Acquisition, Lilly Asia, LAV Bio and TLS Beta Pte. Ltd. transferred their equity interest in HJB Hangzhou to Just Biotherapeutics (Hong Kong) Limited (which was later re-named as HJB (Hong Kong) Co., Limited) a wholly-owned subsidiary of our Company.

In December 2019, the registered capital of HJB Hangzhou increased from RMB135,926,075 to RMB208,232,160, the difference of which was subscribed for by HJB (Hong Kong) Co., Limited. HJB (Hong Kong) Co., Limited then transferred 51% equity interest in HJB Hangzhou to Suzhou Subsidiary. LAV RMB transferred its equity interest in HJB Hangzhou to HJB (Hong Kong) Co., Limited.

In June 2020 and pursuant to the option agreements entered into on December 21, 2018 between the individual shareholders and our Company (among others): (i) Hangzhou Lejimiao Investment Management Partnership (LP) (杭州樂濟妙投資管理合夥企業(有限合夥)) and Hangzhou Lemiao Investment Management Partnership (LP) (杭州樂妙投資管理合夥企業(有限合夥)) transferred their equity interest in HJB Hangzhou to HJB (Hong Kong) Co., Limited, a wholly-owned subsidiary of our Company; and (ii) our Company issued 1,469,558 Series B-4 Preferred Shares and 567,808 Series A-3 Preferred Shares to Champion Riches Limited and Best Elite Investment Limited (創光投資有限公司), respectively. Hangzhou Yishi Biosciences Co., Ltd. (杭州奕世生物科技有限公司) also transferred its equity interest in HJB Hangzhou to HJB (Hong Kong) Co., Limited (a wholly-owned subsidiary of our Company) in June 2020.

Pursuant to the option agreements entered into on December 21, 2018 between the individual shareholders and our Company (among others): (i) Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司), Taikang Life Insurance Company Limited (泰康人壽保險有限責任公司) and Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥)) transferred their equity interest in HJB Hangzhou to HJB (Hong Kong) Co., Limited, a wholly-owned subsidiary of our Company in October 2020; and (ii) our Company issued 4,490,315 Series B-2 Preferred Shares, 3,673,894 Series B-4 Preferred Shares, 1,257,288 Series A-3 Preferred Shares to Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司), TK Biologics Limited and Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥)), respectively, in December 2020.

The shareholding of HJB Hangzhou after such changes were as follows:

Shareholders	**Equity interest in HJB Hangzhou**
Suzhou Subsidiary	51%
HJB (Hong Kong) Co., Limited	49%
Total	100%

Capitalisation

The below table is a summary of the capitalisation of our Company as of the date of this document, unless otherwise indicated:

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
Dr. Xueming QIAN[12]	2,970,000	–	–	–	–	–	–	–	–	–	0.73%	0.67%
Qian Dynasty Irrevocable Trust[3][12]	22,411,376	–	–	–	–	–	–	–	–	–	5.53%	5.03%
Shi Dynasty Irrevocable Trust[3][12]	22,411,376	–	–	–	–	–	–	–	–	–	5.53%	5.03%
Cloudbay Capitals LLC[3][12]	–	–	–	–	–	–	–	–	–	830,778	0.21%	0.19%
Hanshan Investment Holding Limited[4]	2,500,000	–	–	–	–	–	–	–	–	–	0.62%	0.56%
Qionglong Investment Holding Limited[5]	2,000,000	–	–	–	–	–	–	–	–	–	0.49%	0.45%
VI Holding Limited[6]	1,094,807	–	–	–	–	–	–	–	–	–	0.27%	0.25%
Elite Bioscience Fund L.P.[7]	2,845,154	–	–	–	–	–	–	–	–	–	0.70%	0.64%
ARCH Venture Fund VIII, L.P.[12]	1,569,758	–	–	16,425,863	–	–	1,212,385	1,836,947	174,845	–	5.24%	4.76%
Individual shareholders[8]	4,588,138	–	–	–	–	–	–	–	–	–	1.13%	1.03%
Superstring Capital Master Fund L.P.[12]	822,798	–	–	–	–	–	–	–	–	113,926	0.23%	0.21%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
Success Reach International Limited[9]	5,636,230	–	–	–	–	–	–	–	–	–	1.39%	1.27%
Success Link International L.P.[10]	37,340,878	–	–	–	–	–	–	–	–	–	9.22%	8.38%
LAV Biosciences Fund III, L.P.[12]	1,046,711	–	–	–	–	–	–	–	–	–	0.26%	0.24%
Lilly Asia Ventures Fund III, L.P.[12]	523,047	–	–	–	–	–	–	–	–	–	0.13%	0.12%
LAV Vitality Limited[12]	–	4,670,632	17,717,600	–	–	–	–	–	–	–	5.53%	5.03%
LAV Verdure Limited[12]	–	2,335,316	8,858,800	–	–	–	–	–	–	–	2.76%	2.51%
LAV Biosciences Fund V, L.P.[12]	–	–	–	–	–	–	–	–	13,987,569	2,679,498	4.12%	3.74%
LAV Altitude Limited[12]	–	–	–	8,517,114	–	–	792,092	966,814	–	–	2.54%	2.31%
LAV Acuity Limited[12]	–	–	–	4,258,557	–	–	396,046	483,407	–	–	1.27%	1.15%
LAV Brassicanapus, L.P.[12]	–	–	8,858,800	7,300,383	–	–	832,505	386,726	–	–	4.29%	3.90%
Best Elite Investment Limited (創光投資有限公司)	–	–	–	567,808	–	–	–	–	–	–	0.14%	0.13%
Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥))	–	–	–	1,257,288	–	–	–	–	–	–	0.31%	0.28%
King Star Med LP[12]	–	–	–	–	6,993,785	–	–	–	–	–	1.73%	1.57%
SCC Venture VI Holdco, Ltd.[12]	–	–	–	–	10,490,677	–	–	–	699,378	568,054	2.90%	2.64%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
Teng Yue Partners Master Fund, L.P.[12]	–	–	–	–	6,644,095	–	–	–	3,354,367	1,071,799	2.73%	2.49%
Teng Yue Partners RDLT, LP[12]	–	–	–	–	3,846,582	–	–	–	–	–	0.95%	0.86%
Teng Yue Partners RDLT II, LP[12]	–	–	–	–	–	–	–	–	349,689	–	0.09%	0.08%
Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司)	–	–	–	–	–	4,490,315	–	–	–	–	1.11%	1.01%
TK Biologics Limited	–	–	–	–	–	–	8,082,567	3,673,894	–	–	2.90%	2.64%
TLS Beta Pte. Ltd.[12]	–	–	–	–	–	–	14,548,621	5,878,231	5,595,028	–	6.43%	5.84%
Champion Riches Limited	–	–	–	–	–	–	–	1,469,558	–	–	0.36%	0.33%
HH JBC (HK) Holdings Limited[12]	–	–	–	–	–	–	–	11,021,683	3,891,544	–	3.68%	3.35%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥))[11][12]	–	–	–	–	–	–	–	–	3,496,892	–	0.86%	0.79%
CEG Resources Co., Ltd.[12]	–	–	–	–	–	–	–	–	3,496,892	–	0.86%	0.79%
CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥))[12]	–	–	–	–	–	–	–	–	5,595,028	5,358,996	2.70%	2.46%
Falcon Rise Global Limited[12]	–	–	–	–	–	–	–	–	10,490,677	–	2.59%	2.36%
ELI LILLY AND COMPANY[12]	–	–	–	–	–	–	–	–	2,797,514	–	0.69%	0.63%
Epiphron Capital Fund V L.P.[12]	–	–	–	–	–	–	–	–	4,476,022	–	1.11%	1.01%
Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund L.P. (冷泉港(廣州)生物醫藥產業投資基金合夥企業(有限合夥))[12]	–	–	–	–	–	–	–	–	4,196,271	–	1.04%	0.94%
FC Bio Pathfinder Limited[12]	–	–	–	–	–	–	–	–	10,434,923	–	2.58%	2.34%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
BOCI Financial Products Limited[12]	–	–	–	–	–	–	–	–	–	2,679,498	0.66%	0.60%
Parkway Limited[12]	–	–	–	–	–	–	–	–	–	803,849	0.20%	0.18%
Humble Easy Limited[12]	–	–	–	–	–	–	–	–	–	2,679,498	0.66%	0.60%
Heyday Surge Limited (盛濤有限公司)[12]	–	–	–	–	–	–	–	–	–	10,717,992	2.65%	2.41%
Titan Stage Project Company Limited[12]	–	–	–	–	–	–	–	–	–	2,679,498	0.66%	0.60%
Hua Yuan International Limited (華圓管理諮詢(香港)有限公司)[12]	–	–	–	–	–	–	–	–	–	2,679,498	0.66%	0.60%
QH OIL INVESTMENTS LLC[12]	–	–	–	–	–	–	–	–	–	8,038,494	1.98%	1.81%
J&K Biotech Investment Co. Ltd[12]	–	–	–	–	–	–	–	–	–	803,849	0.20%	0.18%
EverestLu Holding Limited (永祿控股有限公司)[12]	–	–	–	–	–	–	–	–	–	16,076,988	3.97%	3.61%
Suzhou Industrial Park Investment Fund L.P. (蘇州工業園區產業投資基金(有限合夥))[12]	–	–	–	–	–	–	–	–	–	1,607,699	0.40%	0.36%

Shareholder	Ordinary shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series A-3 Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series B-3 Preferred Shares	Series B-4 Preferred Shares	Series B-5 Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[1]	Ownership percentage immediately after completion of the Global Offering[2]
Investors participating in the Global Offering[13]	–	–	–	–	–	–	–	–	–	–	–	9.06%
Total	107,760,273	7,005,948	35,435,200	38,327,013	27,975,139	4,490,315	25,864,216	25,717,260	73,036,639	59,389,914	100.00%	100.00%

Notes:

* The definition of "Pre-IPO Investors" include only Series A-2 Preferred Shareholders, Series B-1 Preferred Shareholders, Series B-5 Preferred Shareholders and Series C-1 Preferred Shareholders, as the Series A-3 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares and Series B-4 Preferred Shares were issued as a result of the Acquisition and the Series A-1 Preferred Shares were issued due to the re-designation of certain Preferred Shares at the time, and were not subject of a standalone financing round. For further details of the Acquisition, see the section headed "History, development and corporate structure – Acquisition of Just Biotherapeutics Asia Inc."

(1) Under the terms of the Pre-IPO Shareholders' Agreement, all the Preferred Shares will be converted into Shares on a 1:1 basis upon Listing subject to customary adjustments, and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

(2) Assuming that each Preferred Share will be converted into one Share upon the Global Offering becoming unconditional and the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

(3) With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. Cloudbay Capitals LLC is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian.

(4) Hanshan Investment Holding Limited is wholly-owned by Genshou Gu (顧根壽), an Independent Third Party.

(5) Qionglong Investment Holding Limited is wholly-owned by Xuefeng Qian (錢雪峰), a cousin of Dr. Qian.

(6) VI Holding Limited is wholly-owned by Dr. Yining (Jonathan) Zhao.

(7) The general partner of Elite Bioscience Fund L.P. is Elite Biosciences GP Limited which is an Independent Third Party.

(8) Individual shareholders consist of 34 individuals who are Independent Third Parties and are, among others, employees or former employees of our Group or obtained Shares from JUST Biotherapeutics, Inc., a Delaware corporation, pursuant to a share purchase agreement dated May 20, 2019.

(9) The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of selected participants of the Pre-IPO Equity Incentive Plan, including Mr. Albert Da Zhu. The trust deed provides that the Trident Trust Company (HK) Limited, as trustee, shall act in accordance with instructions given by the administrator who is designated the board of directors of the Company. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document. Trident Trust Company (HK) Limited is an Independent Third Party.

(10) Success Link International L.P. is an exempted limited partnership and established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document.

(11) To the knowledge of the Company, China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥)) was re-named as Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Fund Partnership (Limited Partnership) (深圳潤信新觀象戰略新興產業私募股權投資基金合夥企業(有限合夥)) on January 21, 2021.

(12) All Shares held by these Shareholders, being Pre-IPO Investors and Dr. Qian (including any nominee or trustee holding on trust for him and the entities controlled by him) are subject to lock-up arrangements whereby they have agreed not to dispose of their Shares within six months after the Listing Date. See footnote (13) below for further details.

(13) Cornerstone Investors participating in the Cornerstone Placing (which represents a portion of the Global Offering) will be subject to lock-up arrangements whereby they have agreed not to dispose of their Shares within six months after the Listing Date. Assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.90 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share, there still remains approximately 18.56% of our Company's enlarged issued share capital after the Global Offering not being subject to any lock-up arrangement.

PRE-IPO INVESTMENTS

Principal terms of the Pre-IPO Investments

The below table summarises the principal terms of the Pre-IPO Investments our Group at the applicable time received:

Series	A-2	B-1	B-5	C-1
Date of investment	August 28, 2015	February 9, 2018[1]	December 2, 2019, February 14, 2020 and May 29, 2020	November 14, 2020 and December 4, 2020
Total approximate consideration paid[2]	US$13 million	US$40 million	US$100 million	US$105 million
Approximate pre-money valuation[2]	US$27.5 million	US$144 million[3]	US$375 million[4]	US$650 million[5]
Approximate cost per share paid[2]	US$0.42 per Series A-2 Preferred Share	US$1.43 per Series B-1 Preferred Share	US$1.43 per Series B-5 Preferred Share	US$1.87 per Series C-1 Preferred Share
Date on which all investment for the relevant series was fully settled	March 17, 2017[7]	May 2, 2018	December 17, 2020	March 1, 2021
Discount to the Offer Price[6]	79.5%	30.1%	30.1%	8.6%
Basis of consideration	The basis of determination for the consideration for the Pre-IPO Investments was arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.			
Use of proceeds from the Pre-IPO Investments	We utilised the proceeds for the business expansion, capital expenditure, investment and general working capital needs of our Company. As of the Latest Practicable Date, approximately 74.0% of the net proceeds from the Pre-IPO Investments had been transferred and utilised by our operating subsidiaries.			
Lock-up	Shares held by our Pre-IPO Investors are subject to a lock-up period of six months commencing on the date of the Listing.			
Strategic benefits of the Pre-IPO Investors	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience.			

Note:

(1) SCC Venture VI Holdco, Ltd., Teng Yue Partners Master Fund, L.P., Teng Yue Partners RDLT, LP, King Star Med LP and our Company (among others) entered into the note purchase agreement dated February 9, 2018 in relation to issue of convertible promissory notes in the aggregate principal amount of US$40 million convertible into preferred shares of our Company. Such conversion rights were exercised on February 2018 and Series B-1 Preferred Shares were allotted on December 21, 2018.

(2) The total approximate consideration paid is calculated based on the cash consideration received by our Group. The corresponding valuation is calculated based on the proposed pre-money valuation of the Company at the time of investment, which includes shares then expected to be issued pursuant to share option and/or award schemes. The approximate cost per share is calculated with reference to the pre-money valuation divided by the outstanding shares on a fully diluted basis from time to time.

(3) The increased implied valuation for Series B-1 as compared to Series A-2 reflects the development of MSB2311, including completion of pre-clinical studies of MSB2311 and IND applications were submitted to NPMA and cleared by US FDA. The Series A-1 Preferred Shares were issued due to the re-designation of certain Preferred Shares at the time, and were not subject of a standalone financing round.

(4) The increased implied valuation for Series B-5 as compared to Series B-1 reflects the Acquisition, while the approximate cost per Share remained the same as at B-1 as a result of among others a commercial arrangement driven by negotiation with the investors and the business development of the Group.

(5) The increased implied valuation for Series C-1 as compared to Series B-5 reflects the development of MSB2311, TST001, MSB0254, TST005, the in-licensing of TST002 and the growth of CDMO revenue and manufacturing capability.

(6) Assuming the Offer Price is fixed at HK$15.90 per Share, being the mid-point of the indicative Offer Price range. Following the Series C-1 fundraising, being the final Pre-IPO Investments, our Company had a post-money valuation of approximately US$798 million (the "**Pre-IPO Valuation**"). Our Company's market capitalisation of approximately HK$7,036.2 million to HK$7,125.3 million upon Listing constitutes a 9.0% to 10.3% step-up in our Company's valuation (with the mid-point being 9.7%) as compared to the Pre-IPO Valuation of US$1.87 per Share. While the Pre-IPO Valuation may serve as a reference, the final valuation of our Company upon Listing is also subject to other company-specific and/or external factors from the date when the Pre-IPO Valuation was made up until the Listing Date, which include, among others, continued clinical progress of our Group as well as changes in regulations relevant to the business of our Group, competitive landscape in the industry in which our Group operates, capital market conditions and investor sentiment.

Subsequent to the Series C-1 financing, our Group has achieved several major milestones which significantly boosted our Company's valuation, some examples of which include (i) in January 2021, the NMPA granted to our Group its approval to conduct Phase 2 trial of MSB2311 to further evaluate its efficacy and safety for patients with TMB-H solid tumors; (ii) in March 2021, our Group successfully filed an IND application for Phase 1 clinical trials for TST005 in patients with solid tumors in the United States; (iii) in April 2021, our Group received clearance of its IND for TST005 from the US FDA for initiating Phase 1 clinical trial; (iv) in April 2021, the first patient has been successfully dosed in Phase 1 clinical study of TST001, in combination with CAPOX for the treatment of patients with first-line locally advanced unresectable or metastatic gastric cancer; and (v) in May 2021, our Group started a Phase 1 trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer and dosed multiple patients.

(7) The funds relating to the Series A-2 Preferred Shares were irrevocably settled and received by our Group on or before March 2017 and certain investors received shares of the onshore subsidiary of the Company with an option to convert such shares into Series A-2 Preferred Shares at a pro rata economic interest.

Special rights of the Pre-IPO Investors

Certain special rights were granted to our Pre-IPO Investors under the Pre-IPO Shareholders' Agreement, including, among others, customary rights of first refusal to participate in future funding rounds, information rights, and anti-dilution and veto rights (where applicable). No such special rights granted to the Pre-IPO Investors will survive after the Listing and there were no redemption rights held by holders of Preferred Shares after submission of our Company's listing application to the Stock Exchange, in compliance with Guidance Letter HKEX-GL43-12 issued by the Stock Exchange. Certain series of Preferred Shares were not considered by our Group to be Pre-IPO Investments, as those Preferred Shares were issued to the pre-Acquisition shareholders of Just Biotherapeutics Asia Inc. as part of the Acquisition. However, given they became third party investors of our Group (after the Acquisition), they became a party to the Pre-IPO Shareholders' Agreement and therefore became entitled to generally the same special rights granted to our Pre-IPO Investors prior to the Listing. All Preferred Shares will convert to Shares upon Listing on a 1:1 basis subject to customary adjustments.

Public float

As of the date of this document, LAV Group in aggregate held approximately 16.6% equity interest in our Company, and will hold 15.10% upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme). LAV Group will be a substantial shareholder of our Company upon Listing, and the Shares it holds will accordingly not be considered as part of the public float.

In addition, Cloudbay Capitals LLC is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. Qionglong Investment Holding Limited is wholly-owned by Xuefeng Qian (錢雪峰), a cousin of Dr. Qian. Given that Dr. Qian is our Director, the Shares held by him, Qian Dynasty Irrevocable Trust, Shi Dynasty Irrevocable Trust, Qionglong Investment Holding Limited and Cloudbay Capitals LLC will not be considered as part of the public float.

VI Holding Limited is wholly-owned by Dr. Yining (Jonathan) Zhao. Given Dr. Zhao is our Director, the Shares held by VI Holding Limited will not be considered as part of the public float.

The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of selected participants of the Pre-IPO Equity Incentive Plan, including Mr. Albert Da Zhu. The trust deed provides that the Trident Trust Company (HK) Limited, as trustee, shall act in accordance with instructions given by the board of directors of the Company, who also has the right to appoint or remove a new trustee of Success Reach Trust. Consequently, the Shares held by Success Reach International Limited will not be considered as part of the public float.

Success Link International L.P. is an exempted limited partnership and established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. Consequently, the Shares held by Success Link International L.P. will not be considered as part of the public float.

Except as stated in this section, the Shares held by other Pre-IPO Investors will constitute part of the public float, and to the best knowledge, information and belief of our Directors, all the Pre-IPO Investors are Independent Third Parties of our Group. Upon Listing, it is expected that approximately 57.09% Shares will be held by the public under Rule 8.08(1) of the Listing Rules (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$15.90 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share).

Information on the Pre-IPO Investors

Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P. and LAV Biosciences Fund V, L.P. are Cayman Islands exempted limited partnership funds. Both LAV Verdure Limited and LAV Acuity Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Both LAV Vitality Limited and LAV Altitude Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P.. All of Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P., LAV Biosciences Fund V, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Vitality Limited and LAV Altitude Limited are investment arms of the LAV group ("**LAV**" or "**LAV Group**"). All of Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P. and LAV Biosciences Fund V, L.P. are exempted limited partnerships established in the Cayman Islands, the general partner (which controls each of the exempted limited partnerships) of each of which is ultimately controlled by Dr. Yi Shi. Other than LAV Group being ultimately controlled by Dr. Yi Shi, there are no formal voting arrangements among the different entities of LAV Group with respect to their investment in the Company. Dr. Yi Shi is not an Independent Third Party, as LAV Group is a substantial shareholder of the Company. To the knowledge of the Company, Dr. Yi Shi, other than through LAV Group, has no other relationship with the Company and its directors and members of senior management. Except for Eli Lilly and Company (NYSE: LLY), which holds more than 50% of non-voting economic interests of Lilly Asia Ventures Fund III, L.P., there is no other limited partner who

holds more than 30% economic interests of any of these three limited partnerships. LAV Group used multiple funds to invest in the Company, as different funds have their own investment strategies and life cycles. LAV is a sophisticated investor and a leading Asia-based life science investment firm with over US$3 billion in assets under management. LAV has invested in over one hundred portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services, examples including CanSino Biologics, Innovent Biologics, RemeGen, New Horizon Health, Jacobio Pharmaceuticals, Terns Pharmaceuticals and Connect Biopharma. Founded in 2008, LAV is one of the biomedical venture firms with the longest histories in China. LAV is managed by a team of professionals with substantial biomedical domain expertise, as well as extensive investing experiences. LAV Group first invested in the Group in August 2015.

LAV Brassicanapus, L.P. ("**LAVB**") is a limited partnership established in the Cayman Islands, the general partner of which is LAV Brassicanapus Limited, a limited company incorporated in the Cayman Islands which is ultimately wholly-owned by an individual who is an Independent Third Party. The general partner and limited partners of LAVB and their ultimate beneficial owners are Independent Third Parties. LAVB has over US$100 million in assets under management, and has invested in companies in the pharmaceutical sector, such as Jacobio Pharmaceuticals (1167.HK) and Abbisko Therapeutics.

Eli Lilly and Company (NYSE: LLY) ("**Lilly**") is a global healthcare leader that unites caring with discovery to make life better for people around the world. Lilly was founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today they remain true to that mission in all of its work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteerism.

TLS Beta Pte. Ltd. is a company incorporated in Singapore in 2005 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Incorporated in 1974, Temasek is an investment company with a net portfolio of S$306 billion as at March 31, 2020. Temasek actively seeks sustainable solutions to address present and future challenges, as it captures investment and other opportunities that help to bring about a better, smarter and more sustainable world. Its investments in the life sciences sector include WuXi AppTec, Celltrion, Inc., Thermo Fisher Scientific Inc., Aerogen, Dr. Agarwal's Healthcare, Hangzhou Tigermed, Orchard Therapeutics, and Surgery Partners.

Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**") acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH JBC (HK) Holdings Limited, a limited company incorporated under the laws of Hong Kong. Mr. Lei Zhang may be deemed to have controlling power over Hillhouse Capital Management, Ltd. Mr. Lei Zhang disclaims beneficial ownership of all of the shares held by Hillhouse Fund IV, L.P., except to the extent of his pecuniary interest therein. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Hillhouse Capital invests

in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of global institutional clients.

Teng Yue Partners Master Fund, L.P. ("TYMF") is an investment fund which is an exempted limited partnership established under the laws of the Cayman Islands. Teng Yue Partners GP, LLC ("TYGP") is the general partner of TYMF which 100% controls TYMF. Teng Yue Partners Holdings GP, LLC ("TYHGP") is the managing member of TYGP which 100% controls TYGP. Teng Yue Partners RDLT, LP ("TYRD") is an investment fund which is an exempted limited partnership established under the laws of the Cayman Islands. Teng Yue Partners RDLT GP, LLC ("TYRGP") is the ultimate controlling entity of TYRD which 100% controls TYRD. TYHGP is the managing member of TYRGP which 100% controls TYRGP. Teng Yue Partners RDLT II, LP ("TYRD II") is an investment fund which is an exempted limited partnership established under the laws of the Cayman Islands. TYRGP is the ultimate controlling entity of TYRD II which 100% controls TYRD II. Each of TYMF, TYRD and TYRD II has a diverse investor base which includes institutional investors and high net worth individuals. Those investment funds are all part of Teng Yue Partners, an asset management group founded in 2011 which is headquartered in New York City and which has a multi-billion-US dollar AUM. Teng Yue Partners focuses on equity investments in China and utilizes a disciplined investment process based on fundamental analysis, leveraging its global perspective and local expertise to invest in both listed and private Chinese companies. The Teng Yue Partners funds have invested in a range of sectors, including the biotech, healthcare, education and technology-related sectors.

SCC Venture VI Holdco, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Its sole shareholder is Sequoia Capital China Venture Fund VI, L.P., an investment fund whose primary purpose is to make equity investments in private companies. The general partner of Sequoia Capital China Venture Fund VI, L.P. is SC China Venture VI Management, L.P., whose general partner is SC China Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

ARCH Venture Fund VIII, L.P. ("**ARCH Fund VIII**") is a limited partnership, and is a venture capital fund with US$410 million in partner commitments. The sole general partner of ARCH Fund VIII is ARCH Venture Partners VIII, L.P. ("**ARCH Partners VIII**"), which may be deemed to beneficially own the shares held by ARCH Fund VIII. The sole general partner of ARCH Partners VIII is ARCH Venture Partners VIII, LLC ("**ARCH VIII LLC**"), which may be deemed to beneficially own the shares held by ARCH Fund VIII. ARCH Partners VIII and ARCH VIII LLC disclaim beneficial ownership of such shares, except to the extent of any pecuniary interest therein. The managing directors of ARCH VIII LLC are Keith Crandell, Clinton Bybee and Robert Nelsen, and they may be deemed to beneficially own the shares held by ARCH Fund VIII. Messrs. Crandell, Bybee and Nelsen disclaim beneficial ownership of such shares, except to the extent of any pecuniary interest therein.

Falcon Rise Global Limited, a limited company established in British Virgin Islands, is a wholly owned subsidiary of CR-CP Life Science Fund, L.P. ("**CR-CP Life Science Fund**"), a Cayman Islands exempted limited partnership. The general partner of CR-CP Life Science Fund is CR-CP Life Science Fund Management Limited, which is an exempted company incorporated with limited liability under the laws of the Cayman Islands and jointly established by China Resources Group and Charoen Pokphand Group. CR-CP Life Science Fund focuses on investing in life science companies developing diagnostics, medical equipment, treatment methods, drugs, medical devices and system.

FC Bio Pathfinder Limited is a special purpose vehicle incorporated in the British Virgin Islands. The ultimate beneficiary of FC Bio Pathfinder Limited is Shenzhen Dachen Chuangtong Equity Investment Enterprise (Limited Partnership) (深圳市達晨創通股權投資企業(有限合夥)) which has more than 20 limited partners and none of which holds more than 30% economic interests. The general partner of FC Bio Pathfinder Limited is Shenzhen Fortune Wisdom Venture Capital Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) ("**Fortune Wisdom**"). Hunan Tv&Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) (SZSE: 000917) directly and indirectly holds approximately 55% of the shareholding of Fortune Wisdom. Fortune Wisdom is a leading market-oriented private equity investment company in China. It focuses on TMT, intelligent manufacturing, consumer services, medical health, energy conservation and environmental protection, military industry, big data and other fields. Fortune Wisdom manages a total of 23 funds, with over RMB30 billion assets under management. In the biotech or healthcare sector, Fortune Wisdom has invested in more than 60 companies, including CanSinoBIO, AIER Eye Hospital Group and Advaccine BIO.

Epiphron Capital Fund V L.P. ("**Epiphron**") is a limited partnership established in the Cayman Islands as a single investment private equity fund with AUM of US$6.4 million, all of which is invested in the Company. Epiphron is managed by its general partner Epiphron Capital Fund V GP Limited which is legally and beneficially owned by Timothy Mark Fletcher Ferdinand (who also indirectly holds 30% and controls 60% of the voting rights of the general partner of Cold Spring). Epiphron is one of a stable of Cayman Islands funds under the Epiphron brand which have invested in the pre-IPO financing rounds of BeyondSpring, Inc (NASDAQ: BYSI), Innocare Pharma Limited (stock code 9969) and two other companies yet to be listed, both in the biotech and medical device sectors.

Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund L.P. (冷泉港(廣州)生物醫藥產業投資基金合夥企業(有限合夥)) ("**Cold Spring**") is a limited partnership established in Guangzhou, China, as a private equity fund with AUM of approximately RMB 150 million and which focuses on investments in biomedicine, medical equipment and medical sciences. Cold Spring is managed by its general partner Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund Management Co., Limited (冷泉港(廣州)生物醫藥產業投資基金管理有限公司). The legal and beneficial owner of the general partner of Cold Spring is Timothy Mark Fletcher Ferdinand who indirectly holds 30% and controls 60% of the voting rights of the general partner of Cold Spring (he is also the legal and beneficial owner of the general partner of Epiphron).

China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥)) is a special purpose vehicle incorporated in Shenzhen, China. To the knowledge of the Company, China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥)) was re-named as Shenzhen Runxin New Vision Strategic Emerging Industry Private Equity Fund Partnership (Limited Partnership) (深圳潤信新觀象戰略新興產業私募股權投資基金合夥企業(有限合夥)) on January 21, 2021. It is controlled by China Capital Management Co, Ltd. ("**CSC**"). The ultimate holding company of CSC is China Securities, which is the largest investment bank in China.

CEG Resources Co., Ltd. is a limited company incorporated in the British Virgin Islands, and is an investment arm of the China Equity Group ("**CEG**"). CEG, founded in 1999, is one of the earliest well-known PE/VC investment firms in China Mainland with portfolios covering a wide range of sectors, i.e. TMT, consumption, clean energy, biomedical and healthcare. CEG is managed by professionals and experts with assets under management of over US$3 billion. CEG Resources Co., Ltd. is a special purpose vehicle-Wuhan Kanghexin Healthcare Industry Investment Center (Limited Partnership) (武漢康和信健康產業投資中心(有限合夥)). The general partner of Wuhan Kanghexin Healthcare Industry Investment Center (Limited Partnership) (武漢康和信健康產業投資中心(有限合夥)) is controlled by Beijing China Equity Investment Corporation, whose ultimate beneficial owner is Mr. Chaoyong Wang.

CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) ("**CCT Buyout Fund**") is managed by an investment subsidiary of China Merchants Capital Investment Co., Ltd., which is a private equity fund incorporated in Shenzhen, China. The general partner of CCT Buyout Fund is Shenzhen Merchants Huihe Equity Investment Fund Management Co., Ltd. (深圳市招商慧合股權投資基金管理有限公司) and the limited partners include China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) and China Merchants Capital Holdings Limited (招商局資本控股有限責任公司). CCT Buyout Fund is an experienced institutional investor, mainly focused in the healthcare, education, advanced manufacturing sectors in industries across all equity-stages. The fund size of CCT Buyout Fund is approximately RMB25 billion. CCT Buyout Fund and China Merchants Capital Investment Co., Ltd. have previously invested in biotech, CDMO, digital health companies, including RemeGen, Tianjin Pharmaceutical Research Institute (天津藥物研究院), TransThera (藥捷安康), Gmax Biopharm (鴻運華寧), Porton Pharma (博騰股份) (SZSE: 300363), Asymchem (凱萊英) (SZSE: 002821), JD Health (京東健康) (HK: 6618) and WeDoctor (微醫). Both China Merchants Securities Co., Ltd (which controls Humble Easy Limited) and China Merchants Capital Investment Co., Ltd. are subsidiaries of China Merchants Group Limited.

King Star Med LP is a private fund incorporated in Cayman Islands with a fund size of approximately US$75 million, and the fund focuses on investments in the healthcare and biotech industry. Its general partner is King Star Med Management Limited, a company incorporated in the Cayman Islands. The voting and investment power of shares held by King Star Med LP is exercised by the two directors, Xianghong Lin and Bin Yu, of King Star Med Management Limited, no one of whom may act alone to vote or dispose of the shares. No limited partner of King Star Med LP holds more than 30% economic interests. The management team of King Star Med LP has been specializing in private equity and venture capital investment, and accumulated experience in financing for the development of biotech companies. The portfolio of King Star Med LP in biotech or healthcare sectors includes GRACELL BIOTECHNOLOGIES (GRCL.O), ADAGENE(ADAG.O), CStone Pharmaceuticals (B2616.HK), JW (Cayman) Therapeutics Co. Ltd (B2126.HK). The registered address of King Star Med LP is P.O. Box 309 Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Island.

Superstring Capital Master Fund LP is a Cayman Islands exempted limited partnership operating as a private investment fund. Superstring Capital Management LP ("**Superstring**"), a Delaware limited partnership, serves as the investment manager to Superstring Capital Master Fund LP. Superstring utilizes a long-term, fundamentally-driven investment strategy that focuses primarily on investments in both public and private healthcare companies. The Superstring team is comprised of highly seasoned life sciences professionals with experience at leading investment, industry and academic institutions. Superstring has a diverse investor base, more than 20 limited partners of Superstring Capital Master Fund LP and none of which holds more than 30% economic interests in the fund.

EverestLu Holding Limited (永祿控股有限公司) is a limited company incorporated in Hong Kong and is wholly-owned by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**China Structural Reform Fund**"), a company incorporated in the PRC and the shares of which are held by several state-owned enterprises. It is mainly engaged in business activities including non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. China Structural Reform Fund is ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council. Experience in participating as a cornerstone investor in recent Hong Kong IPOs includes: JOINN Laboratories (China) Co., Ltd. (stock code: 6127), Peijia Medical Limited (stock code: 9996), Akeso, Inc. (stock code: 9926) and InnoCare Pharma Limited (stock code: 9969). The current AUM of China Structural Reform Fund is approximately RMB98.8 billion with an industry focus on biotech and healthcare, artificial intelligence and advanced manufacturing. China Structural Reform Fund is a limited partner of CCT Buyout Fund.

Heyday Surge Limited (盛濤有限公司) is an investment holding company incorporated under the laws of the British Virgin Islands and is wholly-owned by CGVC Company Limited. CGVC Company Limited, being an indirectly wholly-owned subsidiary of Country Garden Holdings Company Limited (HKEX: 2007), mainly focuses on equity investments outside of real estate investment. Country Garden Holdings Company Limited is one of the China's largest residential property developers that capitalizes on urbanization. Country Garden Holdings Company Limited runs the businesses of property development, construction, interior decoration, property investment, and the development and management of hotels. In the biotech or healthcare sector, a subsidiary of CGVC Company Limited has invested in HBM Holdings Limited (SEHK: 2142).

Titan Stage Project Company Limited is an investment holding company incorporated in the British Virgin Islands. It is a subsidiary of K11 Investment Company Limited, which is an indirect wholly-owned subsidiary of New World Development Company Limited, a company listed on the Hong Kong Stock Exchange (HKEX: 0017).

Humble Easy Limited is a special purpose vehicle incorporated in British Virgin Islands. Its principal business is making investment in equity interests of private enterprises operating in Greater China. It is controlled by China Merchants Securities Investment Management (HK) Co., Limited ("**CMSIM (HK)**"), which is an experienced institutional investor investing in growth-stage private equities across different sectors. The ultimate holding company of CMSIM (HK) is China Merchants Securities Co., Ltd, which is a listed investment bank incorporated in the PRC (SH: 600999 and HKEX: 06099). Both China Merchants Securities Co., Ltd and China Merchants Capital Investment Co., Ltd. (which is the holding company of CCT Buyout Fund) are subsidiaries of China Merchants Group Limited.

BOCI Financial Products Limited ("**BOCIFP**") is a company incorporated under BVI laws and is wholly owned by BOC International Holdings Limited, which is in turn incorporated in Hong Kong and wholly owned by Bank of China Limited, a joint stock company incorporated in PRC with limited liability, whose shares are listed and traded on Main Board of Hong Kong Stock Exchange under the stock code "3988" and Shanghai Stock Exchange under the stock code "601988". BOCIFP and its affiliates provide clients with a full range of investment banking products and services in both China and overseas capital markets, and are engaged in long term equity investments. BOCIFP has previously invested in an array of healthcare and biotech companies as minority financial investor, including So-Young Inc. and Kindstar Globalgene. BOCIFP's focus include TMT, bio-tech, and healthcare. BOCIFP aims for its individual investment ticket size to be approximately US$10 million to US$15 million.

Suzhou Industrial Park Investment Fund L.P. (蘇州工業園區產業投資基金(有限合夥)) ("**SIP Investment Fund**") is an industrial investment fund with a fund size of approximately RMB10 billion managed by Suzhou Harvest Capital Co., Ltd. ("**Harvest Capital**"). Harvest Capital is a wholly owned subsidiary of China-Singapore Suzhou Industrial Park Investment Management Co., Ltd. SIP Investment Fund focuses on investing healthcare, nano-materials, and artificial intelligence industries. In the biotech or healthcare and related sectors, SIP Investment Fund has invested in two other companies as a minority shareholder, which are Pegbio Co., Ltd. and Wuhan Neurophth Biological Technology Limited Company.

Parkway Limited, a British Virgin Islands limited liability company, is wholly owned by Star Forum Limited, which is solely owned by Mr. Xie Yijing. Mr. Xie Yijing is a director of China Renaissance Holdings Limited, the holding company of China Renaissance Securities (Hong Kong) Limited, which is the Financial Advisor of the Listing. The registered address of Parkway Limited is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

J&K Biotech Investment Co. Ltd. is an investment holding company incorporated under the laws of the British Virgin Islands that specializes and focuses on private equity investments in the biotech sector. J&K Biotech Investment Co. Ltd. invested in a number of companies in the biotech sector including Apollomics, WeDoctor, Keythera Pharmaceuticals, 4B Technologies Ltd and Genetron Holdings Limited (which completed an IPO on NASDAQ on June 2020). The company is solely owned and controlled by Mr. Zhu Jing, who is the Chairman and CEO of Richland Equities (富坤創投), a leading venture and private equity investment firm in the PRC. Mr. Zhu has over 27 years of experience in the capital markets and has achieved exits of over 20 portfolio companies through IPO or M&A.

Hua Yuan International Limited (華圓管理諮詢(香港)有限公司) is a company incorporated in Hong Kong. It is a direct wholly-owned special purpose vehicle of China Singapore Suzhou Industrial Park Ventures Co., Ltd. (中新蘇州工業園區創業投資有限公司) ("**CSVC**"). CSVC is an investment services flagship which is directly and wholly-owned by Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司) ("**Suzhou Oriza**"). Suzhou Oriza's primary investment focus is on early-stage and growth-stage enterprises in the fields of healthcare industry, and has previously invested in companies such as Innovent Biologics, Inc. (HK.01801), JW (Cayman) Therapeutics (HK.02126), Ascentage Pharma (HK. 06855).

QH Oil Investments LLC is an investment holding company established in the Qatar Financial Centre (QFC) and registered with the QFC Authority in the State of Qatar and is 100% owned by Qatar Holding LLC. Qatar Holding LLC, which is also established in the QFC, is 100% owned by and serves as a principal investment arm of the Qatar Investment Authority, which is a governmental entity of the State of Qatar.

Cloudbay Capitals LLC is a limited liability corporation incorporated in Delaware, USA, and is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian.

Compliance with Stock Exchange guidance

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Department of the Stock Exchange in relation to the Listing and (ii) all special rights granted to the Pre-IPO Investors will not survive Listing and there were no redemption rights held by holders of Preferred Shares after submission of the Company's listing application to the Stock Exchange, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on January 2012, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

COMPLIANCE WITH PRC LAWS

Our PRC Legal Adviser has confirmed that the PRC companies in our Group as described in this section have been duly established and all regulatory approvals and permits in respect of the incorporation and share transfer of the PRC companies as described in this section have been obtained in accordance with PRC Laws.

SAFE registration in the PRC

According to the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles 《國家外匯管理局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》(the "**SAFE Circular 37**"), PRC residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, or a special purpose vehicle, 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. The SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

As of the Latest Practicable Date, Genshou Gu (顧根壽), the sole shareholder of Hanshan Investment Holding Limited, and Xuefeng Qian (錢雪峰), the sole shareholder of Qionglong Investment Holding Limited, (as PRC residents as defined under the SAFE Circular 37) have completed their respective registration under the SAFE Circular 37.

M&A Rules

According to the 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**"), a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when:

(i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or

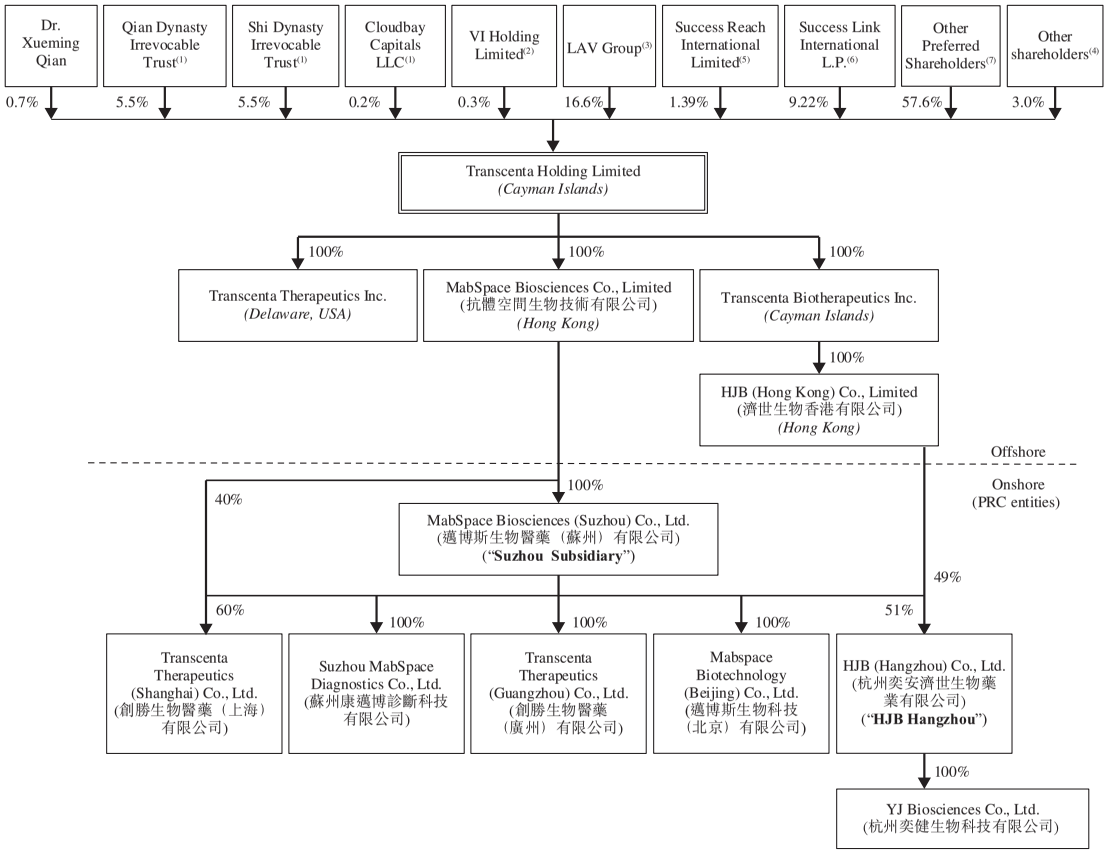
(ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

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 in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies. Our PRC Legal Adviser is of the opinion that prior CSRC approval for the Global Offering is not required because none of the incorporation or acquisition of the PRC subsidiaries of the Group involves the merger with or acquisition of the equity of a PRC domestic enterprise, as described above under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser.

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to completion of the Global Offering (assuming the Preferred Shares are converted into Shares on a 1:1 basis and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan):



Notes:

(1) With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, investment advisor is Dr. Qian and trustee is HSBC Trust Company (Delaware) National Association. Cloudbay Capitals LLC is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian.

(2) VI Holding Limited is wholly-owned by Dr. Yining (Jonathan) Zhao.

(3) For details of the shareholding of LAV Group and the relationship among the entities of LAV Group (Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P., LAV Biosciences Fund V, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Vitality Limited and LAV Altitude Limited), see the section headed "Substantial Shareholders".

(4) Other shareholders include: (i) 34 individuals who are Independent Third Parties and are, among others, employees or former employees of our Group or obtained Shares from JUST Biotherapeutics, Inc., a Delaware corporation, pursuant to a share purchase agreement dated May 20, 2019, and hold in aggregate 4,588,138 Shares representing approximately 1.1% of our issued share capital as of the Latest Practicable Date; (ii) Elite Bioscience Fund L.P., an Independent Third Party, who holds 2,845,154 Shares representing 0.7% of our issued share capital as of the Latest Practicable Date; (iii) Hanshan Investment Holding Limited which is wholly-owned by Genshou Gu (顧根壽), an Independent Third Party, and holds 2,500,000 Shares representing approximately 0.6% of our issued share capital as of the Latest Practicable Date; and (iv) Qionglong Investment Holding Limited which is wholly-owned by Xuefeng Qian (錢雪峰), a cousin of Dr. Qian, and holds 2,000,000 Shares representing approximately 0.5% of our issued share capital as of the Latest Practicable Date.

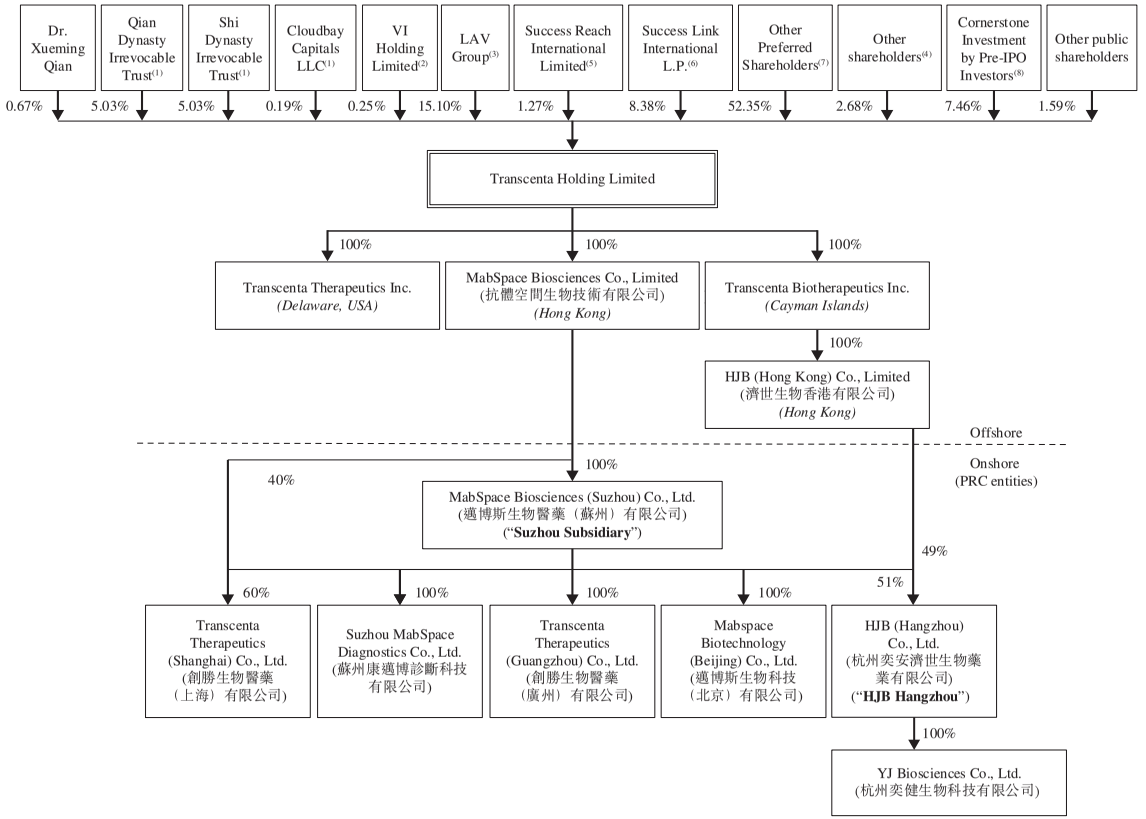
(5) The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited in trust which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of selected participants of the Pre-IPO Equity Incentive Plan, including Mr. Albert Da Zhu. The trust deed provides that the Trident Trust Company (HK) Limited, as trustee, shall act in accordance with instructions given by the administrator who is designated the board of directors of the Company. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document. Trident Trust Company (HK) Limited is an Independent Third Party.

(6) Success Link International L.P. is an exempted limited partnership and established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. The current directors of Success Link GP Inc. are Albert Da Zhu (朱達), an executive Director and Weikang Zhu (朱衛康), an employee of our Group. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document.

(7) Other Preferred Shareholders as of the Latest Practicable Date refer to the Preferred Shareholders as of the Latest Practicable Date excluding the LAV Group and Cloudbay Capitals LLC. For details of Preferred Shareholders as of the Latest Practicable Date and their respective shareholding, see "– Shareholding of our Company – Capitalisation" in this section.

Corporate structure immediately following the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme):



See the preceding page for notes (1) to (7).

(8) These interests (calculated on the basis of the mid-point of the indicative Offer Price range set out in this document) are held by certain of our existing Shareholders or their affiliates, namely LAV, Temasek, QIA and China Structural Reform Fund, which have entered into cornerstone investment agreements to subscribe for Shares. See "Cornerstone investors" for details.

OVERVIEW OF OUR COMPANY

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China. We adopt a global approach to maximize operational efficiency. Concurrently, we leverage the efficient regulatory approval pathway to accelerate the Investigational New Drug (IND) applications and early-phase clinical trials in the United States and to advance clinical trials in the indications with significant unmet medical needs from the large patient population in China. We design trials that allow clinical data from each trial to be used for pooled analysis and for supporting registration, including China, the United States and countries in Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated in the countries and regions where we plan for.

We have developed a unique antibody discovery platform, the Immune Tolerance Breaking (IMTB) technology platform, which enables us to generate antibodies to both non-conserved and conserved proteins that are difficult to generate in rodents and to discover hidden epitopes that are challenging to discover by using conventional platforms. Our IMTB technology platform allows us to obtain lead candidate antibodies with expanded epitope diversity, differentiated biological properties (specificity, affinity and pharmacokinetics) and desirable CMC (chemistry, manufacturing and controls) profiles, resulting in selecting candidate molecules with enhanced druggability attributes and intellectual property position. Leveraging this IMTB technology platform, we have generated TST001, which targets a conserved epitope on Claudin 18.2, and MSB2311, a PD-L1 targeting antibody binding to an epitope that conferred MSB2311 with pH-dependent antigen binding property. Furthermore, our translational research team enables us to model tumor responses to our investigational agents and to better understand pharmacokinetics/pharmacodynamics (PK/PD) profiles, which guides design and conduct of clinical study and evaluates the options of combination therapy with agents targeting different signaling disease pathways. We also have a platform that allows us to screen antibodies for target-detection using immunohistochemistry and to develop immunohistochemistry detection assay for patient selection in clinical trials, which allows us to maximize potential trial success by enrolling patients with a high probability of responding to the drug treatment in selected indications.

Our discovery and global development capabilities have enabled us to build diversified pipeline of innovative and promising antibodies in therapeutic areas with unmet medical needs including oncology, nephrology and bone diseases. As of the Latest Practicable Date, we have discovered and developed eight of nine drug candidates in-house, covering both validated, partially validated and novel biological pathways. In particular, we have one core product: MSB2311, a humanized PD-L1 monoclonal antibody (mAb) candidate for TMB-H solid tumors; and four key drug candidates: TST001, a humanized Claudin 18.2 mAb candidate for solid tumors such as gastric cancer; TST005, a PD-L1/TGF-β bi-functional antibody candidate for solid tumors including certain lung cancers; TST002 (Blosozumab), a humanized sclerostin

mAb candidate for osteoporosis; and TST004, a humanized MASP-2 mAb candidate for IgA kidney diseases. In addition to the above drug candidates, we are also developing a number of early-stage innovative biotherapeutic candidates. For example, we are developing TST003, a potentially the first therapeutic antibody candidate around the world targeting a novel immune regulatory protein produced by tumor-associated fibroblasts or tumor cells with mesenchymal phenotype. In addition, we have developed TST008, a tri-functional antibody combining a MASP2 antibody fused with a truncated transmembrane activator and CAML interactor (TACI) protein, which has the potential for the treatment of autoimmune disease such as systemic lupus erythematosus (SLE). The following chart summarizes drug candidates that are currently under development in China and worldwide across various therapeutic areas:

	Drug candidate	Target	Pathway[1]	Indications[2]	Clinical trial region	Preclinical	IND	Phase 1a	Phase 1b/ Phase 2a	Pivotal Phase 2b /Phase 3	Rights	Partner
Oncology	MSB2311*	PD-L1	Validated	TMB-H solid tumors	China	Monotherapy					Global	In-house
				Other solid tumors	China	Monotherapy						
				Solid tumors	China	Combo with VEGFRi						
				Solid tumors	United States	Monotherapy						
	TST001†	Claudin 18.2	Partially validated	Solid tumors	Global[3]	Monotherapy					Global	In-house
				Late-line gastric cancer	China	Monotherapy						
				Second-line gastric cancer	Global[3]	Combo with chemo						
				First-line gastric cancer	Global[3]	Combo with chemo						
				Other solid tumors[4]	Global[3]	Monotherapy						
	TST005†	PD-L1/TGF-β Bi-functional	Partially validated	Solid tumors (HPV+ and NSCLC, etc.)	Global[3]	Monotherapy					Global	In-house
	MSB0254	VEGFR2	Validated	Solid tumors	China	Monotherapy					Global	In-house
	TST003	BMP Antagonist (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
	TST006	Claudin 18.2/PD-L1 Bi-specific (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
Non-Oncology	TST002†	Sclerostin	Validated	Osteoporosis	China	Monotherapy					Greater China	In-licensed from Eli Lilly
	TST004†	MASP2	Partially validated	IgA nephropathy TMA	Global[3]	Monotherapy					Global	Co-development with Alebund in Greater China[5]
	TST008	MASP2-TACI Tri-functional (FIC)	Novel	SLE	Global[3]	Monotherapy					Global	In-house

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First in class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFRi=Vascular endothelial growth factor receptor 2 inhibitor

(1) *Validated=At least one successful registration-enabling clinical trial has been implemented for the corresponding target; Partially validated=At least one proof of concept clinical trial has been implemented; Novel=No successful proof of concept clinical trial has been implemented.*

(2) *Solid tumors in the "Indications" column include all the tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidences. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section for the specific tumor types targeted for clinical development.*

(3) *Represents Asia (including China), United States, European Union and Oceania.*

(4) *Represent Claudin 18.2 expressing solid tumor types other than gastric cancer, such as esophageal cancer, pancreatic cancer and biliary tract cancer.*

(5) *A substantial shareholder of our Company, LAV Group, holds less than 30% of shares in Alebund Pharmaceuticals. TST004 is discovered by us and will be further developed by a joint venture established by Alebund Pharmaceuticals and us. Greater China represents mainland China, Hong Kong SAR, Macau SAR and Taiwan.*

* *Denotes a core product. We obtained an umbrella approval from the NMPA to conduct Phase 1b studies for MSB2311 as monotherapy in China on various types of solid tumors. For TMB-H solid tumors, we also obtained the permission from the NMPA to conduct a Phase 2 trial. For solid tumors other than TMB-H tumors, we are currently conducting Phase 1b studies, which essentially have the same scope with Phase 2a studies. Before we start Phase 2b studies for solid tumors other than TMB-H tumors, we will communicate with the NMPA to obtain approvals.*

† *Denotes a key product.*

Our CMC function is capable of developing efficient manufacturing processes to support speed to clinical trial and speed to market while ensuring products meet regulatory requirements and are safe, efficacious and consistent between batches throughout product life cycle. We have established a modular GMP facility, T-BLOC, in Hangzhou, which has two 500L and one 2,000L single use bioreactor and two downstream purification trains. This highly flexible facility supports both fed-batch and continuous perfusion processes with an overall projected annual capacity of over one metric ton (1,000 kg). To increase productivity of conventional fed-batch processes, we have implemented intensified fed-batch processes (high seeding cell density using perfusion seed bioreactor), in which we have demonstrated increases in process output by greater than 100% over conventional fed-batch processes. To maximize facility output with significant lower cost of goods, improve process robustness and minimize operational risks, we are developing and implementing a continuous manufacturing platform called Integrated Continuous Bioprocessing (ICB), where a proprietary and highly productive continuous upstream perfusion process will be integrated with an automated and continuous downstream process that we are co-developing with Merck. By leveraging the power of ultra-high cell density continuous perfusion process and our proprietary cell culture media, we have demonstrated industry leading volumetric productivities of over 6 g/L-day and output increases for multiple cell lines of up to 10 to 20-fold when compared to conventional fed-batch processes. As of the Latest Practicable Date, we have successfully implemented upstream continuous perfusion process into GMP manufacturing for TST005 and TST001. According to the CIC Report, we are one of the only three companies in China that has implemented continuous perfusion process for GMP clinical supply. This platform can also enhance the control of product quality and can produce both stable and less stable antibodies such as some multi-specific antibodies or novel protein formats, which facilitates standardization of biomanufacturing.

Our core management team members have an average of greater than 15 years of industry experience with proven track record and a well-balanced combination of expertise spanning research, clinical development, manufacturing, planning and financing. Our shareholders consist of global and Chinese biotechnology-focused specialist funds and biopharmaceutical platforms experienced in supporting and growing biopharmaceutical companies. Therefore, we benefit from their resources and industry expertise. As of the Latest Practicable Date, in relation to our core product, we owned one issued patent in each of China, the United States, Macau, Russia and Hong Kong, one pending patent application in each of China and the United States and six pending patent applications in other jurisdictions. As of the Latest Practicable Date, in relation to our key products, we owned three PCT priority applications, two pending PCT applications and two pending patent applications in Taiwan, and co-owned one PCT priority application with our collaborator, Beijing Cancer Hospital. In addition, we also in-licensed one issued Chinese patent in relation to TST002.

OUR STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from other biopharmaceutical companies in China.

Integrated biopharmaceutical platform

We have established an integrated biopharmaceutical platform that brings drug candidates from the discovery stage to the commercial stage, spanning discovery, research, development, manufacturing and business development. With global vision and local expertise, our management team and the key operations (clinical development, regulatory access and business development) are based both in China and the United States whereas our R&D, process development and manufacturing teams are based in China. We have discovered and developed eight of nine drug candidates in-house and have global rights to these eight drug candidates as of the Latest Practicable Date.

- **Discovery**: Our proprietary antibody discovery platform, namely, the IMTB technology platform, enables us to generate antibodies to both non-conserved and conserved proteins, which are difficult to generate in rodents, and to discover hidden epitopes that are challenging to discover using conventional platforms. This allows us to obtain lead candidate antibodies with expanded epitope diversity, differentiated biological (specificity, affinity and PK) and desirable CMC profiles, resulting in selecting candidate molecules with enhanced druggability attributes and intellectual property position. Leveraging this IMTB technology platform, we have generated TST001, which targets a conserved epitope on Claudin 18.2, and MSB2311, a PD-L1 targeting antibody binding to a unique epitope that conferred MSB2311 with pH-dependent antigen binding property. These antibodies are humanized and further optimized using our antibody engineering technologies.

- **Translational Research**: Our translational research team enables us to model tumor responses to our investigational agents and to better understand PK/PD profiles, which guides design and conduct of clinical study and evaluates the options of combination therapy with agents targeting different signaling disease pathways. We also have a platform that allows us to screen antibodies for target-detection using immunohistochemistry and to develop immunohistochemistry detection assays for patient selection in clinical trials, which enables us to maximize potential trial success by enrolling patients with a high probability of responding to the drug treatment in selected indications. We also collaborate with key opinion leaders to gain access to a broad array of primary patient biopsies and tissue samples, which allows us to better understand the biomarker profiles of the target tumors and build tumor models that we believe more accurately represent patients' responses to therapeutic agents.

- **CMC**: CMC organization plays a critical role in drug development and commercialization. It is responsible for developing robust production processes, formulations and analytics, manufacturing drug products and ensuring products that meet regulatory requirements and are safe, efficacious and consistent between batches throughout product life cycle. In order for CMC to provide the speed, cost efficiency and quality to support discovery, clinical development and commercialization in bring promising treatments to patients in need, we have assembled a professional team, who developed a highly competitive biomanufacturing platform and built a very efficient and flexible GMP manufacturing facility. In addition, we continue to invest in the development and application of novel technologies to improve efficiency, cost and quality of our bioprocessing and analytical platforms. It is evident by significant progress made in our Integrated Continuous Bioprocessing (ICB) platform and in recent technology collaboration with Merck. By leveraging our highly productive manufacturing processes in a cost efficient and highly flexible modular GMP facility, which we refer to as T-BLOC, we anticipate our drugs will be manufactured at very competitive cost of goods while ensuring supply for current and future clinical and commercial product demands. Furthermore, our CMC filing packages, quality management system (QMS) and GMP manufacturing facility design all meet global standard, which will support our product development and future commercialization efforts to expand our global footprint.

- **Clinical development and regulatory affair capabilities**: We adopt a global approach to maximize operational efficiency. Concurrently, we leverage the efficient regulatory approval pathway to accelerate IND applications and early-phase clinical trials in the United States and to advance the execution of clinical trials in the indications with significant unmet medical needs from the large patient population in China. We design the trials that allow clinical data from each trial to be used for pooled analysis and for the use of supporting registration, including China, the United States and countries in Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated. We keep the core clinical development functions, including clinical trial design, planning and management in-house, and use and oversee contract research organizations (CROs) for trial execution. Based in Beijing, Shanghai and Princeton, New Jersey, our global clinical development and regulatory teams have extensive knowledge and experience in designing and executing clinical trials at all stages in indications with significantly unmet medical needs globally.

- **Business development**: We benefit from the global network and industry resources of our prominent shareholders with deep biotech expertise. Our U.S.- and China-based business development team also has a track record of successfully bringing in drug candidates with high clinical value to expand and complement our pipeline, such as the in-licensing of Blosozumab (TST002) from Eli Lilly. Furthermore, we have established collaborations with biotech companies, such as Alebund Pharmaceuticals, to leverage their clinical expertise in renal diseases for the co-development of TST004 in China while retaining the rights for the rest of world. In addition, we are collaborating with Merck to develop next generation technology for continuous downstream manufacturing. These strategic collaborations underscore our credibility with global biopharmaceutical and biotech companies and pave the way for long-term collaborations.

Highly synergistic oncology portfolio with competitive commercial potentials

We focus on oncology drug candidates that have first-in-class or best-in-class potential, demonstrate clear clinical benefits, address significantly unmet medical needs and are highly synergistic with other candidates in our pipeline. To further reduce the risk of development, we have designed an oncology franchise by targeting diversified disease pathways that have the potential for synergistic combination.

- **MSB2311**: MSB2311, our core product, is a second-generation PD-L1 inhibitor with unique differentiation from other PD-(L)1 antibodies. Discovered and developed in-house based on the IMTB platform and the in-house antibody library, MSB2311 is the first and only "recycling" PD-L1 antibody based on its pH-dependent PD-L1 binding property, which allows for significantly higher drug-target residence time in tumor and improved *in vivo* tumor killing activity. As of June 18, 2020, in the Phase 1 study conducted in China, 16 solid tumor patients were evaluable for efficacy with prior biomarker selection, including high tumor mutation burden (TMB-H), Epstein-Barr Virus (EBV), microsatellite instability high (MSI-H) or PD-(L)1 expression. Five patients achieved confirmed partial response (PR) with an ORR of 31.3%: 1/7 (14.3%) at 10 mg/kg Q2W and 4/9 (44.4%) at 20 mg/kg Q3W, respectively. Additionally, one patient achieved sustained iPR evaluated by iRECIST. In 2017, MSB2311 was awarded as a sub-project in the National Major Scientific and Technological Special Project for "Significant New Drugs Development" (MSB2311 入選"重大新藥創製"國家科技重大專項) by the Development Center for Medical Science & Technology of National Health and Family Planning Commission of the People's Republic of China. In addition, MSB2311 has been under patent protection as a pH dependent PD-L1 antibody in both the United States and Greater China. MSB2311 has patent life of more than 15 years from the date of this document.

  MSB2311 is to be further evaluated in a Phase 2 study as a monotherapy in TMB-H pan-solid tumors. In addition, MSB2311 may also be studied in combination with anti-angiogenic inhibitors pretreated solid tumors including cervical, esophageal, colorectal and lung cancers, which progressed from previous checkpoint inhibitor treatment.

- **TST001 (Claudin 18.2)**: Discovered and developed through the IMTB technology platform, TST001, one of the key products in our oncology pipeline, is a high-affinity antibody specifically targeting and binding to Claudin 18.2, a tight-junction protein that is commonly expressed in multiple cancers, including gastric cancer, pancreatic cancer, esophageal cancer, and other cancer. Claudin 18.2 is a membrane protein with highly conserved protein sequence cross-species.

By employing glycoengineering process technology, we reduced fucose content in TST001's Fc region and enhanced its binding to Fc receptor (FcR) on natural killer (NK) cell. In addition, compared to Zolbetuximab (IMAB362) of Astellas Pharmaceuticals, which validated Claudin 18.2 as an anti-tumor therapeutic target, TST001 binds to a slightly different epitope and results in distinct orientation relative to that of Zolbetuximab (IMAB362) binding, which results in an enhanced binding affinity to tumor cells and increased the efficiency of engaging with NK cells. These properties of TST001 lead to a potent antibody-dependent cellular cytotoxicity (ADCC) mediated anti-tumor cell killing activity of tumor cells with both high and low to medium Claudin 18.2 expression. In rodent xenograft tumor models, TST001 displayed potent dose-dependent anti-tumor activities and induced more tumor regression at the same dose comparing to Zolbetuximab (IMAB362).

Currently, no Claudin 18.2-targeting antibody has been approved globally yet. TST001 is the second leading Claudin 18.2-targeting monoclonal antibody that is being developed globally following Zolbetuximab (IMAB362), which is undergoing phase 3 clinical development (SPOTLIGHT and GLOW) globally. Differentiated from Zolbetuximab (IMAB362), which mainly targets tumor with high level expression of Claudin 18.2 (in >75% of the tumor cells with 2++ intensity, which accounts for 20% of the first-line gastric cancer patients), TST001 is potentially targeting much broader patient population with its higher affinity specifically to Claudin 18.2 and enhanced anti-tumor activity demonstrated in tumors with medium to high Claudin 18.2 expression (in >40% of the tumor cells with 2++ intensity, which accounts for about 50% of the first line gastric cancer patients). Furthermore, a companion diagnostic (CD) antibody highly specific to Claudin 18.2 is selected and developed in-house through a diverse epitope library. This CD antibody can distinguish Claudin 18.2 from Claudin 18.1 in human tissues, allowing us to maximize potential trial success and to address a broader patient population.

Claudin 18.2 has been shown to be expressed in various types of cancers, including gastric cancer, pancreatic cancer and esophageal cancer, which have frequently occurred in both China (gastric cancer and esophageal cancer) and the western countries (pancreatic cancer). These indications also represent unmet medical needs simply due to the lack of effective treatment options for patients with Claudin 18.2 expression. Evidently, patients with Claudin 18.2 expressing cancers often do not respond to checkpoint inhibitors and/or other targeted therapies because of a lack of expression of PD-L1 and/or HER2 in their tumors.

TST001 is currently in Phase 1 trials in United States and China to evaluate its safety and tolerability as well as its anti-tumor activities in patients with late-line solid tumors including but not limited to gastric cancer and pancreatic cancer. A registration enabling pivotal trial of TST001 in combination with chemotherapy as first-line treatment for gastric cancer will be initiated upon the establishment of safety and tolerability as well as anti-tumor activity from ongoing trials. TST001 will also be evaluated as single agent or in combination with chemotherapy, immunotherapy, and targeted therapy in multiple indications in China and globally.

- **TST005 (PD-L1/TGF-β bi-functional antibody trap)**: TST005, one of our key products, is a bi-functional antibody designed to simultaneously target two immuno-suppressive pathways, transforming growth factor-β (TGF-β) and programmed cell death ligand-1 (PD-L1), that are commonly used by cancer cells to evade the immune system. We discovered and developed TST005 in-house. TST005 consists of a high affinity PD-L1 antibody fused with a TGF-β Receptor Type II in its c-terminal. Differentiated from Merck's M7824, which has a wild type Fc region, mutations were engineered into TST005's Fc region to eliminate FcR binding, and reduce the FcR mediated clearance of TST005 and the killing of activated effector T-cells. We use an engineered TGF-β trap structure in TST005 which demonstrated enhanced stability with TGF-β trap. TST005's PD-L1 binding activity and enhanced TGF-β trap stability enable targeted delivery of TGF-β trap into PD-L1 expressing tumors, thereby minimizing off-target toxicities of systemic inhibition of TGF-β.

  TST005 displayed potent activity *in vitro* in reversing TGF-β induced T-cells suppression. In multiple syngeneic tumor models, TST005 induced significant increase of CD8 T-cell infiltration into PD-L1 expressing tumors and displayed dose-dependent tumor growth inhibition. TST005 is well tolerated in non-human primate and displayed a linear PK profile. In addition, perfusion bioprocessing technology is used in the production of TST005 clinical and commercial supply to ensure high product quality and cost-effective production.

  TST005 has significant market potential as a treatment option in a number of cancer indications with the involvement of PD-L1 and TGF-β as resistance mechanisms. TST005 is one of the few leading PD-L1/TGF-β bi-functional antibody-targeting drug candidates currently under clinical development globally. We plan to simultaneously develop TST005 both in China and the United States. We obtained IND clearance from the FDA in April 2021 for initiating Phase 1 clinical trial of TST005 in the United States and filed an IND application for TST005 with the NMPA in China in September 2021. Once safety and tolerability are established, we plan to further evaluate TST005 in HPV positive cancers in a basket trial and also in multiple pretreated tumor types (such as lung, pancreatic and bladder cancers) either as monotherapy or in combinations with either chemotherapy or targeted agents. PD-L1 and TGF-β pathway biomarker(s) will be employed to enrich the patient selection in clinical trials in an effort to enroll patients with increased potential to respond to TST005 treatment.

In addition to the above drug candidates, we are also developing a number of early-stage innovative biologic drug candidates. For example, we are developing TST003, a potentially first-in-class antibody drug candidate around the world targeting a novel immune regulatory protein produced by tumor-associated fibroblasts or tumor cells with mesenchymal phenotype. In preclinical studies, TST003 has demonstrated anti-tumor activities either as a single agent or in combination with targeted agent in "target-expressing" patient-derived xenografts (PDX) tumor model. In addition, TST003 displayed anti-tumor activities as a single agent and enhanced the anti-tumor activity of checkpoint inhibitor in multiple syngeneic tumor models. Currently, IND enabling studies for TST003 are ongoing and IND filing is planned for the first half of 2022 for the treatment of multiple solid tumors. We have also developed TST006, a bi-specific Claudin 18.2/PD-L1 antibody, which has shown in preclinical studies to be more potent than Claudin 18.2 antibody alone in blocking tumor cell growth in xenograft model expressing both Claudin 18.2 and PD-L1.

Diversified portfolio focusing on indications with significant unmet medical needs

We have also assembled a diversified drug candidate portfolio for other therapeutic areas that balances the risk of our flagship oncology franchise, with a focus on therapeutic areas with clearly unmet medical needs, substantial market potential and less competition compared with the crowded oncology space.

- **TST002 (Blosozumab)**: TST002, one of our key products, is a monoclonal antibody that binds to sclerostin, a negative regulator of osteoblast activity and new bone formation. Blocking sclerostin activity in human treated with anti-sclerostin antibody or with naturally occurring genetic deletion has been shown to be an effective approach in increasing bone mineral density (BMD) and reducing bone fracture. We in-licensed Blosozumab, an anti-sclerostin drug candidate, from Eli Lilly for development and commercialization in Greater China in 2019 after Eli Lilly completed phase 2 studies of Blosozumab in the United States and Japan. According to the CIC Report, the market size of anti-sclerostin drugs in China is expected to reach US$4.4 billion by 2035. EVENITY (Romosozumab), a competitor product that was developed by Amgen and approved in the United States, Japan and Europe, is currently administrated through subcutaneous injections each month and had generated sales of US$539.0 million from product launch in 2019 to the end of 2020, the second year from product launch.

  Similar to Romosozumab, Blosozumab has a dual effect possessing both anabolic and anti-resorptive effects, which stimulates bone formation and inhibits bone absorption that lead to fast action in increasing bone density and bone strength. In a randomized, double-blind, placebo-controlled multicenter Phase 2 clinical trial of Blosozumab conducted by Eli Lilly) in postmenopausal women with low BMD, Blosozumab treatment resulted in statistically significant dose-dependent increases in spine, femoral neck, and total hip BMD as compared with placebo. In the highest dose group, BMD increased by 17.7% at the spine, and 6.2% at the total hip from baseline within 12 months.

  Since the in-licensing of Blosozumab (with an internal product code of TST002) in 2019, we have completed technology transfer and developed manufacturing process for the application of approval to initiate clinical study in China. We filed an IND application in China in June 2021 and the application was formally accepted by the NMPA on July 6. We plan to leverage clinical data from Eli Lilly to speed up the regulatory process in China. We will develop Blosozumab as an agent to be administered intravenously every 2 to 3 months, which allows for a flexible dosing regimen, potentially leading to better efficacy and improved patient compliance.

- **TST004**: TST004 is a humanized mAb targeting mannan-binding lectin serine protease 2 (MASP2) and designed to prevent the lectin pathway complement-mediated inflammation. We discovered and developed TST004 in-house and plan to develop TST004 for IgA nephropathy (IgAN), a highly prevalent chronic kidney disease with very limited treatment options.

TST004 also has therapeutic potential in a number of other indications, such as thrombotic microangiopathy (TMA), representing significant market potential. Similar investigational agents targeting MASP2, such as Omeros' Narsoplimab (OMS721), have shown significant activity in prolonging the life of patients with TMA. OMS721 has also been shown to be active in reducing proteinuria in selected patients with heavy proteinuria. However, OMS721 must be dosed weekly intravenously for IgAN patients, which is inconvenient. Omeros has submitted a rolling biologics license application (BLA) for OMS721 in TMA to the FDA. With significantly higher binding affinity, stronger neutralizing activity and prolonged PK profile compared to OMS721, TST004 may have less frequent dosing, more complete target coverage, and potentially better clinical outcome.

We plan to develop TST004 with both subcutaneous and intravenous injection formulations to target patients with both acute and chronic diseases. In addition, we are developing biomarker strategy to enrich patients that are more likely responding to TST004. Currently, we are collaborating with Alebund Pharmaceuticals for the development and commercialization of TST004 for the treatment of certain indications related to TMA, renal diseases and blood disorders in Greater China region (excluding indications for ophthalmology and infectious diseases), retaining the rights for the rest of the world. We plan to file IND applications for TST004 in both the United States and China by the first half of 2022 and aim to conduct global clinical trials in selected indications.

In addition, we are developing TST008, a tri-functional antibody drug candidate targeting both MASP2-mediated complement pathway and the BLyS/APRIL pathway, for the treatment of autoimmune diseases, such as systemic lupus erythematosus (SLE). A large number of patients with SLE also have renal complication with limited treatment options. Competitor molecules targeting the BLyS/APRIL pathway such as RC18 (Talitacicept) have shown benefits in the treatment of SLE in human trials. Dual inhibition of the BLyS/APRIL pathway, which is responsible for B-cell activation and auto-antibody production, and the MASP2 pathway, which mediates auto-antibody-dependent tissue injury, could have better therapeutic benefits in SLE patients with renal complications than targeting B-cell activation and auto-antibody production alone.

CMC team with global experience, bioprocessing platform and infrastructure

We have built an experienced professional CMC team and efficient infrastructure to support the full cycle of drug development processes from discovery to process and analytical development, GMP manufacturing, product release, support of regulatory filings, and future commercialization. Our CMC team has approximately 200 members with subject matter expertise in all key functions. Our CMC team is led by industry veterans with 10 to 30 years of experience at multinational companies in developing, manufacturing and commercializing biologic drugs. We have established a fully operational next-generation GMP manufacturing facility, T-BLOC, for DS and DP production in Hangzhou. This facility is highly flexible, made possible by applying single use of technologies and modular facility design, which facilitates

multi-product manufacturing, implementation of new bioprocessing technologies and ease of capacity expansion. Currently, T-BLOC has two 500L and one 2,000L single use bioreactors (SUB), with one additional 500L SUB arriving in the near future, and has potential to further expand the capacity by adding up to two more 2,000L SUBs to achieve future annual output of over one metric ton (1,000 kg). In addition to T-BLOC, we have several fully equipped process and analytical development labs and a pilot facility (up to 200L scale) for process scale up studies and production of toxicology drug substance (DS) and drug product (DP) lots. In anticipation of an increase in the product demand in the future, we have also initiated capital project for a second facility that is located in Suzhou Industrial Park with adjustable annual capacity beyond three metric tons.

Since the mechanical completion of our facility in early 2018, our CMC team has worked on 15 internal and external CMC development projects and has completed over 31 manufacturing lots with over 95% success rate, including many first time successes of complicated projects such as facility start-up and new technology implementation under tight timelines. We also demonstrated our ability to bring a molecule (e.g. TST001) from candidate selection to IND application in as short as 12 months. Our capability has also been demonstrated by our speed and efficiency in completing facility and equipment commissioning/qualification and ready for full GMP operation in mere five months after facility mechanical completion and completing first-time successful GMP production in only one month after commissioning/qualification.

To ensure our biomanufacturing platform is highly competitive, in addition to implementing intensified fed-batch platform, which we have demonstrated increases in process output by more than 100% when compared to conventional fed-batch processes, we are developing and implementing a significantly more productive single-use continuous manufacturing platform called Integrated Continuous Bioprocessing (ICB). By leveraging the power of ultra-high cell density continuous perfusion process and our proprietary cell culture media, we have demonstrated industry leading volumetric productivities of over 6 g/L-day and output increases for multiple cell lines of up to 10 to 20-fold when compared to conventional fed-batch processes. According to the CIC Report, we are one of the only three companies in China that has implemented continuous perfusion process for GMP clinical supply. This platform can also enhance our control of product quality and can produce both stable and less stable antibodies such as some multi-specific antibodies or novel protein formats, which facilitates standardization of biomanufacturing. First time successful implementation of continuous perfusion in GMP manufacturing was also achieved in 2020.

While continuous upstream perfusion is a key component of our ICB technology, to address downstream and future facility bottlenecks, we have entered into a multi-year strategic technology collaboration with Merck in June 2020 to develop automated continuous downstream equipment and other key enabling technologies to accelerate ICB implementation to support our clinical development and future commercial launch. This will enable us to provide "economies of scale" output in a relatively small and low cost modular facility that was fast to build and expand, and provide low cost of goods, high flexibility and scalability.

Visionary management and shareholders

We boast a seasoned and global management team with solid knowledge and experience across lead discovery, pre-clinical research, clinical development and operations, process development and manufacturing, regulatory affairs and business development, combining experience from multinational corporations with local knowledge.

Dr. Xueming Qian, Chief Executive Officer and Executive Director, has over 20 years of industrial antibody discovery and development experience. Before starting our Company, Dr. Qian was Senior VP and Head of R&D at Shenogen Pharma Group. Dr. Qian also worked at Amgen for over 12 years and served at various positions including as principal scientist and led multiple project teams to discover novel antibody therapeutics for autoimmune diseases and metabolic disorders and participated in programs such as AMG108 and EVENITY. Dr. Qian is the leading inventor of multiple antibody patents.

Dr. Frank Feng Ye, EVP, Chief Operating Officer, has over 20 years of experience in the biopharmaceutical industry. Dr. Ye is an expert in biological quality and manufacturing management. He has extensive knowledge and experience in the strategic development and implementation of corporate quality management and GMP production of clinical and commercial drugs, which makes him a talent to lead the comprehensive promotion of biopharmaceutical quality. Dr. Ye previously worked at Schering-Plough Corporation, GlaxoSmithKline and Amgen and played leadership role in biopharmaceutical production and quality management functions.

Dr. Christopher Hwang, EVP, Chief Technology Officer, has nearly 30 years of experience in process development and scale up, technology transfer, manufacturing and regulatory support. As a seasoned expert in leading continuum manufacturing platform development, Dr. Hwang has been involved in seven commercial and six mid- and late-stage projects in recombinant protein, mAb and gene therapy. He previously served as Senior Director, Late Stage Process Development and Program Lead for Integrated Continuous Biomanufacturing at Genzyme and Sanofi.

Dr. Michael Ming Shi, EVP, Global Head of Research and Development and Chief Medical Officer and Executive Director, brings extensive experience in translational research and clinical development. He served as Global Program Clinical Head at Novartis Global Drug Development in East Hanover, NJ, where he oversaw multiple global product development programs in oncology and hematology. He and his team led the approvals and launches of multiple key products globally, including Tabrecta, Adakveo, Zykadia (all through accelerated approval under FDA breakthrough designation) and Exjade/Jadenu. Dr. Shi previously worked at MSD, Warner-Lambert (acquired by Pfizer) and biotech companies with increasing leadership roles and responsibilities in R&D.

Dr. Jerry Xiaoming Yang, EVP, Process & Product Development, has over 30 years of experience in process and product development and scale up, technology transfer, new equipment start, GMP manufacturing and IND and BLA applications in the biopharmaceutical industry. He previously served as Senior Project Engineer and Head of Commercial Production

at Merck, Manager of BioProcess Development at Allergan, as well as Scientific Director, Process and Product Development at Amgen. Dr. Yang had led and participated in 16 clinical and 7 commercial products approved by the FDA and the European Medicines Agency (EMA). He also created the first recombinant protein process platform for Amgen.

Dr. Yi Gu, SVP of Research, brings extensive experience in novel therapeutics discovery and translational research. Before joining us, Dr. Gu was VP, Research and Development at Ambrx Inc. in San Diego, where she led the efforts on building up antibody drug conjugates and bi-functional pipeline. Dr. Gu also served as the co-site head and Director of Translational Sciences at AstraZeneca R&D center in Shanghai. She and her team contributed to the launch of TAGRISSO and LYNPARZA in China.

Mr. Albert Da Zhu, SVP, Finance & Business Operations and Executive Director, has 15 years of experience in the financial field and has worked in the Audit and Trading Consulting department of PWC, providing IPO audits, annual audits, transaction due diligence, post management, transaction integration and other related financial advisory services. Over the past 10 years, he has been responsible for assisting clients to list in mainland China and Hong Kong's capital markets by verifying compliance with the rules of relevant capital market regulation and reporting. In addition, he also participated in a number of M&A consulting projects to assist domestic and foreign clients to carry out due diligence, design trading structure, to ensure smooth transactions as well as to carry out the integration of the financial sector to improve the clients and the target companies' financial system and processes.

Ms. Jane Qin Xia, VP, Commercial Planning and Business Development, has over 20 years of experience in strategic planning, business development and product commercialization in the biopharma industry. Ms. Xia was previously the director of commercial strategy and analysis at Amgen in Thousand Oaks, California. She led commercial analytic teams to support the commercialization and global launches of several key products, including PROLIA, REPATHA, EVENITY, CORLANOR, NEULASTA, ONPRO and VECTIBIX. She also worked at Bristol-Myers Squibb as associate director of business intelligence, where she provided market insights and competitive intelligence to support the oncology franchise.

In addition to our core management team, we have also established our Scientific Advisory Board ("**SAB**") with both industrial and academic leadership experience, which currently comprises eight distinguished professors and key opinion leaders. All members of our SAB serve to provide scientific, portfolio and project strategy advice to us, including the evaluation of research and development strategies and plans. In particular, we select members of our SAB based on their experience in industry drug development, regulatory expertise and clinical insights and we may adjust the members of the SAB from time to time based on our Company's needs. Members of the SAB provide advisory services, including ideas about business and development and regulatory strategies for our Company in their respective areas of expertise. They attend regular annual meetings and ad hoc consultations with our Company, but otherwise do not participate in our daily operations. The SAB consulting agreements entered into by our Company with members of the SAB usually provide for either cash compensation or equity-based compensation (or a mix of both).

Moreover, we have strong support from prominent shareholders, consisting of well-known global and Chinese strategic investors and biotech-focused specialist funds and their respective affiliates, including, among others, Lilly Asia Ventures, Temasek, ARCH Ventures Partners, China Structural Reform Fund, Teng Yue Partners, Hillhouse Capital and Sequoia Capital China. Our shareholders have extensive experience managing and growing biopharmaceutical companies and share with us their knowledge and views to assist us from research and development to commercialization. We will continue to benefit from our shareholders' ecosystems.

OUR STRATEGIES

To realize our vision to deliver high quality and affordable innovative biologics to patients around the world, we will pursue the following strategies.

Rapidly advance our oncology franchise through clinical development

We will continue to leverage the efficient regulatory approval pathway in the United States and the large patient population in China to maximize trial efficiency and fully explore the global potential of our drug candidates. The key highlights of our plan to develop oncology drug candidates simultaneously in China and the United States as well as the rest of the world include:

- **TST001**: We will advance the clinical development of TST001 in solid tumor indications, including conducting a Phase 1 trial in China, a Phase 1 trial in the United States and a registration enabling pivotal trial in first-line gastric cancer. We will pursue indication expansion to evaluate TST001's potential efficacy in later lines of gastric cancer, pancreatic cancer, and other cancer indications. We will also explore potential combination therapies of TST001 with chemotherapy, targeted therapy and immunotherapy in multiple indications. A Phase 1 trial of TST001 in combination with chemotherapy as a first-line treatment of gastric cancer has been initiated since April 2021 and another Phase 1 trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer has also been initiated since May 2021.

- **TST005**: We have commenced a Phase 1 trial consisting of a dose escalation part in patients with solid tumors in the United States and will commence a dose-expansion part in selected tumor types both in the United States and China. We consider testing TST005 in late-line pre-treated HPV positive tumors as a potential fast-to-market registration strategy using single arm trial. We will also evaluate the potential TST005 in late lines of pancreatic cancer, bile duct cancer, small cell lung cancer (SCLC) and checkpoint inhibitor experienced non-small cell lung cancer (NSCLC) as monotherapy or in combinations with either chemotherapy or anti-angiogenic inhibitors. Planned trials will explore biomarker(s) selection to enrich potential responding patients.

- **MSB2311**: We will initiate a Phase 2 trial in TMB-H solid tumor patients to inform the probability of initiation of a pivotal study of MSB2311 in the same population. We may also explore other indications in combinations with other agents, such as anti-VEGF therapies. We may collaborate with a partner for the commercialization of MSB2311 when it is approved.

Accelerate the development of our other IND-enabling and pre-clinical drug candidates

With respect to other IND-enabling and pre-clinical drug candidates, we plan to continue executing our holistic fast-to-clinical strategy, leveraging our platform capabilities, with candidate selection to IND filing as short as 12 months compared with the industry average of 18 months. In particular, we will commence a Phase 1a trial by the first half of 2022. Further, we plan to leverage the Phase 2 trial data from the United States and Japan to accelerate recommended phase 2 dose finding. With respect to our innovative drug candidates, we plan to file an IND application for a first in human trial in solid tumor patients for TST003 by the first half of 2022 and in SLE patients for TST008 by the second half of 2022. In addition, we will continue to develop TST004 in China together with Alebund Pharmaceuticals and will file an IND application for TST004 in both the United States and China in the first half of 2022. As a second-generation approach, we will file IND for TST006 in the first quarter of 2023.

Enhance our pipeline through in-house discovery and business development efforts

To enrich and supplement our existing pipeline, we will continue to discover new drug targets and generate potent and differentiated lead antibodies in-house through the IMTB technology platform to exploit unique and hidden epitopes, with a focus on potentially first-in-class drug candidates. Meanwhile, we also intend to fully capitalize on our strong research and development capabilities and the industry resources and network of our prominent shareholders to seek for attractive asset-based partnership opportunities in an effort to bring therapies with competitive edge to the China market. For example, we have in-licensed the Greater China rights and the right-of-first-negotiation for the global rights of certain of Eli Lilly's bone disease portfolio. In addition, we plan to expand into ADC-based platform by leveraging our antibody development platform. To this end, we intend to pursue both local and global business development opportunities with other industry players. With our business development team based in the United States and China, vibrant global life science hubs that continue to evolve, we believe that our business development efforts will significantly benefit from the thriving ecosystem of innovation in place.

Maximize the global value of our drug candidates

We intend to realize our global vision with our global standard and global team. Our BLA packages will be prepared under the standard that supports FDA, NMPA and EMA filings. Leveraging our clinical and regulatory teams based in the United States, we plan to advance our clinical development in the United States to take advantage of its efficient regulatory pathway. We also intend to expand the clinical development in Europe in selected indications with unmet medical needs and to advance clinical trials by utilizing relatively less-crowded

clinical resources in Europe. We expect a continued expansion of global footprint to bring synergy among our domestic and overseas clinical development hubs. In addition, we intend to capitalize on the global rights of our proprietary drug candidates by out-licensing to other multinational companies in the efforts to maximize their global value after we have generated proof-of-concept data.

Expand our manufacturing facilities to support our upcoming and expanding pipeline

Our existing commercial-scale, GMP manufacturing facility in Hangzhou is capable of an annual output of greater than one metric ton, leveraging our highly productive continuous perfusion and intensified fed-batch platforms. We will continue to upgrade our ICB Platform through, among others, the multi-year strategic co-development with Merck to implement continuous manufacturing for biologic therapeutics. Leveraging our internal resource and capability, we plan to complete late stage process and product development for pivotal registration-enabling studies and BLA filing of MSB2311, TST001, TST005 and TST002 in the coming years. To support the expanding needs of our upcoming pipeline, we plan to construct a new continuous perfusion and fed-batch hybrid plant in Suzhou Industrial Park with projected future annual output capacity greater than three metric tons. Our Suzhou facility has a planned floor area of 107,404 m^2. The estimated total amount of capital expenditure for the phase 1 of the new facility in Suzhou is US$100 million, including buildings and utility for drug substance and drug product production, quality control, warehouse and process development. We started to design the facility in May 2021 and expect to commence the construction before the end of 2021. The mechanical completion is expected to be in mid-2023 and the start of GMP production is expected to happen before the end of 2023. After the completion of our Suzhou facility, we will transfer the manufacturing of key products from Hangzhou facility to Suzhou facility.

Continue strengthening our commercialization capabilities

We will build our in-house commercialization team and recruit world-class managerial talents to support the future commercial launch of our approved drug assets, including commercialization teams dedicated to our oncology franchise and non-oncology franchise, respectively. We plan to assemble an in-house commercialization team including sales, marketing, market access and medical affairs to cover top- and mid-tier hospitals and key distribution channels in first- and second-tier cities in China, complemented by strategic partnerships that penetrate lower-tier cities in China. We may also form strategic partnerships with international biopharmaceutical companies to expand our global footprint.

OUR DRUG PIPELINE

We have established a pipeline of nine innovative molecules in oncology, bone disorders and nephrology. Most of these are discovered and developed in house with one pipeline candidate acquired through in-licensing. The following table summarizes drug candidates that we are currently developing as of the Latest Practicable Date:

	Drug candidate	Target	Pathway[1]	Indications[2]	Clinical trial region	Preclinical	IND	Phase 1a	Phase 1b/ Phase 2a	Pivotal Phase 2b /Phase 3	Rights	Partner
Oncology	MSB2311*	PD-L1	Validated	TMB-H solid tumors	China	Monotherapy					Global	In-house
				Other solid tumors	China	Monotherapy						
				Solid tumors	China	Combo with VEGFRi						
				Solid tumors	United States	Monotherapy						
	TST001†	Claudin 18.2	Partially validated	Solid tumors	Global[3]	Monotherapy					Global	In-house
				Late-line gastric cancer	China	Monotherapy						
				Second-line gastric cancer	Global[3]	Combo with chemo						
				First-line gastric cancer	Global[3]	Combo with chemo						
				Other solid tumors[4]	Global[3]	Monotherapy						
	TST005†	PD-L1/TGF-β Bi-functional	Partially validated	Solid tumors (HPV+ and NSCLC, etc.)	Global[3]	Monotherapy					Global	In-house
	MSB0254	VEGFR2	Validated	Solid tumors	China	Monotherapy					Global	In-house
	TST003	BMP Antagonist (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
	TST006	Claudin 18.2/PD-L1 Bi-specific (FIC)	Novel	Solid tumors	Global[3]	Monotherapy					Global	In-house
Non-Oncology	TST002†	Sclerostin	Validated	Osteoporosis	China	Monotherapy					Greater China	In-licensed from Eli Lilly
	TST004†	MASP2	Partially validated	IgA nephropathy TMA	Global[3]	Monotherapy					Global	Co-development with Alebund in Greater China[5]
	TST008	MASP2-TACI Tri-functional (FIC)	Novel	SLE	Global[3]	Monotherapy					Global	In-house

Abbreviations: PD-L1=Programmed death-ligand 1; VEGFR2=Vascular endothelial growth factor receptor 2; TGFβ=Transforming growth factor beta; MASP2=Mannan-binding lectin serine protease 2; IND=Investigational new drug; FIC=First in class; HPV=Epstein-Barr Virus; BMP Antagonist=Bone morphogenetic protein Antagonist; TACI=transmembrane activator and CAML interactor; CAML=calcium-modulator and cyclophilin ligand; NSCLC=Non-small cell lung cancer; SLE=Systemic lupus erythematosus; TMA=Thrombotic microangiopathy; IgA nephropathy=Immunoglobulin A nephropathy; Combo=Combination; Chemo=Chemotherapy; VEGFRi=Vascular endothelial growth factor receptor 2 inhibitor

(1) Validated=At least one successful registration-enabling clinical trial has been implemented for the corresponding target; Partially validated=At least one proof of concept clinical trial has been implemented; Novel=No successful proof of concept clinical trial has been implemented.

(2) Solid tumors in the "Indications" column include all the tumor types other than hematologic malignancies. The particular tumor types as indications for each product depends on the mechanism of action of the corresponding drug candidate and emerging or established pre-clinical/clinical evidences. See the subsections headed "Clinical Development Plan" for each of our drug candidates in "Business" section for the specific tumor types targeted for clinical development.

(3) Represents Asia (including China), United States, European Union and Oceania.

(4) Represent Claudin 18.2 expressing solid tumor types other than gastric cancer, such as esophageal cancer, pancreatic cancer and biliary tract cancer.

(5) A substantial shareholder of our Company, LAV Group, holds less than 30% of shares in Alebund Pharmaceuticals. TST004 is discovered by us and will be further developed by a joint venture established by Alebund Pharmaceuticals and us. Greater China represents mainland China, Hong Kong SAR, Macau SAR and Taiwan.

* *Denotes a core product. We obtained an umbrella approval from the NMPA to conduct Phase 1b studies for MSB2311 as monotherapy in China on various types of solid tumors. For TMB-H solid tumors, we also obtained the permission from the NMPA to conduct a Phase 2 trial. For solid tumors other than TMB-H tumors, we are currently conducting Phase 1b studies, which essentially have the same scope with Phase 2a studies. Before we start Phase 2b studies for solid tumors other than TMB-H tumors, we will communicate with the NMPA to obtain approvals.*

† *Denotes a key product.*

Core Product

MSB2311: A Humanized PD-L1 mAb Candidate for Solid Tumors

MSB2311, our core product, is a humanized mAb against PD-L1, a key checkpoint regulator of T-cell activation. MSB2311 was generated using our in-house hybridoma platform with immune tolerance breaking technology and selected with pH-dependent PD-L1 binding property. MSB2311 has been shown in pre-clinical models to be more concentrated at tumor site and displayed prolonged tumor residence time than competitor PD-L1 antibody such as Durvalumab. MSB2311 showed potent anti-tumor activities in a variety of syngeneic tumor models and displayed a promising CMC profile. MSB2311 has been cleared by both the FDA and the NMPA for clinical testing and exhibited promising anti-tumor activities and safety profile in Phase 1 trials. Phase 1a study has been completed in both the United States and China. Phase 1b study is ongoing in China as a monotherapy. We will also conduct Phase 1b trials of MSB2311 in combination with other targeted agents. In addition, based on the safety and preliminary efficacy data from ongoing trials of MSB2311, the NMPA has granted approval for a Phase 2 trial of MSB2311 to further evaluate its efficacy and safety in patients with various types of unresectable or metastatic TMB-H solid tumors. As a reference, Keytruda (Pembrolizumab, a PD-1 antibody) has been approved by the FDA in June 2020 for the treatment of adult and pediatric patients with unresectable or metastatic tumor mutational burden-high (TMB-H; $\geq$ 10 mutations/megabase [mut/Mb]) solid tumors, as determined by an FDA-approved test, that have progressed following prior treatment and who have no satisfactory alternative treatment options in United States. Such treatment with check-point inhibitors (CPI) for TMB-H solid tumors is not approved in China at present.

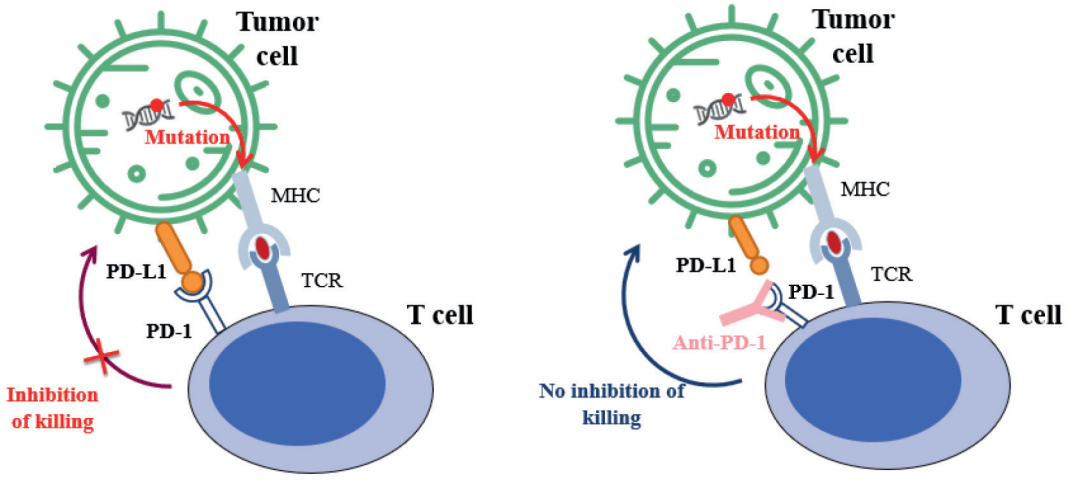
Mechanism of action of checkpoint inhibition and their limitation

PD-1 is a protein expressed on activated T-cells that helps keep the body's immune responses in check. Under normal conditions, T-cells recognize tumor antigens presented on the surface of tumor cells as being foreign and kill those tumor cells. However, tumor cells also express PD-L1 on their surface, which can bind to PD-1 on T-cells. PD-L1 suppresses T-cells in the effector phase, primarily in peripheral tissues. In doing so, tumor cells can turn off T-cells and evade the surveillance of the immune system. When PD-1's interaction with its ligand PD-L1 is blocked, the "brakes" on the immune system are released and the ability of T-cells to kill cancer cells is increased.

A number of agents that can effectively block the interaction between PD-1 and PD-L1 have been developed by companies such as MSD (Pembrolizumab, Keytruda), BMS (Nivolumab, Opdivo), AstraZeneca (Durvalumab Infinzi) and Roche (Atezolizumab, Tecentriq). These agents have been shown to be able to increase progression free survival (PFS) and overall survival (OS) in patients with unresectable or metastatic solid tumors (such as melanoma, NSCLC and liver cancer) or hematological disorders (classical Hodgkin lymphoma) when used either as monotherapy or in combination with existing standard of care

including chemotherapy or angiogenetic inhibitor such as Avastin. However, only a subset of patients can benefit from the above mentioned treatment with PD-1 or PD-L1 checkpoint inhibitors. Further research and development are ongoing to better understand the mechanisms and to broaden their utility.

Mechanism of Action of PD-(L)1 Inhibitors



- Binding of PD-L1 on tumor cells with the PD-1 receptor on T-cells downregulates the T-cell causing T-cell exhaustion
- PD-(L)1 inhibitors can either target the receptor or the ligand disrupting the interaction, preventing T-cell exhaustion

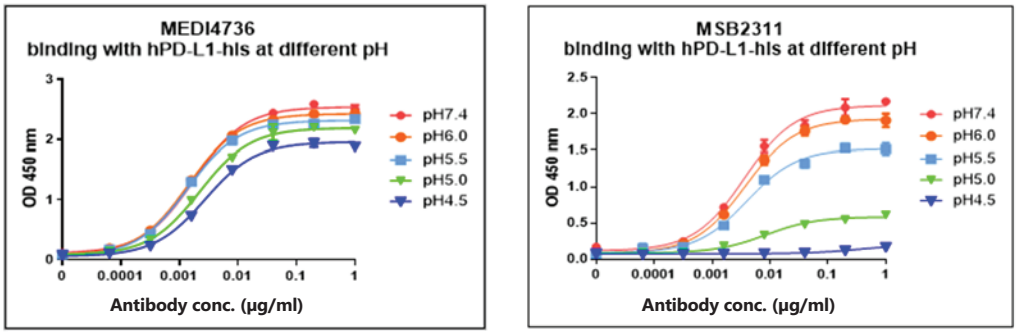
Source: Transl Lung Cancer Res. 2015;4:253-264.

Competitive advantages

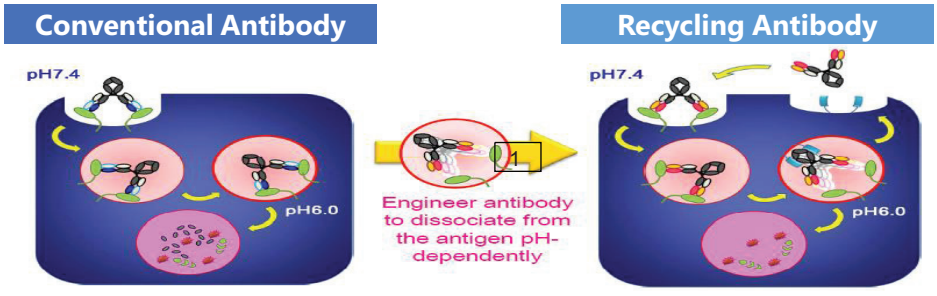
PH-dependent binding to PD-L1. MSB2311 is the first and only PD-L1 antibody in clinical development with pH-dependent binding property. MSB2311 binds to PD-L1 in a pH-dependent manner. Upon MSB2311 binds to PD-L1 protein on the tumor cells, it triggers internalization and is encapsulated in early endosome, which has mild acidic environment with pH around 6, where MSB2311 can still bind tightly to PD-L1 in this environment. Upon further trafficking, MSB2311 is transported into later endosome, which has more acidic environment with pH less than 5.5. In this environment, MSB2311 rapidly dissociates from PD-L1. Those dissociated MSB2311 protein can then bind to FcRn in the membrane of endosome via its Fc region. Upon the fusion of the endosome, which contains the FcRn-MSB2311 complex with the plasma membrane of the tumor cells, the FcRn-MSB2311 is released to an environment with pH value higher than 6.5. As the binding of FcRn to Fc is inversely related to pH, the FcRn-MSB2311 dissociates and the MSB2311 protein is released back to the extra-cellular environment. The released MSB2311 can bind to PD-L1 protein on adjacent tumor cells. In contrast, those antibodies such as Durvalumab (MEDI4736) or Atezolizumab (MPDL3280A) continue to bind to PD-L1 protein tightly in the late endosome with low pH, and these

antibody-PD-L1 complex eventually travels to the lysosome and is degraded in the lysosome, where the pH is very low (<4.5). Through this recycling mechanism, MSB2311 is accumulated in the tumor and penetrates into the inner part of a tumor, which potentially leads to better efficacy and a wider therapeutic window.

MSB2311's pH-dependent Binding to PD-L1 Compared to Durvalumab (MEDI4736)



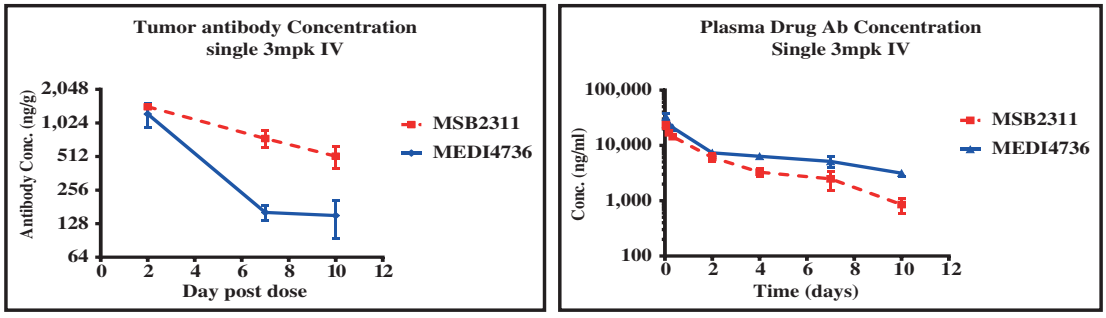
Source:Company in-house data



Source: Nature Biotechnology. 28, 1203-7, 2010

The above diagrams show a comparison between MSB2311 and Durvalumab (MEDI4736) on antibody binding to PD-L1 in different pH environment. MSB2311 binds PD-L1 in a pH-dependent manner while Durvalumab (MEDI4736) binds to PD-L1 irrespective of pH environment. MSB2311 dissociates from PD-L1 significantly when pH value is lower than 5.0.

MSB2311 also Stayed More in Tumor and Less in Plasma than Durvalumab (MEDI4736)

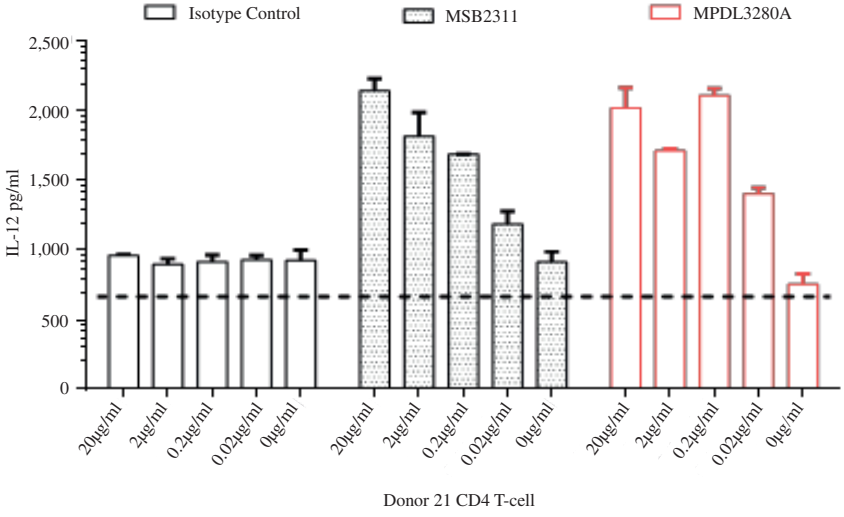


Group (n=3)	Antibody Drug Concentration in Tumor at Different Time Points (ng/g)		
	Day 2	Day 7	Day 10
MSB2311 3mg/kg	1,431.61	743.11	514.62
MEDI4736 3mg/kg	1,232.11	161.62	151.38
Ratio	1.1	4.6	3.4

Source: Company in-house data

Better accumulation in tumor. As shown in the above charts, in pre-clinical tumor bearing mice, MSB2311 accumulated at higher concentration than Durvalumab in tumor. In contrast, MSB2311 has lower drug concentration in circulation relative to Durvalumab.

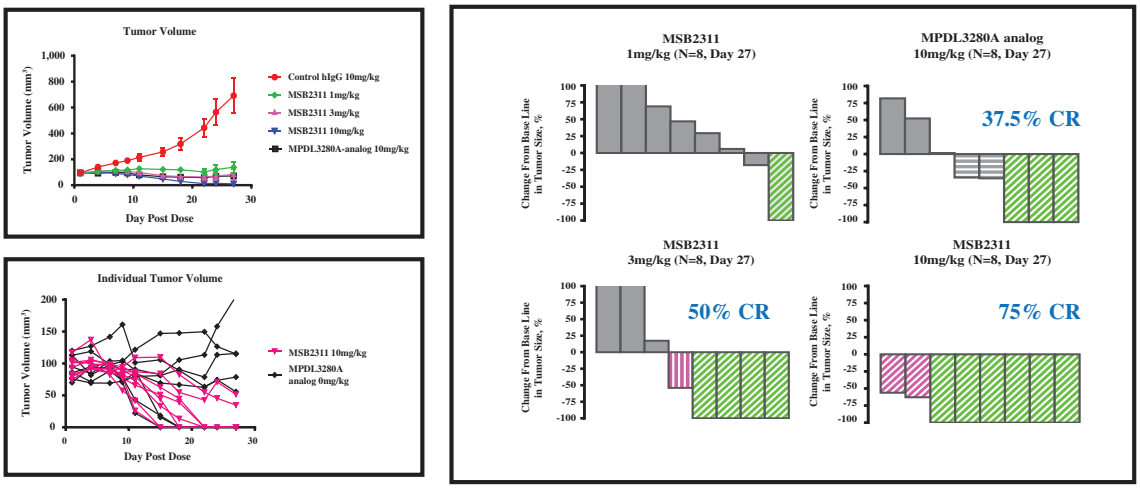
MSB2311 Dose-dependently Enhanced T-cell Activation in a Mixed Lymphocyte Reaction Assay



Source: Company in-house data

Dose-dependently enhancing T-cell activation. As shown in the above chart, comparable with Atezolizumab (MPDL3280A), MSB2311 enhanced T-cell activation dose-dependently in a mixed lymphocyte reaction assay.

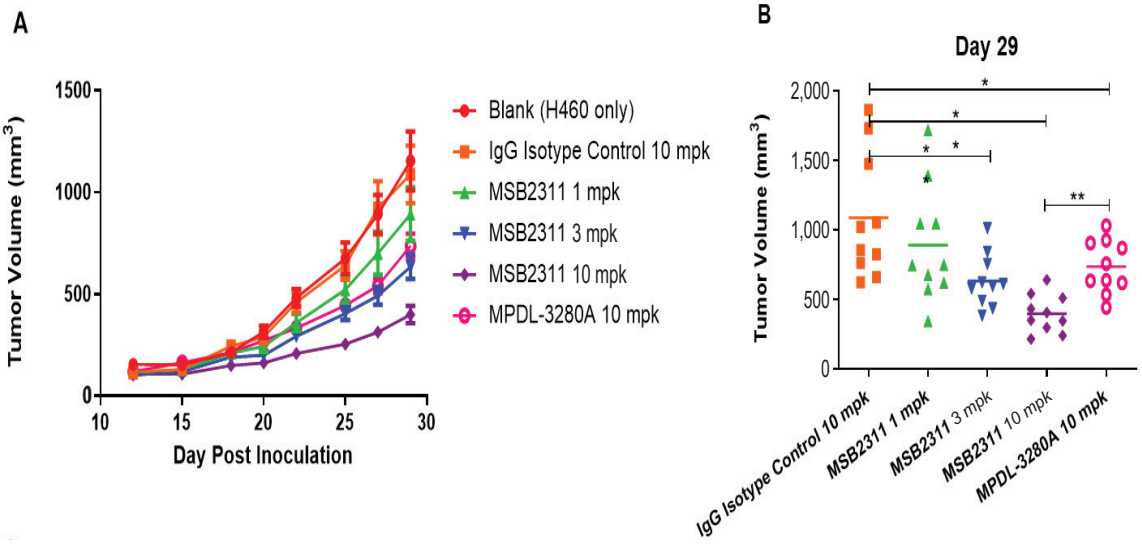
Better Anti-tumor Potency Compared to Atezolizumab (MPDL3280A)



Twice weekly injection at 1, 3, 10 mpk

Source: Qian et.al. SITC 2017 Abstract

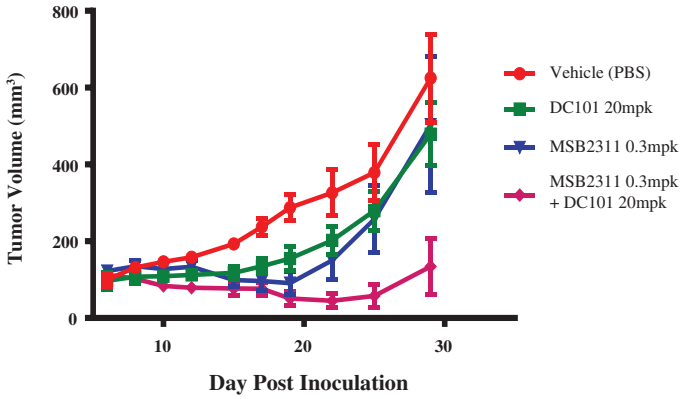
NSCLC H460 Model



Source: Company in-house data

Better anti-tumor potency in animal model. As shown in the above pre-clinical research, MSB2311 is more potent in inducing complete remission in human PD-1 knock-in mice with MC38/human PD-L1 tumor or tumor growth inhibition in lung cancer tumor H460 model.

Synergistic anti-tumor activity in combination with VEGF inhibitor



Group (n=10)	Tumor Volume (mean± S.E.M, mm^3)	Tumor Growth Inhibition %	p value (compared to Isotype Control)
PBS	624.93±114.45	-	-
20mg/kg DC101	478.89±82.59	23.37	0.3183
0.3mg/kg MSB2311	503.99±177.11	19.35	0.5754
20mg/kg DC101+0.3mg/kg MSB2311	134.16±72.91**##	78.53	0.0028

Source: Company in-house data

Combination potential. The pre-clinical research above shows that when used in combination with DC101, an antibody targeting mouse VEGFR-2, MSB2311 exhibited more potent anti-tumor activity than single agent. In addition, MSB2311 may have synergistic effects when combined with anti-angiogenic inhibitors.

As a result of the foregoing, MSB2311 may have higher anti-tumor efficacy than its competitor drugs at the same dose. Also, due to its pH dependent PD-L1 binding and recycling property, it is expected to have a wider therapeutic window when compared to those competitor drugs.

IP protection. MSB2311 has been under patent protection as a pH dependent PD-L1 antibody in both the United States and Greater China. MSB2311 has patent life of more than 15 years from the date of this document.

Encouraging preliminary efficacy with comparable safety profile. Phase 1 trial results demonstrated that MSB2311 has promising efficacy and a safety profile that is comparable with the safety profile reported from other anti-PD-L1 and anti-PD-1 immunotherapy drugs that have been either approved or under clinical investigation. See "– Summary of clinical data" for more information.

Market opportunity and competition

We believe there is a significant commercial opportunity in China for PD-(L)1 class of drugs. According to the CIC Report, the incidence of all cancers in China increased from 3.9 million in 2015 to 4.5 million in 2019. The top ten types of cancers by incidence in 2019 accounted for 77.7% of the total incidence, reaching 3.5 million. Lung cancer was the most common cancer in China with 916.4 thousand new cases in 2019. Certain subtypes of gastrointestinal cancers, especially gastric cancer, have higher incidence rates in China than in the United States and the rest of the world. Driven by a combination of factors such as unhealthy lifestyle and pollution, it is estimated that the incidence of all cancers in China will reach 4.9 million in 2023. Among all types of cancers, lung, stomach, colorectal, liver, breast and esophageal cancers are the six most common cancers in China and accounted for approximately 916.4 thousand, 500.3 thousand, 433.8 thousand, 434.4 thousand, 330.5 thousand and 332.8 thousand of the total incidences in China in 2019, respectively. According to the CIC Report, the total market size of PD-(L)1 inhibitors in China is projected to grow from RMB6.1 billion in 2019 to RMB65.5 billion in 2030, representing a CAGR of 24.1%.

Currently available clinical data suggest that some of the most prevalent cancers in China, such as lung, stomach, colon and rectum, liver and esophageal cancers, are responsive to the treatment of PD-(L)1 class of drugs. Taking into account of the other cancer types (such as bladder, melanoma and kidney cancers) that are also responsive to the PD-(L)1 class, the overall annual incidence of cancers potentially responsive to the treatment of PD-(L)1 antibodies in China was over three million in 2019, according to the CIC Report.

According to the CIC Report, MSB2311 was one of the only two PD-(L)1 drug candidates in China under clinical development, in which TMB-H tumors have been included in the trial as of the Latest Practicable Date and there are no anti-PD-(L)1 drugs approved for treating patients with TMB-H tumors in China. In the United States, there was only one product approved in June 2020 for unresectable or metastatic TMB-H solid tumors in the second line setting. Therefore, MSB2311 is potentially among the leaders in the development of this indication. Although no patients from mainland China were enrolled in the registrational trial of Keytruda for TMB-H solid tumors in the United States, MSD may seek the opportunity to develop Keytruda in China for TMB-H tumors, in which case it would be a potential competitor of MSB2311 in China. According to the CIC Report, the market size for PD-(L)1 antibodies for the treatment with TMB-H tumors in China is expected to grow from US$15.4 million in 2025 to US$500.2 million in 2035, representing a CAGR of 42%. Globally, the market size of TMB-H PD-(L)1 antibody is expected to reach around US$800 million in 2025 and further to approximately US$4 billion in 2035.

With respect to PD-(L)1 antibodies, eight biologic drugs in China have been approved for marketing use as of March 2021, but none of these candidates was approved for TMB-H tumors. In the United States, there were six PD-(L)1 antibodies approved for marketing use as of March 2021. See "Industry Overview" for more detailed information regarding these approved PD-(L)1 antibodies.

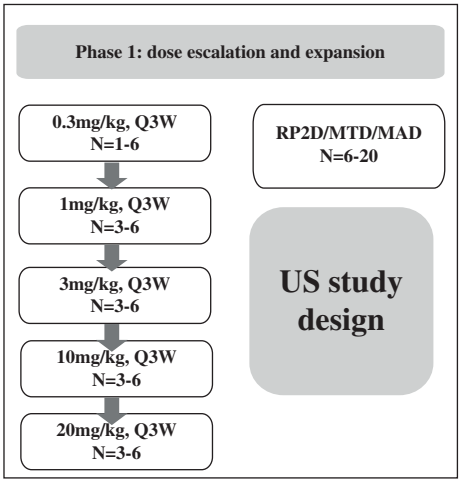
Summary of clinical data

We are developing MSB2311 globally. To fully leverage the efficient regulatory approval pathway in the United States and the large patient population in China, we have designed two Phase 1 trials for MSB2311 with one trial in the United States and one trial in China. The Phase 1 trial in the United States is a first-in-human, open-label, dose-escalation study of MSB2311 in patients with advanced solid tumors without expansion cohort. The Phase 1 trial in China includes a dose escalation part followed by expansion part in patients with metastatic solid tumors with biomarker selection or selected lymphoma progressed on or after standard of treatment.

Phase 1 dose-escalation study in advanced solid tumors in the United States

Study design. This was a first-in-human, open-label, Phase 1 dose-escalation study of MSB2311 in patients with advanced solid tumors. Patients with metastatic solid tumors progressed on or after standard treatments were enrolled in this Phase 1 study. Eligible patients were enrolled to receive their assigned dose regimen of MSB2311 until disease progression or intolerable toxicity, withdrawal of consent, or end of study, whichever occurred first. The maximum treatment duration was two years. During the study, patients were evaluated for safety and toxicity, PK/PD, immunogenicity and anti-tumor activity of MSB2311. MSB2311 was administered as an intravenous (IV) infusion once every 3 weeks (Q3W). The planned doses started at 0.3 mg/kg to 20 mg/kg, but dose levels or the dosing interval might be adjusted during the study based on emerging data. The primary endpoints were safety and tolerability and maximum tolerated dose (MTD) or recommended Phase 2 dose (RP2D). The secondary endpoints were PK parameters, including area under the plasma concentration versus time curve (AUC), peak plasma concentration (Cmax), time to the maximum observed plasma concentration (Tmax), terminal elimination half-life (t1/2), and preliminary anti-tumor activities evaluated by objective response rate (ORR), duration of response (DOR), progression-free survival (PFS), best overall response (BOR) and overall survival (OS). ORR, DOR, PFS and BOR were measured by RECISTv1.1. As of June 1, 2020, 19 patients were enrolled and treated with MSB2311 in this study. Of the 19 patients, 15 were alive at the time of last study contact. The most common cancer types were ovarian cancer (n=5) and sarcoma (n=3). The most common stage of cancer reported was Stage IV. All patients were heavily pre-treated with either surgery, radiotherapy, chemotherapy, and/or targeted therapy. One patient had received anti-PD-1 inhibitor (Nivolumab [Opdivo]) previously. The facts that all (100%) of the 19 patients enrolled in the United States Phase 1 study received prior anti-tumor surgeries, 11 (57.9%) patients received prior radiotherapy, 14 (73.7%) patients received at least 2 regimens of prior systematic therapies and 5 (26.3%) were treated with at least 4 regimens of prior systematic therapies indicate that the patients enrolled in our United States Phase 1 study were heavily pre-treated. Overall, all dose levels of MSB2311 were well tolerated. No dose limiting toxicity (DLT) was observed in this study. There was no study drug treatment-related adverse event led to treatment discontinuation nor cause of death in the study. All enrolled patients were not selected by predefined biomarkers at the study entry. Best overall response was reported as stable disease (SD) for 7 patients, including one patient with liposarcoma with a long duration (>17 cycles) of SD. Based on the patients' status at the study entry (numbers of prior treatments received and tumor types known not to be sensitive to immunotherapies), the observed outcome following treatment with MSB2311 is anticipated. The study in the United States was started in April 2018 with final clinical study report completed in January 2021.

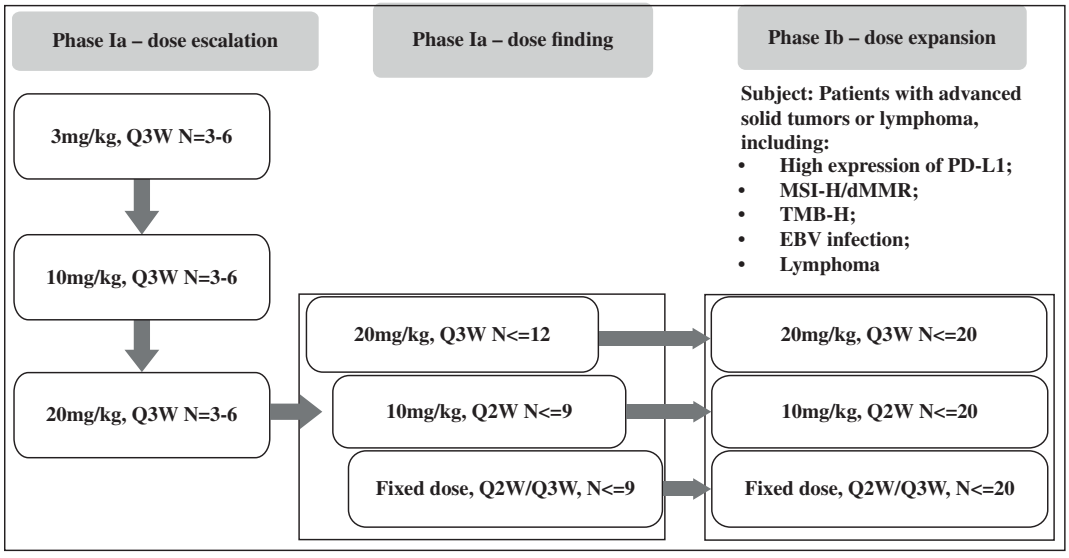
Study Design of the Phase 1 Study in the United States



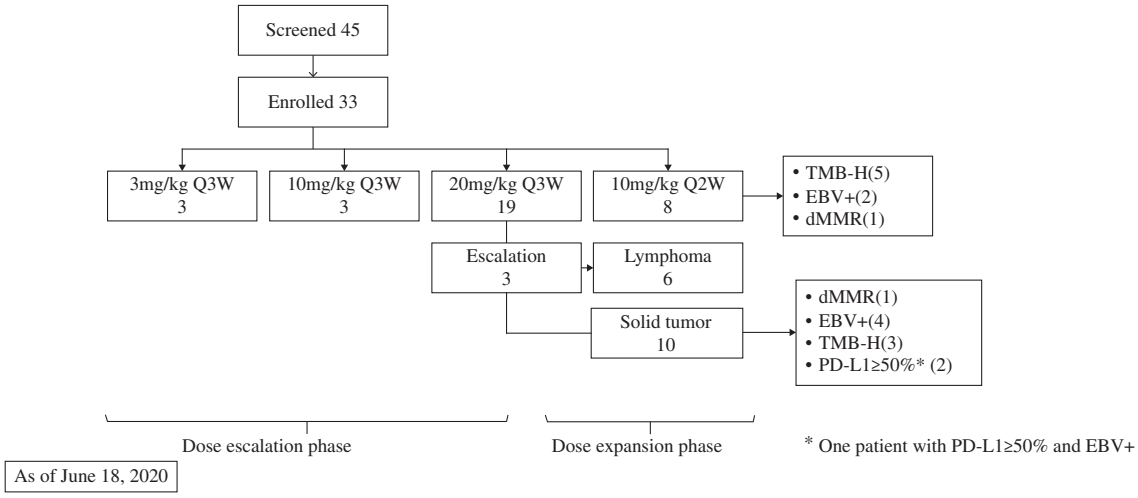
Phase 1 dose-escalation and expansion study in advanced solid tumors and lymphoma in China

Study design. Patients with metastatic solid tumors or selected lymphomas progressed on or after standard treatments were enrolled in this Phase 1 study. In dose escalation part, MSB2311 was given at dose levels of 3, 10, and 20 mg/kg intravenously every 3 weeks. At the dose expansion part, patients with enriched biomarker expression, including EBV positive, PD-L1 positive (TPS≥50%), MSI-High or TMB-H (≥10 muts/Mb), were enrolled and dosed either at 20mg/kg Q3W (N=9) or 10mg/kg Q2W (N=8). Primary objectives were to evaluate the safety and tolerability and to identify MTD and RP2D. Secondary objectives included the assessment of pharmacokinetic parameter, immunogenicity, and preliminary anti-cancer activity per RECIST1.1. As of June 18, 2020, a total of 33 patients were enrolled in the study. The China study was started in August 2018 with final clinical study report completed in February 2021.

Study Design of the Phase 1 Study in China



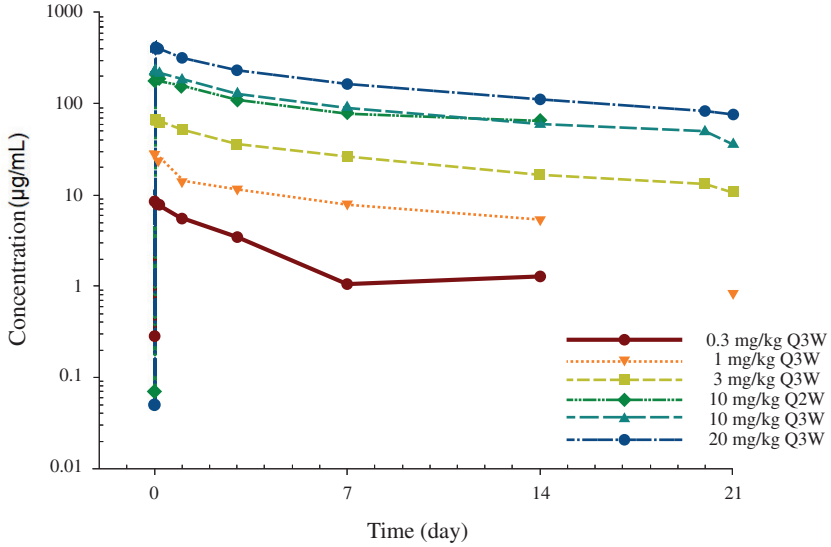
Patients Screened and Enrolled in the Phase 1 study in China



Pharmacokinetics

Overall, the PK data and derived parameters of the two trials in China and the United States showed that the PK of MSB2311 had no ethnic differences. Therefore, the PK data of all patients were integrated for a more comprehensive analysis. A total of 52 patients were dosed in six dose levels in these two studies. The blood concentration and time distribution of these patients during the first dosing cycle are shown in below figures. From 1 mg/kg to 20 mg/kg, the highest blood concentration has shown roughly proportional to the administered dose. The median time to peak (distribution) is 1.5 (1.5-5.0) hours. The MSB2311 plasma concentration has a rapid decline curve in the first 2-3 days, followed by a relatively flat downward curve, which indicated a rapid distribution of the drug and an accompanying clearance phase in the human body. MSB2311 exhibits linear PK characteristics with a half-life in the range of 9-13 days from the combined Phase 1 trials in the United States and China.

PK Profile of MSB2311



Summary of safety data from Phase I trials in China and the United States

As of June 18, 2020, 52 patients with either solid tumors or lymphomas were enrolled and treated in the Phase 1 studies in the United States and China. Among 46 patients with solid tumor, 19 of them were enrolled in the Phase 1 trial in the United States and 27 were enrolled in the Phase 1 trial in China. As of June 18, 2020, a total of 49 (94.2%) patients in trials in the United States and China had at least one treatment-emergent adverse event (TEAE). The most common TEAEs (≥15%) were anemia, vomiting, hypothyroidism, nausea, elevated aspartate aminotransferase, proteinuria and fatigue. Most of the adverse events were grade 1 or 2. The most common grade ≥3 adverse events (≥5%) were anemia, dyspnea, and decreased platelet count. The treatment related ≥ grade 3 adverse events were from the study in China, including 3 patients with decreased platelet count and 2 patients with hypokalemia.

A total of 14 patients with serious adverse events (SAE) were reported in the two studies, SAE occurred in more than one patient including ascites, disease progression, femoral fracture, immune-mediated myocarditis, intestinal obstruction, and dyspnea (2 cases each). A total of 5 deaths were reported in these two studies, including 4 in US study and 1 in China study, of which one patient died during the study period. All deaths were caused by disease progression or complications of disease progression.

The most observed immune-related adverse events (irAEs) (≥5%) were hypothyroidism, hyperglycemia, hyperthyroidism, and elevated alanine aminotransferase. Most of the irAEs were grade 1 and grade 2. One case of hyperglycemia and one case of immune-mediated myocarditis were reported as grade 3. Except for 2 patients with immune-mediated myocarditis, no patients received systemic corticosteroid treatment during study. The following tables summarized various adverse events in Phase 1 trials of MSB2311 in China and the United States:

Summary of Treatment Emergent Adverse Events

Summary of all adverse events (US Study)	0.3 mg/kg Q3W	1 mg/kg Q3W	3 mg/kg Q3W	10 mg/kg Q3W	20 mg/kg Q3W	Total
	N=1 (%)	N=3 (%)	N=3 (%)	N=6 (%)	N=6 (%)	N=19 (%)
Subjects with at least one TEAE	1 (100.0)	2 (66.7)	3 (100.0)	6 (100.0)	6 (100.0)	18 (94.7)
Subjects with at least one serious TEAE	0	1 (33.3)	1 (33.3)	2 (33.3)	4 (66.7)	8 (42.1)
Subjects with at least one treatment-related TEAE	0	1 (33.3)	3 (100.0)	3 (50.0)	4 (66.7)	11 (57.9)
Subjects with at least one Serious Related TEAE	0	0	0	0	0	0
Subjects with at least one TEAE with Grade ≥3	0	1 (33.3)	1 (33.3)	2 (33.3)	3 (50.0)	7 (36.8)

Summary of all adverse events (US Study)	0.3 mg/kg Q3W	1 mg/kg Q3W	3 mg/kg Q3W	10 mg/kg Q3W	20 mg/kg Q3W	Total
	N=1 (%)	N=3 (%)	N=3 (%)	N=6 (%)	N=6 (%)	N=19 (%)
Subjects with at least one TEAE Classified as Dose-Limiting Toxicity	0	0	0	0	0	0
Subjects with at least one TEAE Leading to withdrawal of Study Drug	0	0	1 (33.3)	0	1 (16.7)	2 (10.5)
Subjects with at least one TEAE Leading to Death	0	1 (33.3)	0	0	3 (50.0)	4 (21.1)

Summary of all adverse events (China Study)	3 mg/kg Q3W	10 mg/kg Q3W	20 mg/kg Q3W	10 mg/kg Q2W	Total
	N=3 (%)	N=3 (%)	N=19 (%)	N=8 (%)	N=33 (%)
Subjects with at least one TEAE	2 (66.7)	3 (100.0)	19 (100.0)	7 (87.5)	31 (93.9)
Subjects with at least one serious TEAE	0	0	4 (21.1)	2 (25.0)	6 (18.2)
Subjects with at least one treatment-related TEAE	2 (66.7)	2 (66.7)	19 (100.0)	7 (87.5)	30 (90.9)
Subjects with at least one Serious Related TEAE	0	0	3 (15.8)	0	3 (9.1)
Subjects with at least one TEAE with Grade ≥3	0	0	10 (52.6)	3 (37.5)	13 (39.4)
Subjects with at least one TEAE Classified as Dose-Limiting Toxicity	0	0	0	0	0
Subjects with at least one TEAE Leading to withdrawal of Study Drug	0	1 (33.3)	4 (21.1)	0	5 (15.2)
Subjects with at least one TEAE Leading to Death	0	0	1 (5.3)	0	1 (3.0)

Comprehensive analysis of the safety data from the two Phase 1 trials in China and the United States above has shown that the safety profile of MSB2311 is consistent with the safety profile reported from other anti-PD-L1 and anti-PD-1 immunotherapy drugs that have been either approved or under clinical investigation. From the PK and safety data, the RP2D was defined as 20mg/kg Q3W or 10 mg/kg Q2W.

Preliminary efficacy data based on Phase 1 study in China

As of June 18, 2020, 33 Chinese patients have been treated, including 27 heavily pre-treated solid tumor patients and 6 lymphoma patients in China Phase 1 study. The facts that 16 (48.5%) of the 33 patients enrolled in the China Phase 1 study received prior anti-tumor surgeries or local-regional treatment (microwave ablation/radiofrequency ablation), 19 (57.6%) patients received prior radiotherapy, and 11 (33.3%) were treated with at least 4 regimens of prior systematic therapies indicate that the patients enrolled in our China Phase 1 study were heavily pre-treated. Of the 16 efficacy evaluable solid tumor patients with biomarker selection, 5 achieved confirmed partial response (PR) with an ORR of 31.3%: 1/7 (14.3%) at 10 mg/kg Q2W and 4/9 (44.4%) at 20 mg/kg Q3W, respectively. Additionally, one patient achieved sustained iPR evaluated by iRECIST. Four out of 6 responding patients (including one iPR) achieved tumor shrinkage of more than 50%, 3 of them had durable response (≥24 weeks). Moreover, 1 out of 6 lymphoma patients achieved PR.

Patients with Post-baseline Tumor Assessments

	Without Biomarker Selection			With Biomarker Selection*	
N (%)	3mg/kg (Q3W) (N=3)	10mg/kg (Q3W) (N=3)	20mg/kg (Q3W) (N=3)	20mg/kg (Q3W)† (N=9)	10mg/kg (Q2W)† (N=7)
Complete Response (CR)	0	0	0	0	0
Partial Response (PR)	0	0	0	4# (44.4)	1 (14.3)
Stable Disease (SD)	1 (33.3)	1 (33.3)	1 (33.3)	0	3 (42.9)
Progressive Disease (PD)	2 (66.7)	2 (66.7)	2 (66.7)	5 (55.6)	3 (42.9)
ORR, %	0	0	0	44.4	14.3
DCR, %	33.3	33.3	33.3	44.4	57.1

Note: The above tabular assessment results does not include one patient at 20 mg/kg Q3W who withdrew from the study due to clinical progression before the first post-treatment scan and another patient who was still in cycle two and had not yet had the first post-treatment scan.

\# One additional patient in 20mg/kg Q3W was iPR (first evaluation was immune unconfirmed progressive disease (iUPD) and then iPR observed).

* Represents patients enrolled in expansion cohorts with biomarker preselection, including EBV positive, PD-L1 positive (TPS≥50%), MSI-High or TMB-H (≥10 muts/Mb).

† Represents RP2D.

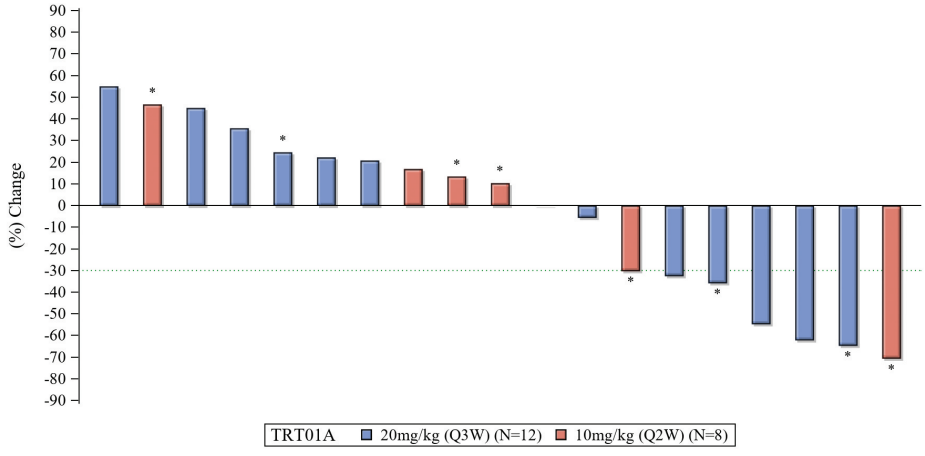
MSB2311 Activity in TMB-H Patients

Cohort	Patient number	Tumor type	Biomarker	BoR	DoR (Week)	On treatment	Reason of stop treatment
20mg/kg Q3W	A02007	NSCLC	TMB-H	iPR	25.9+	Yes	
	A02008	NSCLC	TMB-H	PD		No	PD
	B05002	CRC	TMB-H /EBV infection	PR	0.1+	Yes	
10mg/kg Q2W	A02013	Esophageal cancer	TMB-H	SD		No	PD
	A02014	CRC	TMB-H	SD		No	Withdrew consent
	A02016	Esophageal cancer	TMB-H	PD		No	PD
	A06001	UC	TMB-H	PR	4.9+	Yes	
	A04001	GC	TMB-H	PD		No	PD

Among the 8 evaluable TMB-H patients, the most recent assessment was 3 PR (including 1 iPR), 2 SD, and 3 PD; among the 3 patients with PD, 1 patient (A02016) had significant evaluable lesions shrinkage (shrinkage ≥30%), due to the appearance of new lesions, the overall assessment was PD.

The following charts show the changes in tumor size in heavily pretreated patients in 10 mg/kg Q2W group and 20 mg/kg Q3W group.

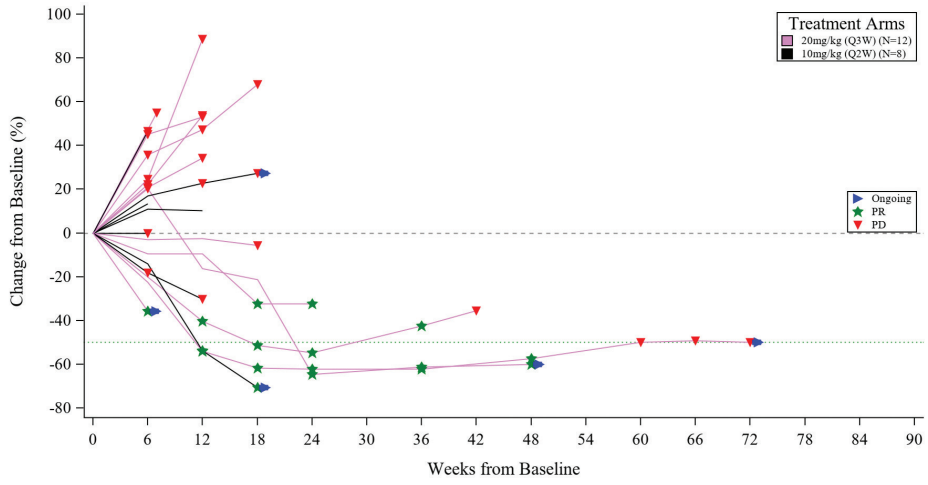
MSB2311-CSP-002, Cut-off date: June 18, 2020
Maximum Percent Change From Baseline in Tumor Assessments
Solid Tumor Subjects in 20mg/kg Q3W and 10mg/kg Q2W



1. Values of changed from baseline are from target lesions
2. Solid Tumor assessments use 'Sum of diameters (mm)'

* Indicated a TMB-H subject

MSB2311-CSP-002, Cut-off date: June 18, 2020
Tumor Assessments by Week
Solid Tumor subjects in 20mg/kg Q3W and 10mg/kg Q2W – Efficacy Population



** Values of Changed from baseline are from target lesions

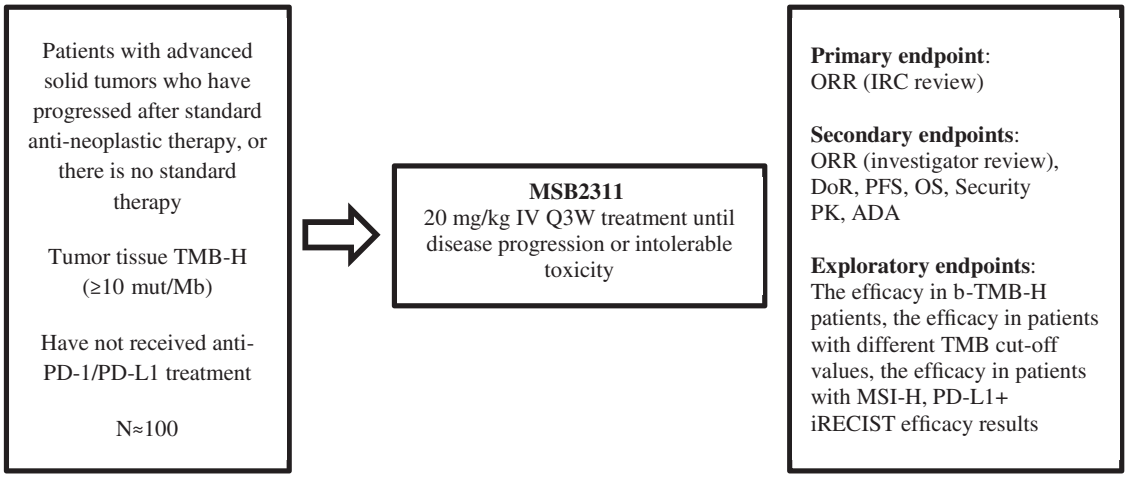
** Solid Tumor assessments use 'Sum of diameters (mm)'

The treatment in our Phase 1 studies is up to two years. However, the patients had very long duration of response, and thus we have to keep the trial open, provide treatment and follow up, which resulted in taking longer time to complete the Phase 1 study.

Clinical development plan

Previously, Pembrolizumab was approved for selected solid tumors with TMB-H based on Keynote-158 trial data. In addition, BMS has been conducting a trial of Nivolumab for patients with TMB-H solid tumors (checkmate 848). Based on these encouraging early clinical data in TMB-H patients, we are adopting a fast-to-market approach for MSB2311 and plan to develop it for new indications. We submitted an End of Phase 1 analysis report to the NMPA and received the permission to conduct a Phase 2 trial for patients with TMB-H solid tumors in January 2021. Contingent on the positive result of the Phase 2 trial, we plan to file for permission to initiate the registrational part of the Phase 2 trial for MSB2311 in TMB-H pan solid tumors in the first half of 2022. Thus, we expect to initiate the registrational portion of the Phase 2 trial in the second half of 2022 in China and complete the trial by 2024. We plan to enroll patients with TMB-H screened using a biomarker assay from an independent companion diagnostics (CDx) developer. We will only provide necessary clinical data to the CDx developer, and not directly engaged in the development of the companion diagnostics assay and related regulatory submission and approval. As a result, we believe that the regulatory framework of TMB-H biomarker screening assay is not relevant to our business operations. The tumor type to be enrolled in this planned Phase 2 trial will include those without effective approved therapy. The trial will enroll about 100 TMB-H patients of various tumor types and will employ ORR and DOR as potential registrational endpoints. The following diagram shows the design of this trial.

Study Design for Phase 2 Trial in TMB-H



We have formulated the trial protocol for the Phase 2 trial and the trial protocol currently is under review by ethics committee.

In addition, we may also conduct further trials in China and potentially the rest of the world to evaluate the potential combination of MSB2311 with anti-angiogenic inhibitor(s) for patients who failed previous treatment such as cervical cancer, SCLC, esophageal cancer and colorectal cancer. In addition, we may also evaluate combining MSB2311 with TST001 for gastric cancer. We are preparing for an IND application for MSB2311 in combination with VEGFRi and we expect to file the IND application in the third quarter of 2021.

Furthermore, we have locked CMC process for late stage development and is currently producing GMP material for additional trials.

Licenses, rights and obligations

We developed MSB2311 in-house and own its global rights.

Material communications with competent authorities

Based on the safety and preliminary efficacy data from ongoing trials of MSB2311, we have submitted the End of Phase 1 data package to the NMPA in November 2020. In January 2021, the NMPA has granted us the approval to start a Phase 2 trial of MSB2311 to further evaluate its efficacy and safety in patients with late line solid tumors with TMB-H.

We have completed the Phase 1 clinical trial in the United States and submitted the clinical study report to the FDA on April 2, 2021. We have not received any feedback from the FDA and/or other relevant authorities regarding the Phase 1 clinical trial in the United States. We have sent annual Development Safety Update Report (DSUR) to the FDA every anniversary of our IND clearance date and we are not aware of any material concern from the NMPA or the FDA in connection with MSB2311.

The leading indication in development of MSB2311 is tumors with TMB-H in China, where there is no currently approved PD-(L)1 therapy available. In the United States, Pembrolizumab was approved in 2020 for this indication. As a result, we do not plan to start Phase 2 trial in the United States for this indication. However, we may pursue other indications in the United States in the near future.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET MSB2311 SUCCESSFULLY.

Key Products

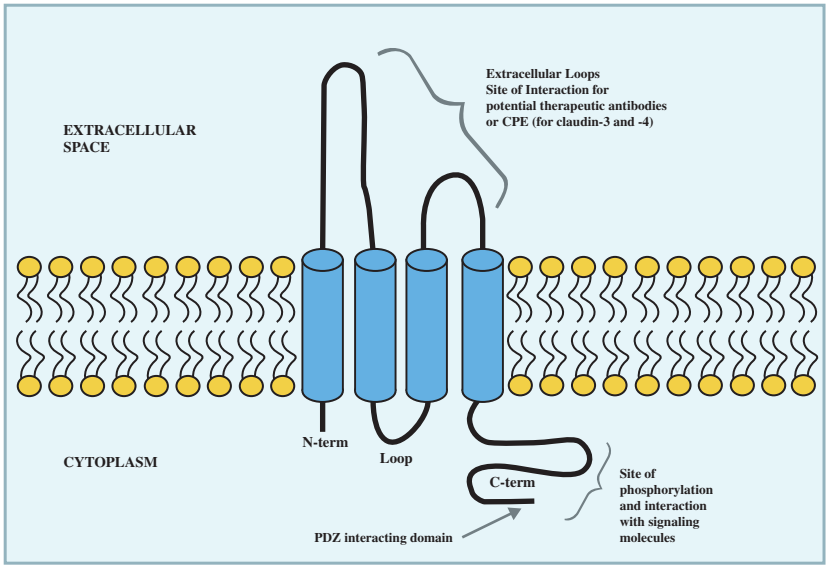
TST001: A Humanized Claudin 18.2 mAb for Solid Tumors

Claudin 18.2 is a tight junction protein with expression strictly being confined to differentiated epithelial cells of normal gastric mucosa. Published data indicate that Claudin 18.2 is often overexpressed in gastroesophageal, pancreatic, lung and other types of solid tumors. Recent human studies on Zolbetuximab (IMAB362), a chimeric Claudin 18.2 antibody with antibody-dependent cell-mediated cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC) activities, demonstrated promising anti-tumor effects in clinical trials for first-line setting in patients with gastric cancer expressing high levels of Claudin 18.2 who received treatment of Zolbetuximab (IMAB362) in combination with chemotherapy.

TST001 is currently being tested in Phase 1 trials in patients with pretreated solid tumors both in China and the United States. We are planning to initiate Phase 1b study to evaluate TST001 as monotherapy in pretreated solid tumor patients expressing high levels of Claudin 18.2 and in combination with chemotherapy in first line gastric cancer patients expressing medium to high levels of Claudin 18.2. Moreover, we are developing a proprietary companion diagnostic kit for screening Claudin 18.2-expressing patients who are likely to respond to TST001.

Mechanism of action

Claudins are of a family of proteins, which are important components of the tight cell junctions. Tight cell junctions establish a paracellular barrier, which controls the flow of molecules between the cells. The transmembrane domains of Claudins include a N-terminus and a C-terminus in the cytoplasm. Different Claudins are expressed on different tissues, and their malfunctioning has been linked to the formation of cancers in the respective tissues.

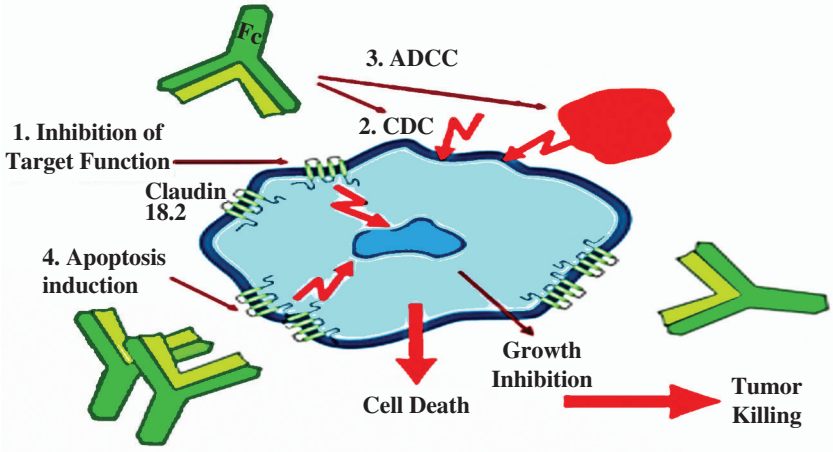


Source: Cancer Research, Volume 65, Issuer 21

Claudin 18.2, a subfamily of Claudin 18, is a tight junction protein with expression strictly being confined to differentiated epithelial cells of the gastric mucosa while its closely related molecule Claudin 18.1 is normally restricted to differentiated epithelial cells of the lung. In addition to its expression in gastric cancer, Claudin 18.2 has been found to be upregulated in a variety of tumor types such as pancreatic and esophageal cancers which normally do not express Claudin 18.2. Thus, Claudin 18.2 is involved in tumor development and progression.

Claudin 18.2 is located in the outer cell membrane and has exposed extracellular loops available for mAb binding. These biological characteristics suggest that Claudin 18.2 is an attractive molecule for targeted therapy. However, Claudin 18.2 has a highly conserved protein sequence cross-species, which together with the location of Claudin 18.2, makes it difficult and challenging to generate Claudin 18.2 targeted antibody with high binding affinity. Currently, a drug candidate targeting Claudin 18.2 is Zolbetuximab (IMAB362). The result of a randomized phase 2 trial FAST showed that targeting first line gastric cancer with Zolbetuximab (IMAB362) in combination with chemotherapy can lead to improved overall response rate, progression free survival and overall survival in patients with Claudin 18.2 high expressing gastric cancer.

Mechanism of Action of Claudin 18.2 Inhibitors



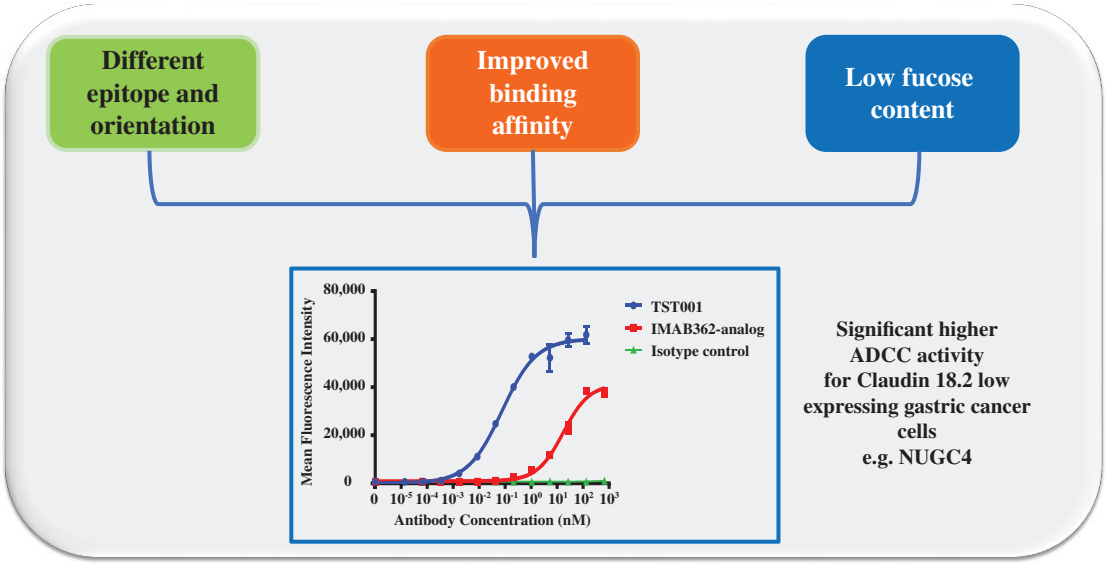
Source: Journal of Hematology & Oncology (2017) 10:105

Competitive advantages

High affinity and enhanced ADCC. TST001 is a humanized antibody specific to Claudin 18.2 and with significantly higher affinity to Claudin 18.2 comparing to Zolbetuximab (IMAB362). Zolbetuximab (IMAB362) is a chimeric antibody with modestly high binding affinity to Claudin 18.2 that induces ADCC and CDC in the presence of natural killer cells and induces tumor cell killing. TST001 binds to a slightly different epitope and results in distinct orientation relative to that of Zolbetuximab (IMAB362) binding. The distinct orientation of

TST001 molecule enhances the binding affinity to tumor cells and increased the efficiency of engaging with NK cells. Furthermore, TST001 is produced using an optimized glycoengineering process which resulted in an antibody with significantly lower levels of fucose in its Fc region, which in turn leads to increased affinity to FcR, especially FcR III expressed by natural killer cells. This enhanced binding to Claudin 18.2 on tumor and to FcR on natural killer cells resulted in more efficient engagement of the tumor cells with natural killer cells. Thus, TST001 has significantly higher ADCC activity against Claudin 18.2 expressing tumor cells comparing to Zolbetuximab (IMAB362).

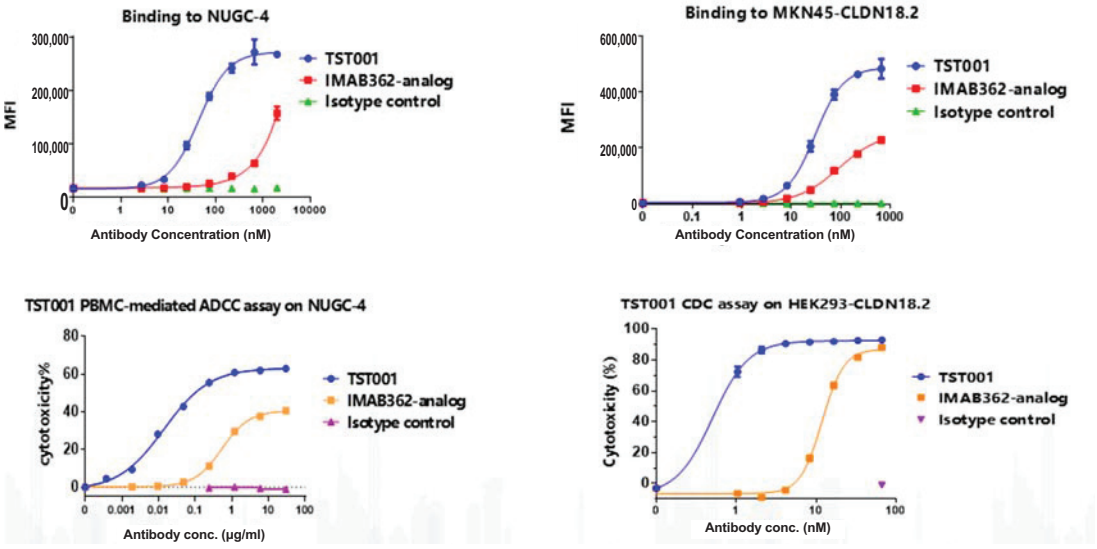
Difference of TST001 vs. IMAB362



Source: Company in-house data

Anti-tumor activity in tumor with medium and low Claudin 18.2 expression. Despite that Zolbetuximab (IMAB362) can elicit strong ADCC activity on tumor cells expressing very high (>75% of tumor cells with 2++ intensity) levels of Claudin 18.2 and induce cell killing, Zolbetuximab (IMAB362) did not show an elicited robust ADCC activity on tumor cells expressing medium or low levels of Claudin 18.2, as demonstrated in NUGC-4, a natural occurring Claudin 18.2 expressing human gastric tumor cell line. This is important as there are only about 20% of the first line gastric cancer patients expressing very high Claudin 18.2 on their tumor cells, yet about 30% of the first line gastric cancer patient express Claudin 18.2 at medium to high levels. Thus, these patients are not included in the current phase 3 trials of Zolbetuximab (IMAB362). As a result, these patients will not benefit from the treatment with Zolbetuximab (IMAB362). In pre-clinical xenograft model with human gastric cancer MKN45-Claudin 18.2, a tumor model with about 40% of the cells expressing Claudin 18.2, treatment with TST001 at 10 mg/kg led to complete tumor eradication in 7 out 10 mice, while, under the same condition, none of the mice treated with Zolbetuximab (IMAB362) at 10 mg/kg had tumor cells eradicated. Therefore, TST001 could potentially be able to induce the reduction of tumor growth in first line cancer patients with only 40% – 75% of tumor cells expressing Claudin 18.2, a population with very high unmet medical needs.

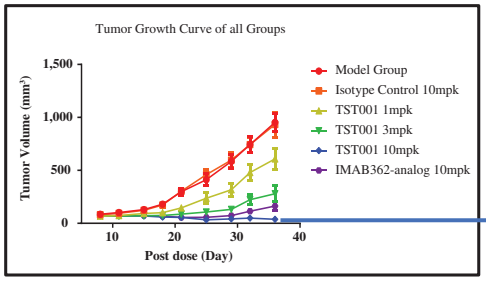
TST001 Has a Higher Binding Affinity and ADCC Inducing Activity to Claudin 18.2 Expressing Cells Compared to IMAB362 Analog



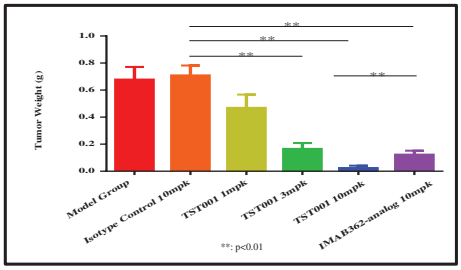
Source: Company in-house data

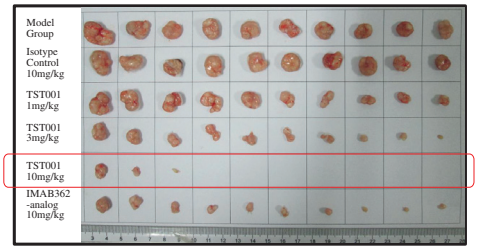
TST001 Has Significantly Better *In Vivo* Anti-Tumor Activity than IMAB362 Analog in MKN45-CLDN18.2 (40%) Gastric Tumor Model with PBMC Co-Inoculation

Group (n=10)	Reference and Test Sample	Dosage	Dose Route & Frequency
1	Model Group	/	/
2	Isotype control	10 mg/kg	i.p. biw*5 weeks
3	TST001	1 mg/kg	
4	TST001	3 mg/kg	
5	TST001	10 mg/kg	
6	IMAB362-analog	10 mg/kg	



7/10 of TST001 group vs. 0/10 of IMAB362 group achieved tumor clearance



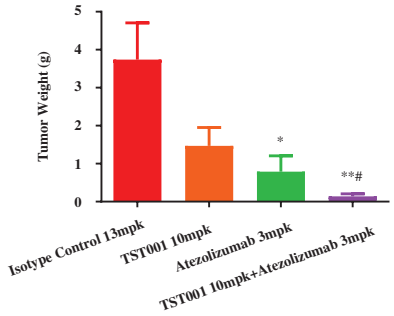


Data from study MSB-Pharm2019053

Source: Company in-house data

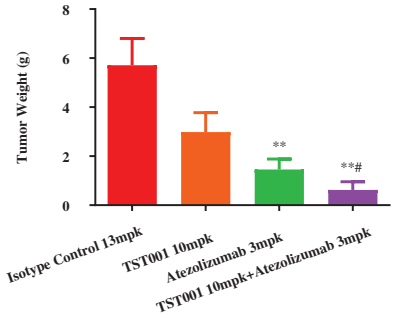
Combination potential with other agents. We further tested the potential of combination of TST001 with either immunotherapy, targeted therapy such as angiogenic inhibitor and chemotherapy as these types of agents are standard of cares for a variety of tumors especially gastric cancer.

TST001 Combination with Atezolizumab is Synergistic in Regressing Tumor of Claudin 18.2 Expressing MC38



*: vs isotype control p<0.05; **: vs isotype control p<0.01; #: vs TST001 p<0.05

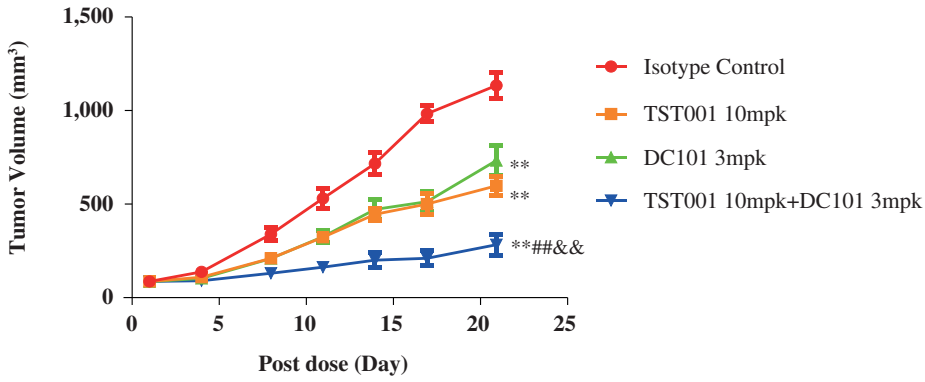
TST001 Combination with Atezolizumab is Synergistic in Regressing Tumor of Claudin 18.2 Expressing CT26



**: vs isotype control p<0.01; #: vs TST001 p<0.01

The above studies showed that combining TST001 with checkpoint inhibitor was more potent in inhibiting tumor growth than either agents alone in tumors expressing both Claudin 18.2 and PD-L1. Therefore, we plan to evaluate this combination in clinical trials of late line and first line gastric cancer and potentially other tumor types.

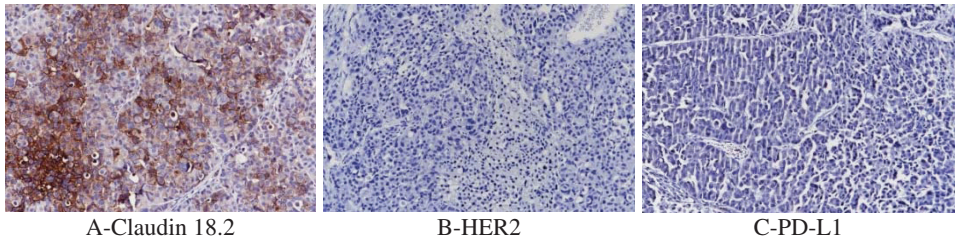
TST001 has synergistic effect with angiogenic inhibitor in inhibiting the growth of Claudin 18.2 expressing tumor



**: vs isotype control p<0.01; ##: vs TST001 p<0.01; &&: vs DC101 P<0.01

As shown in the above chart, TST001 was tested in combination with DC101, a mouse VEGFR2 antibody, using MKN45-Claudin 18.2 tumor model. In the absence of human NK cells provided, TST001 and DC101 combination had significantly more potent activity in inhibiting the growth of Claudin 18.2 expressing tumor. As VEGFR inhibitor is used in the treatment of multiple tumors including gastric cancer, the combination of TST001 could have potential synergy with our own pipeline molecule such as MSB0254 or small molecule inhibitor such as Anlotinib or Apatinib.

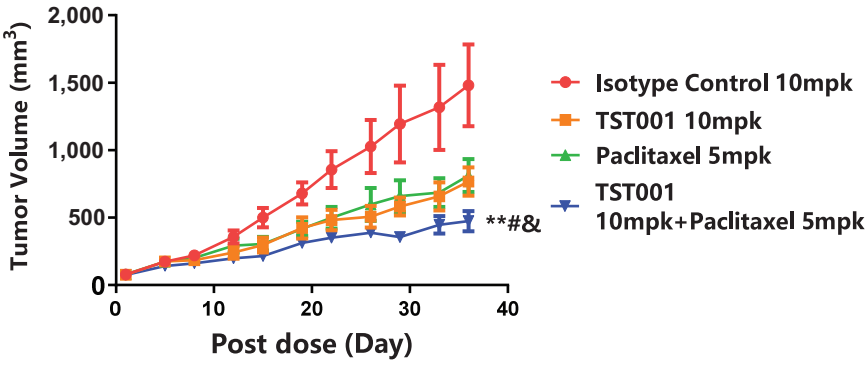
TST001 in combination with Paclitaxel had better anti-tumor activity than either Paclitaxel or TST001 alone



A-Claudin 18.2 B-HER2 C-PD-L1

We tested the expression of biomarkers using IHC in a gastric cancer PDX model sample and the test results showed that this tumor model only expressed Claudin 18.2, but not HER2 or PD-L1.

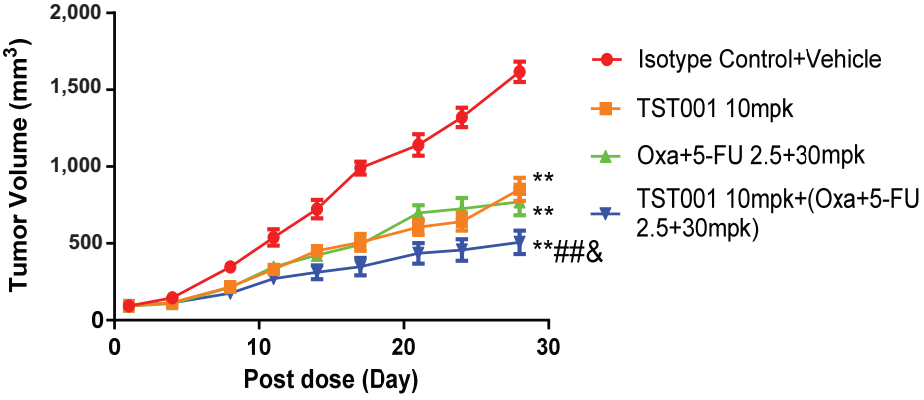
TST001 combined with Paclitaxel on PDX xenograft model



**: vs control, p<0.01;
#: vs TST001, p<0.05;
&: vs Paclitaxel, p<0.05

As shown in the above chart, we tested the expression of biomarker in a gastric cancer PDX model, which only expressed Claudin 18.2 but not Her2 or PD-L1. In this model, in the absence of human NK cells provided and using natural mouse NK cells, TST001 in combination with Paclitaxel had better anti-tumor activity than either Paclitaxel or TST001 alone. As Paclitaxel is used frequently in the treatment of multiple cancers, this combination of TST001 with Paclitaxel could be applied to the treatment of various cancer patients with Claudin 18.2 expression.

TST001 in combination with Oxaliplatin and 5-FU had better anti-tumor activity in gastric tumor PDX model than either Oxaliplatin and 5-FU or TST001 alone



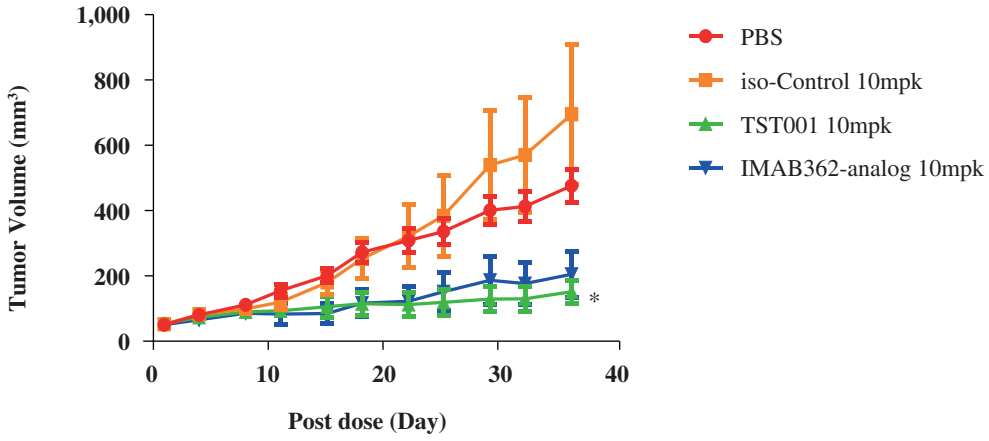
**: vs isotype control p<0.01;

##: vs TST001 p<0.01;

&: vs Oxa+5-FU p<0.05

As shown in above chart, similar result was obtained using chemotherapy agents such as Oxaliplatin and 5-FU used in first line gastric cancer. These data suggest the potential of TST001 in combination with chemotherapy in first line and second line gastric cancer.

TST001 Has Potent anti-Tumor Activity in Pancreatic Tumor Model of MIA PaCa-2/human Claudin 18.2



*: TST001 vs isotype control p<0.05

As shown in above chart, both TST001 and IMAB362 analog have potent anti-tumor activity in a pancreatic tumor model of MIA PaCa-2/hCLDN18.2 with tumor growth inhibitor of 78% (p value 0.03) and 70% relative to isotype control group, respectively.

In addition to first line gastric cancer patients, patients failed previous standard of treatment options yet with Claudin 18.2 expression may also benefit from TST001. We plan to test TST001 in pretreated gastric cancer patients expressing various levels of Claudin 18.2. Similarly, we plan to test in pretreated patients with tumors expressing Claudin 18.2 at medium to high levels of other tissue origin although the expression of Claudin 18.2 in these tumors is not as high as gastric cancer based on current research. Therefore, the use of immunohistochemistry method for patient selection is needed.

Proprietary companion diagnostic tool enabling wider addressable patient pool. For patient selection based on the expression of Claudin 18.2, we have developed a proprietary diagnostic antibody specifically targeting Claudin 18.2 that can be used for immunohistochemistry (IHC) based detection of Claudin 18.2 protein expression in tumor tissue sample. Unlike the IHC antibody used for Zolbetuximab (IMAB362) pivotal trials, this antibody has a high specificity to Claudin 18.2, compared with the diagnostic kit used in Zolbetuximab (IMAB362) pivotal trials, which is reactive to both Claudin 18.2 and Claudin 18.1. As a result of this differentiation, this diagnostic antibody can distinguish Claudin 18.2 from Claudin 18.1 in human tissues. Therefore, it can screen tumor cells expressing Claudin 18.2 on a background of cells expressing Claudin 18.1 and more precisely select patients with true Claudin 18.2 over-expression, which potentially allows us to expand the clinical development of TST001 to other tumor types. This diagnostic antibody is critical for the selection of patients that have high likelihood to respond to TST001, which is important for successful development of TST001.

Unmet medical needs. Finally, as gastric cancer is highly prevalent globally, especially in China and close to 50% of the first line gastric cancer patients express medium to high levels of Claudin 18.2, the potential needs for TST001 is very high. Therefore, we have developed a process using perfusion technology for the production of TST001, which can ensure supply and also reduce the cost of production significantly. This will allow us to be able to provide affordable high quality antibody therapeutics to a large number of patients in need.

Market opportunity and competition

Gastric cancer. Gastric cancer is one of the most common cancers of the digestive system globally, with typical risk factors being smoking, improper diet and obesity. Gastric cancer is mainly caused by gastric mucosa barrier damage, which increases the chances of cancer gene expression and genetic mutation in stem cells. Carcinogens turn new protocells into poorly differentiated, out-of-control abnormal cells that gradually take up the space for normal gastric cells, eventually leading to organ failure and death. Globally, the incidence of gastric cancer reached 1,057.5 thousand in 2019 and is expected to expand to 1,417.5 thousand by 2030. In China, the incidence of gastric cancer reached 500.3 thousand in 2019 and is expected to expand to 599.8 thousand by 2030. Approximately 80% of patients with gastric cancer in China are at the advanced metastatic stage at the time of diagnosis.

HER2-positive patients with advanced metastatic gastric cancer are relatively few (<20%) and majority of advanced metastatic gastric cancer patients are HER2 negative. Currently, targeted therapies for gastric cancer such as Herceptin are available for HER2-positive patients. However, other than chemotherapy, there are limited approved treatment options for HER2 negative patients, especially for first line gastric cancer patients. For previously treated gastric cancer, there have been a few agents approved by the FDA, including Cyramza, which targets VEGFR2 (launched in 2014) for second line gastric cancer either as monotherapy or in combination with chemotherapy and PD-1 biologics, Keytruda and Opdivo for third line gastric cancer (approved in 2017 and launched in 2020). In China, only Apatinib and PD-1 have been approved for third line gastric cancer patients. Therefore, unmet medical needs exist for large number of gastric cancer patient in China and globally.

Claudin 18.2 is a gastric-specific membrane protein that has been identified as a potential target for the treatment of gastric cancer. Zolbetuximab (IMAB362), is the first chimeric mAb that targets Claudin 18.2. Phase 2 clinical results indicated that Zolbetuximab (IMAB362) in combination with chemotherapy can significantly prolong the progression free and overall survival time of advanced gastric cancer patients with Claudin 18.2 over-expression. Ongoing global phase 3 trials are testing whether Zolbetuximab (IMAB362) in combination with chemotherapy can prolong progression free survival relative to standard chemotherapy alone in first line gastric cancer patients expressing Claudin 18.2 in >75% of the tumor cells with 2++ intensity. This population accounts about 20% of the first line gastric cancer patients. It is very likely that Zolbetuximab (IMAB362) may become a new treatment option for the first line gastric cancer patients with Claudin 18.2 expression in >75% of the tumor cells with 2++ intensity. However, there are still high unmet medical needs for patients with medium to high expression (in 40-75% of the tumor cells with 2++ intensity) as these patients are not enrolled in the current Zolbetuximab registration trial. In China, the market size of Claudin 18.2

inhibitors in gastric cancer is expected to expand to US$16.5 million in 2023 and further to US$2,402.7 million in 2035, representing a CAGR of 51% from 2023 to 2035 according to the CIC Report. Globally, the market size of Claudin 18.2 antibody inhibitors in gastric cancer is expected to reach around US$200 million in 2025 and further to approximately US$4 billion in 2035.

Pancreatic cancer. Pancreatic cancer is another type of cancer in the digestive system, which is common in China and the United States as well as other western countries. In pancreatic cancer, pancreatic cells become cancerous and have the ability to invade other tissues. Pancreatic cancer mainly implicates adenocarcinoma of the pancreas, which originates in the part of the pancreas that produces digestive enzymes. Several other types of cancers in pancreas are known as non-adenocarcinomas, and a very small number of tumors originate from neuroendocrine cells. Globally, the incidence of pancreatic cancer reached 480.5 thousand in 2019 and is expected to expand to 657.6 thousand by 2030. In China, the incidence of pancreatic cancer reached 108.4 thousand in 2019 and is expected to expand to 149.4 thousand by 2030. Approximately 76% of patients with pancreatic cancer in China are at the locally advanced or metastatic stage.

Treatments for pancreatic cancer include surgical resection and chemotherapy/ radiotherapy, according to the relevant guidelines. Currently, chemotherapy is an available systemic treatment for patients with pancreatic cancer, which indicates that the market potential of other therapeutic intervention, such as biologics for the treatment of pancreatic cancer, is high. Radical resection is the only approach to completely cure pancreatic cancer but is merely suitable for 15% of the patients. Most patients can only receive radiotherapy instead of surgeries because they are already at the advanced stage at the diagnosis. First- and second-line treatments comprise combinations of chemotherapy. Chemotherapy or radiotherapy can be used as second-line treatment, while systemic drugs can be selectively used based on different patient conditions as third-line treatment.

Biologics for pancreatic cancer are not yet available globally. Existing immunotherapy such as PD-(L)1 inhibitors are not effective in treating pancreatic cancer. Therefore, there is still unmet market demand for more effective biologics for the treatment of pancreatic cancer. Claudin 18.2 is expressed in 40-50% of the metastatic pancreatic cancer patients and antibody targeting Claudin 18.2 is being tested in first line pancreatic cancer in combination with standard chemotherapy. In China, the market size of Claudin 18.2 inhibitors in pancreatic cancer is expected to expand to US$3.9 million in 2023 and further to US$563.5 million in 2035, representing a CAGR of 51% from 2023 to 2035, according to the CIC Report. Globally, the market size of Claudin 18.2 antibody inhibitors in pancreatic cancer is expected to reach around US$300 million in 2025 and further to approximately US$5 billion in 2035.

Esophageal cancer. Esophageal cancer bears the characteristics of multi-stage, multi-factor and progressive evolution. It develops from normal mucosa to basal cell hyperproliferation, atypical hyperplasia, carcinoma in situ, and infiltrating carcinoma. Long-term accumulation of genetic changes leads to malignant proliferation of esophageal cells and the overexpression or abnormal expression of proteins. Esophageal cancer can be classified into esophageal squamous cell carcinoma (ESCC) accounting for 95% of patients and

esophageal adenocarcinoma. Globally, the incidence of esophageal cancer reached 587.0 thousand in 2019 and is expected to expand to 778.9 thousand by 2030. In China, the incidence of esophageal cancer reached 332.8 thousand in 2019, and is expected to expand to 432.2 thousand by 2030. Approximately 73% of patients with esophageal cancer in China are at the locally advanced or metastatic stage.

For HER2 positive patients, the current first-line treatment is largely based on the Trastuzumab combined with chemotherapies. PD-1 is added in the second-line treatment. They fall far short of demand compared with the high morbidity rate and the high mortality of esophageal cancer. In the early stage of treatment, traditional methods such as surgeries and chemoradiotherapies are normally received by most of the Chinese patients, which resulted in a low survival rate. More bio-targeted treatment with strong specificity and better curative effect is urgently needed by patients at the locally advanced or metastatic stage, which indicates a huge market potential. In China, the market size of Claudin 18.2 inhibitors in esophageal cancer is expected to expand to US$4.9 million in 2023 and further to US$677.0 million in 2035, representing a CAGR of 51% from 2023 to 2035, according to the CIC Report. Globally, the market size of Claudin 18.2 antibody inhibitors in esophageal cancer is expected to reach around US$60 million in 2025 and further to approximately US$1 billion in 2035.

Gallbladder and biliary tract cancer. Gallbladder and biliary tract cancer (BTC) is mainly divided into cholangiocarcinoma and gallbladder carcinoma. Cholangiocarcinoma is further divided into extrahepatic and intrahepatic cholangiocarcinoma. The initial transformation cells that cause tumors in the biliary system may come from pluripotent liver stem cells. In addition, the expression of CK7 and CK19 and the absence of CK20 may relate to the origin of the tumor. Globally, the incidence of gallbladder and biliary tract cancer reached 244.6 thousand in 2019 and is expected to expand to 328.0 thousand by 2030. In China, the incidence of gallbladder and biliary tract cancer reached 94.6 thousand in 2019, and is expected to expand to 135.1 thousand by 2030. Approximately 72% of patients with gallbladder and biliary tract cancers in China are at advanced or metastatic stage.

The majority of patients with advanced biliary tract cancer rely on first-line chemotherapy and systematic treatment for survival. The development of biological targeted drugs is of great significance for patients with advanced biliary tract cancer. Radical resection (R0) is the standard and the only treatment approach for patients with the early stage of biliary tract cancer. However, most of the patients cannot receive the surgical resection because of metastases at the time of diagnosis. Thus, chemotherapy and supportive R1/R2 have become the main treatments for them. Due to rapid deterioration and progression of their disease, fewer patients with BTC could receive the second-line treatment.

The targeted therapies of PD-1, PD-L1, HER2, LAG-3, and TGF-β have been used or in development for the treatment of gallbladder and biliary tract cancer in China. In addition, some of the immunotherapies have been used off-labeled as an alternative treatment option. However, evidences of the immunotherapy are still scarce, the development of new biologics are still needed for the treatment in gallbladder and biliary tract cancer. In China, the market size of Claudin 18.2 inhibitors in cholangiocarcinoma is expected to expand to US$1.2 million in 2026 and further to US$101.1 million in 2035, representing a CAGR of 64% from 2026 to

2035, according to the CIC Report. Globally, the market size of Claudin 18.2 antibody inhibitors in Cholangiocarcinoma is expected to reach around US$3 million in 2026 and further to approximately US$500 million in 2035.

As of March 2021, there was no Claudin 18.2 targeted biologics or small molecule drugs approved globally. As of March 2021, there were five Claudin 18.2 targeted biologic candidates under clinical development in China, including our TST001; and there were three Claudin 18.2 targeted biologic candidates under clinical development in the United States, including TST001. See "Industry Overview" for more detailed information regarding these biologic candidates.

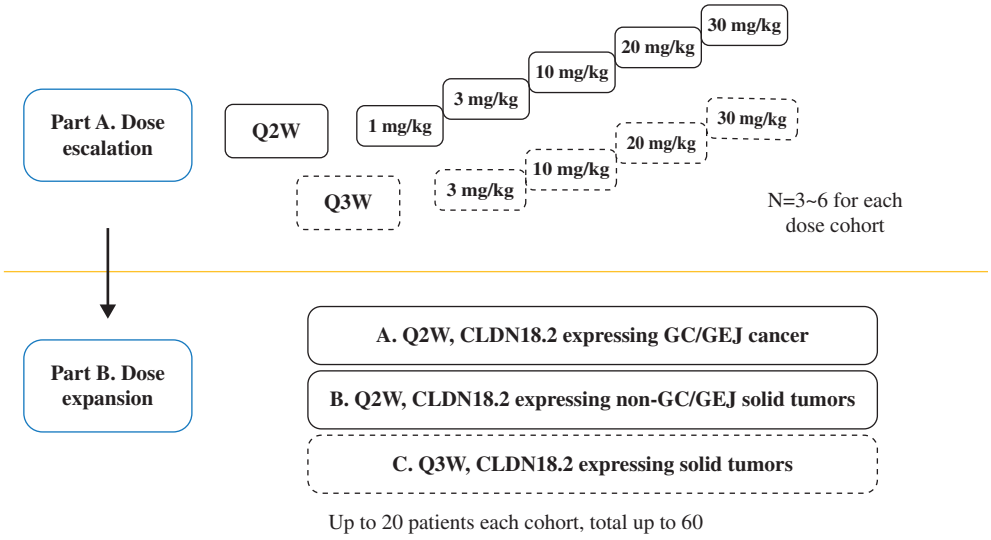
Summary of clinical data

We are developing TST001 globally. To fully leverage the efficient regulatory approval pathway in the United States and the large patient population in China, we have initiated Phase 1 clinical trials in the United States and in China, respectively. The Phase 1 trial in the United States is an open-label, non-randomized, first-in-human trial of TST001 to assess its safety, tolerability, PK and preliminary efficacy in advanced and/or metastatic solid tumors. Once the RP2D is defined in Phase 1a, Phase 1b portion will enroll patients with gastric/gastroesophageal junction cancer or other solid tumors with Claudin 18.2 expression based on biomarker selection by IHC. The Phase 1 trial in China is an open-label, first-in-human trial of TST001 to assess its safety, tolerability, PK and preliminary efficacy in advanced and/or metastatic solid tumors. There are two parts in this China Phase 1 trial. Part 1 is a monotherapy dose-escalation and dose-expansion study and Part 2 is a dose-escalation and dose-expansion study of combination with chemotherapy in patients with gastric/gastroesophageal junction adenocarcinoma.

Phase 1 study in locally advanced or metastatic solid tumors in the United States

Study Design. This is an open-label, non-randomized, first-in-human Phase 1 trial of TST001 in advanced and/or metastatic solid tumors. Part A of the trial consists of two cohorts, one dosed every 2 weeks IV (starting dose is 1 mg/kg, 5 dose levels will be tested) and one dosed every 3 weeks IV (starting dose is 3 mg/kg, and 4 dose levels will be tested) in a standard 3+3 design. Part A is the dose finding portion of the trial. Twenty-seven to 54 patients are to be enrolled. Part B consists of 3 cohorts of approximately 20 patients for each cohort. For Part B, patients must have Claudin 18.2-expressing tumors to qualify for enrollment. Cohort 1 is for patients with gastric and gastroesophageal junction cancers and dosed at recommended dose Q2W IV. Cohort 2 is for patients with solid tumors except gastric and gastroesophageal cancers, dosed at recommended dose Q2W IV. Cohort 3 is for all solid tumors dosed at recommended dose Q3W intravenously. Up to 60 patients will be enrolled in Part B. The primary endpoints are safety as characterized by frequency and severity of adverse events and maximum tolerated dose (MTD or RP2D). The secondary endpoints are AUC, Cmax, Tmax, t1/2, immunogenicity, ORR, DOR, clinical benefit rate and PFS. ORR and PFS are as measured by RECISTv1.1.

The Phase 1 trial was started in July 2020. As of the Latest Practicable Date, 23 patients were enrolled in the trial. Due to the strong potency of TST001, as of the Latest Practicable Date, we had adjusted the dosing regimens from 1 mg/kg, 3 mg/kg, 10 mg/kg, 20 mg/kg and 30 mg/kg to 1 mg/kg, 3 mg/kg, 6 mg/kg and 10 mg/kg.

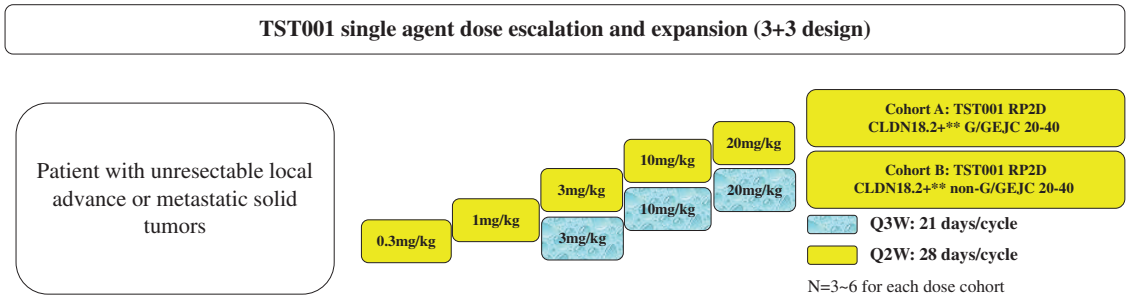


Note: Based on the emerging safety and clinical data, alternative intermediate doses within planned doses may be proposed.

Phase 1 study in locally advanced or metastatic solid tumors in China

This is an open-label, Phase 1 trial of TST001 to assess its safety, tolerability, PK and preliminary efficacy in advanced and/or metastatic solid tumors. There are two parts in the study. Part 1 is a monotherapy dose-escalation and dose-expansion study, and Part 2 is a dose-escalation and dose-expansion study of combination therapy.

For Part 1, the dose escalation study is conducted using the 3+3 dose-escalation method at two dosing regimens (Q2W or Q3W) at 0.3 mg/kg up to 20 mg/kg. When the dose levels in the Q2W group in the monotherapy is escalated to the MTD/multiple ascending dose/RP2D, two expansion cohorts will be added at this dose level with about 30 (20-40) patients with positive Claudin 18.2 expression by IHC. One cohort will comprise patients with gastric/gastroesophageal junction adenocarcinoma receiving TST001 at the RP2D, and the other cohort will comprise patients with Claudin 18.2 expressing solid tumors of non-GC/GEJC origins receiving TST001 at the RP2D. Below diagram shows the study design of Part 1.

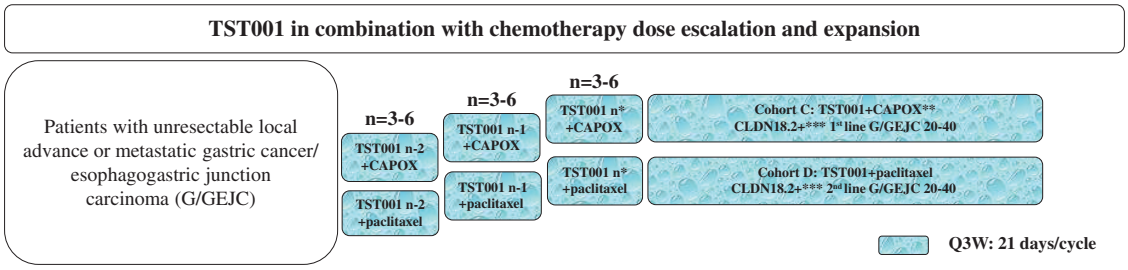


* If CR, PR, or SD (SD with tumor shrink ≥10% and last at least 3 months) been observed in dose escalation, 6-10 patients with CLDN18.2+ will be recruited at the same dose level

** CLDN18.2+: ≥40% tumor cells membrane staining ≥2+ by central IHC

Note: Based on the emerging safety and clinical data, alternative intermediate doses within planned doses may be proposed.

For Part 2, the dose escalation and dose expansion study will be conducted in two cohorts. One cohort will comprise patients with gastroesophageal junction adenocarcinoma receiving TST001 in combination with CAPOX, and the other cohort will comprise patients with gastric/gastroesophageal junction adenocarcinoma receiving TST001 in combination with Paclitaxel. Below diagram shows the study design of Part 2.



* Projected RP2D

** CAPOX: capecitabine and oxaliplatin

*** CLDN18.2+: ≥40% tumor cells CLDN18.2 membrane staining ≥2+ by central IHC

Assessments include routine physical examinations, safety labs, electrocardiograms (ECGs), multigated acquisition (MUGA) scans, PKs and PDs and CT/MRI tumor assessments, based on the Q2W and Q3W dosing schedules. The primary endpoints are safety as characterized by frequency and severity of adverse events (according to NCI CTCAE 5.0), MTD, RP2D, the incidence and number of case of dose limiting toxicity (DLT) in patients administered with TST001 Q2W or Q3W during the DLT observation period. The secondary endpoints include AUC, Cmax, Tmax, t1/2, immunogenicity, ORR, DOR, clinical benefit rate and PFS. ORR and PFS are as measured by RECISTv1.1.

The Phase 1 trial was started in August 2020. As of the Latest Practicable Date, 41 patients were enrolled in the trial. Based on the first scan after six weeks of treatment, we have observed one heavily pretreated gastric cancer patient in the 6 mg/kg Q3W dose cohort achieved partial response with 37% tumor reduction based on the RECIST1.1 criteria. This dose of 6 mg/kg is 1/3 of the RP2D dose (18 mg/kg) for IMAB362. No partial response was observed during the dose escalation study of IMAB362. This patient previously failed multiple lines of chemotherapies (Liposome Paclitaxel + S1, Irinotecan, Cisplatin thoracic prefusion), PD-1 immunotherapy (Sintilimab) and anti-VEGF inhibitor (Apatinib). In addition, we initiated a study of TST001 in combination with chemotherapy (CAPOX) in first-line gastric cancer in April 2021 and a study of TST001 in combination with chemotherapy (Paclitaxel) in second-line gastric cancer in May 2021 in China. In the combination study with CAPOX, a patient in the first dosing cohort achieved partial response with 39% tumor reduction according to the RECIST1.1 criteria after 6 weeks of treatment at the first post-treatment imaging scan. Due to the strong potency of TST001, as of the Latest Practicable Date, we had adjusted the dosing regimens from 0.3 mg/kg, 1 mg/kg, 3 mg/kg, 10 mg/kg and 20 mg/kg to 0.3 mg/kg, 1 mg/kg, 3 mg/kg, 6 mg/kg and 10 mg/kg.

Clinical development plan

TST001 is currently under Phase 1 development in patients with solid tumors including gastric cancer both in China and the United States. We obtained IND clearance from the FDA and the NMPA in April 2020, which made TST001 the second Claudin 18.2 mAb in clinical development globally. We have also started a Phase 2a trial for TST001 in China for late-line gastric cancer and the first patient was dosed on August 17, 2021.

Exploratory trials

We plan to complete the Phase 1a single agent dose escalation in 2021 in the United States and China. We also plan to complete dose escalation study in combination with first line chemotherapy in China. We will initiate Phase 1b/2a dose-expansion studies in the United States and China as single agent in late line setting with patients preselected with Claudin 18.2 over expression (2++ intensity and more than 40% of solid tumor patients). Multiple cohorts with tumor types including but not limited to gastric cancer or pancreatic cancer will be planned. We will explore potential registrational trial if one of these tumor types yield high enough response rate and duration of response to differentiate from other competitors.

We will also initiate Phase 1b/2a dose-expansion studies for TST001 in combination with chemotherapy in first line gastric cancer patients preselected with Claudin 18.2 over expression (in more than 40% of tumor cells with 2++ intensity) in the fourth quarter of 2021.

In addition, based on our preclinical data, we will explore the combination studies of TST001 with PD-1 inhibitor or targeted agents such as angiogenic inhibitors in both late line and first line gastric cancer.

Registration-enabling trials

First-line gastric cancer: Contingent on obtaining sufficient safety and efficacy data from Phase 1/2 studies in the first quarter of 2022, we will discuss with multiple health authorities including the FDA, the NMPA and the EMA to plan a global pivotal study of combining TST001 with chemotherapy for treatment naive patients with unresectable or metastatic gastric cancer/gastroesophageal junction cancer and, if approved, we plan to launch this pivotal study in the third quarter of 2022. The planned study will be a global Phase 3 randomized placebo-controlled study of TST001 in combination with chemotherapy compared with chemotherapy alone as first line treatment in patients with Claudin 18.2 expressing, HER2 negative, locally advanced unresectable or metastatic gastric or gastroesophageal junction

adenocarcinoma. The primary endpoint will be PFS. The secondary endpoints include OS; ORR; DOR; Safety; QoL. The planned sample size will be 500 – 600 patients. All patients will be selected by immunohistochemistry for Claudin 18.2 expression at the selected central lab. The patients with Claudin 18.2 expression over 40% of tumor cells with intensity of 2++ will be eligible for enrollment. All the tumor assessment imaging will be reviewed by an independent radiology review committee. This Phase 3 study is intended to be a global study and the countries involved will include China and other countries from Asia, North America and Europe. We plan to complete this study by 2025 and submit for regulatory approval if successful. In April 2021, we initiated a Phase 1 trial of TST001 in combination with chemotherapy as a first-line treatment of gastric cancer to establish the safety and tolerability of this combination. In May 2021, we also started a Phase 1 trial of TST001 in combination with chemotherapy as a second-line treatment of gastric cancer and dosed multiple patients.

Late-line gastric cancer: We have also designed a specific cohort in current ongoing Phase 1 study to explore preliminary efficacy of TST001 as single agent in the late line (patients failed at least 2-3 lines of treatment) gastric/gastroesophageal junction cancers with Claudin 18.2 high expression. At present, checkpoint inhibitors, such as Keytruda or Opdivo or Apatinib, are approved for third line gastric cancer and there is no standard of care or better treatment option for these patients who have failed these treatments. If the response rate in part 2 of ongoing Phase 1 study is high enough in pretreated late line gastric cancer expressing high levels of Claudin 18.2, we will seek permission from a regulatory authority to start a pivotal trial in the third quarter of 2023 with single arm open label (preferred) for accelerated approval or conduct placebo controlled pivotal study in last line patients with gastric/gastroesophageal junction cancers expressing high levels of Claudin 18.2.

In addition to late line gastric cancer study described above, similar strategy will be employed for other Claudin 18.2 expressing solid tumor types. We also plan to explore multiple regimens for TST001, including monotherapy or combination therapies with chemotherapy, immunotherapy and targeted therapy such as TST001 plus PD-1 or anti-VEGF therapies for gastric cancer and other solid tumors.

Companion Diagnostics (CDx): We have developed a proprietary diagnostic antibody specifically for the detection of Claudin 18.2 expression and an immunohistochemistry detection assay for patient selection in clinical trials has been developed and optimized. The immunohistochemistry detection assay has been transferred to and validated by a selected central lab for patient screening in the Part 2 of the ongoing Phase 1 trials. We will collaborate with credible CDx developer with global registration experience for the development of the companion diagnostic kit using the proprietary antibody for patient screening in the planned pivotal trials. We will seek for regulatory approval for the proprietary companion diagnostic kit for the detection of Claudin 18.2 expression as a screening test for patient selection, which is expected to be approved following successful approval of TST001.

Licenses, rights and obligations

We developed TST001 in house and have global rights to it.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TST001 SUCCESSFULLY.

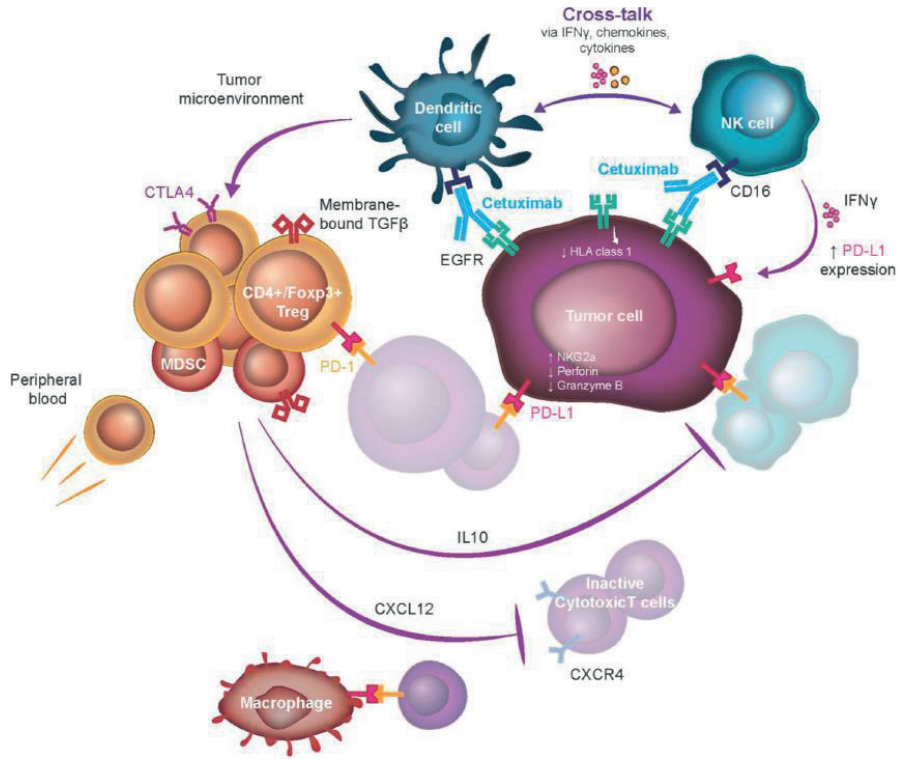
TST005: A PD-L1/TGF-β Bi-functional Antibody Candidate for Solid Tumors

Treatment with immune checkpoint inhibitors, including anti-PD-(L)1 antibodies, has demonstrated durable responses in patients with PD-L1 expressing tumors. However, not all patients with PD-L1 expression responded to the treatment due to either *de novo* or acquired resistance to checkpoint inhibitors. The evidence from a number of studies showed that transforming growth factor β (TGF-β) signaling in the tumor microenvironment (TME) is associated with a poor response or resistance. Inhibition of TGF-β signaling can induce tumor T-cell infiltration/activation and potentiate tumor response to immune checkpoint therapy. TST005 is a bi-functional checkpoint inhibitor, which is designed to simultaneously block the PD-L1 checkpoint protein and TGF-β signaling to promote anti-tumor responses and treatment efficacy. TST005 has the potential to offer a promising new therapeutic strategy for combating cancer immune evasion. We filed an IND application for TST005 with the FDA in March 2021 and obtained IND clearance from the FDA in April 2021. We also filed an IND application for TST005 with the NMPA in China in September 2021.

Mechanism of action

Binding by PD-L1 on the tumor cells to its receptor PD-1 on activated T-cells delivers a negative signal that blocks T-cell proliferation, survival and effector functions. On the other hand, TGF-β produced either by immune cells, tumor cells or stromal fibroblast, can block T-cell infiltration and inhibit the ability of T-cell to kill tumor cells. TST005 is a bi-functional fusion protein composed of the truncated extracellular domain of the TGF-βRII receptor serving as a TGF-β trap fused to a humanized anti-PD-L1 IgG1 antibody (AM4B6 mAb). By blocking both PD-L1-interaction with PD-1 and TGF-β mediated inhibitory activities on T-cell infiltration and T-cell activity, PD-L1/TGF-β bi-functional antibodies can effectively prevent tumor cells from escaping immune regulation.

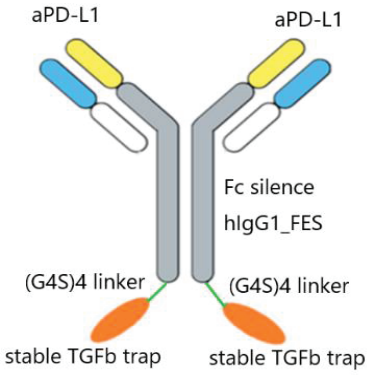
Mechanism of Action of PD-L1/TGF-β Bi-functional Antibodies



Source: Cancer Treatment Reviews (2018) 63:48-60

Summary of pre-clinical data and the competitive advantage of TST005

Schematic Structure of TST005



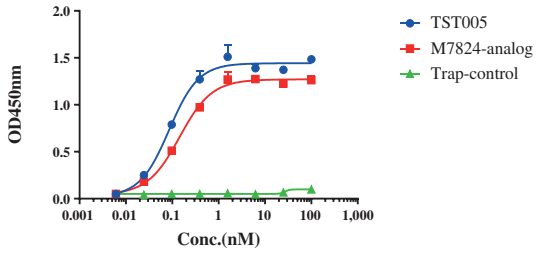
TST005 is composed of three parts: (i) PD-L1 binding antibody including Fc region; (ii) a linker; and (iii) engineered variant of TGF-βRII extracellular domain. The PD-L1 binding antibody is designed to bind to PD-L1 protein on tumor cells and also on some activated T-cells and neutralize the interaction of PD-L1 with PD1 protein on activated T-cells. The blocking of this interaction will release T-cells from PD-1 mediated inhibitory activity on T-cell activation and to kill tumor cells. In addition, the TGF-βRII protein can bind to TGF-β 1/2/3 and thus block the activity of TGF-β. This will not only help to increase the infiltration of T-cells in to the tumor but also will release the activated T-cells from the inhibition by TGF-β. Therefore, PDL1/TGF-β bi-functional molecule is expected to be more potent than PD-L1 antibody alone in killing tumor cells.

Normally, Fc region of the antibody can bind to FcR, which is normally expressed at high levels on natural killer (NK) cells. Because PD-L1 is also expressed at high level on activated T-cells, PD-L1-TGF-β bifunctional antibody can also lead to the killing of these activated T-cells in tumor via ADCC as it can bind to PD-L1 on T-cells and FcR on NK cells simultaneously. Therefore, TST005 is engineered to have three mutations in Fc region, namely L234F/L235E/P331S, to disable the binding of TST005 to FcR. As a consequence, TST005 cannot elicit NK cells mediated ADCC activity on PD-L1 expressing cells. In addition, the drug clearance mediated by FcR on other cells such as macrophage is also expected to be reduced. This panel of mutations, which has also been used in approved agent such as Durvalumab, will not lead to increased immunogenicity.

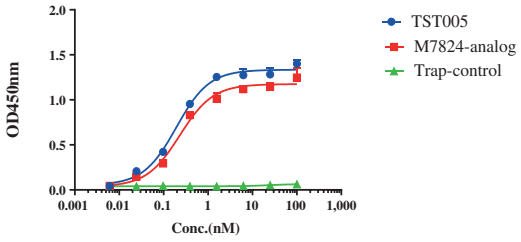
As Bintrafusp Alfa, an anti-PD-L1/TGF-β receptor II (RII) fusion protein, has shown promising single agent activity in a variety tumor types and *in vitro* and *in vivo* activities of Bintrafusp Alfa have been published extensively, for the purpose of benchmarking for *in vitro* and *in vivo* testing, we produced M7824 analog using public sequence from INN database of the World Health Organization and expressed the M7824 antibody protein in Chinese hamster ovary (CHO) cells, purified with similar method used for TST005.

In vitro activities

TST005 binding to human PD-L1



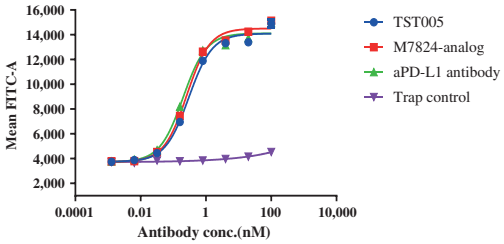
TST005 binding to cynomolgus PD-L1



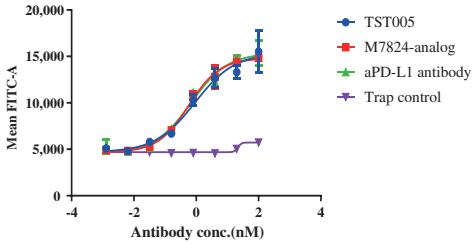
Source: Company in-house data

As shown in the above charts, in enzyme-linked immunosorbent assay (ELISA), TST005 binds to human and cynomolgus PD-L1 with high affinity and has similar binding affinity to that of M7824.

FACS binding of TST005 to human PD-L1 on NCI-H292 cells



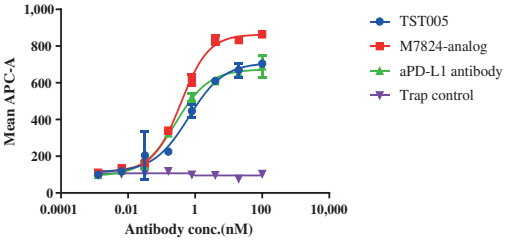
FACS binding of TST005 to human PD-L1 on EMT6/human PD-L1 cells



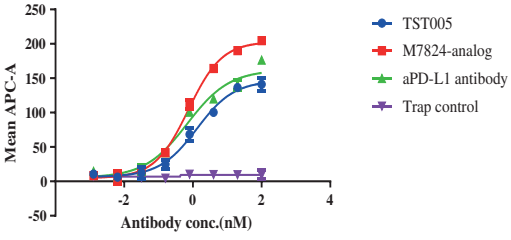
Source: Company in-house data

As shown in the above FACS analysis using PD-L1 expressing tumor cells NCI-H292 and EMT-6, TST005 binds to human and cynomolgus PD-L1 with high affinity and has similar binding affinity to that of M7824 and the original PD-L1 antibody used in the bifunctional molecule.

FACS binding of TST005 to human PD-L1 on activated human T-cells



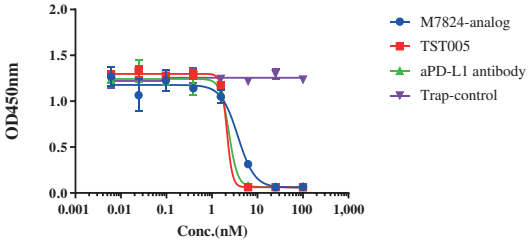
Binding activity of TST005 to cynomolgus PD-L1 on activated T-cells



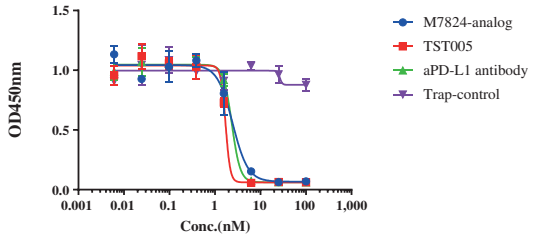
Source: Company in-house data

As shown in the above FACS analysis using activated T-cells from human and cynomolgus monkey, TST005 binds to human and cynomolgus T-cells expressed PD-L1 on with high affinity. M7824 had higher binding to T-cells than TST005 and the original PD-L1 antibody used in the bi-functional molecule.

Blockade of human PD-L1 and PD-1 interaction



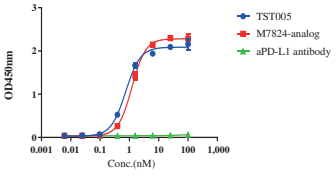
Blockade of cynomolgus PD-L1 and PD-1 interaction



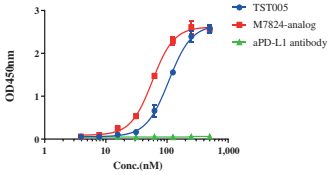
Source: Company in-house data

As shown in the above analysis using ELISA method, TST005 and M7824 showed similar activity in blocking PD-L1 and PD-1 interaction.

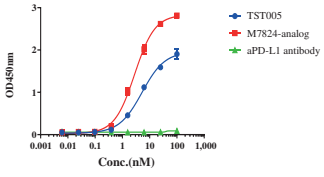
TST005 binding to human/cynomolgus TGF-β1



TST005 binding to human/cynomolgus TGF-β2



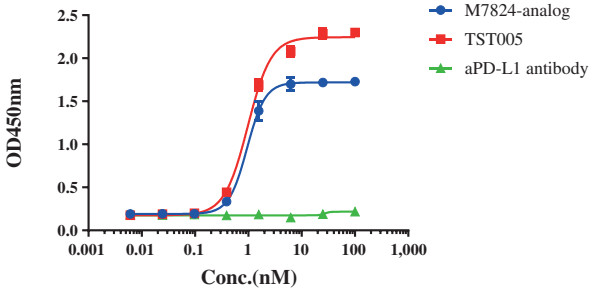
TST005 binding to human/cynomolgus/mouse TGF-β3



Source: Company in-house data

Similarly, as shown in the above charts, TST005 binds to TGF-β1 with similar affinity, but with lower affinity to TGF-β2 and 3 compared to M7824. TGF-β1 is the dominant isoform responsible for tumor resistance or T-cell suppression. TGF-β2 is associated with regulating normal function of heart. Lower binding affinity to TGF-β2 reduces the potential side effect to normal function of heart. TGF-β3 is involved in regulating tumor resistance in some tumor types.

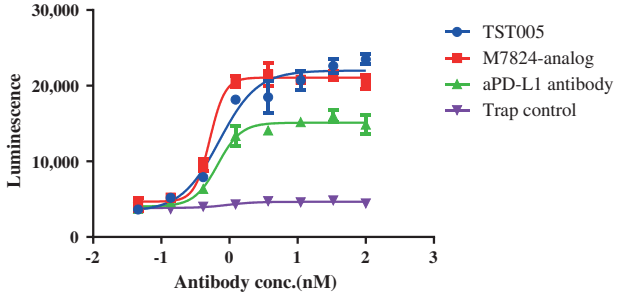
Simultaneously binding to human PD-L1 and human TGF-β1



Source: Company in-house data

As shown in the above chart, TST005 can bind to PD-L1 and TGF-β1 simultaneously with similar affinity to that of M7824 analog. TGF-β1-coated plates were incubated with serial dilutions of TST005 or M7824-analog, followed by biotinylated PD-L1 and detection. This study showed that TST005 can potentially bind to PD-L1 on tumor cells and then also bind to TGF-β in tumor microenvironment and thus block their binding to their receptors.

Blocking activity of TST005 to hPDL1 on reporter assay (with 2.5ng/mL TGFβ)

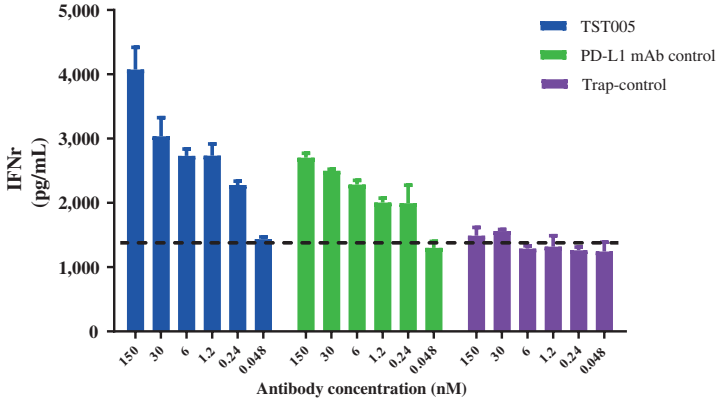


Source: Company in-house data

As shown in the above chart, TST005 was tested for its activity in blocking PD-(L)1 mediated inhibition on T-cells activity. TST005 has similar activity to that of M7824 in reversing the PD-L1 mediated inhibition on T-cells but more than that of PD-L1 antibody alone in the presence of TGF-β.

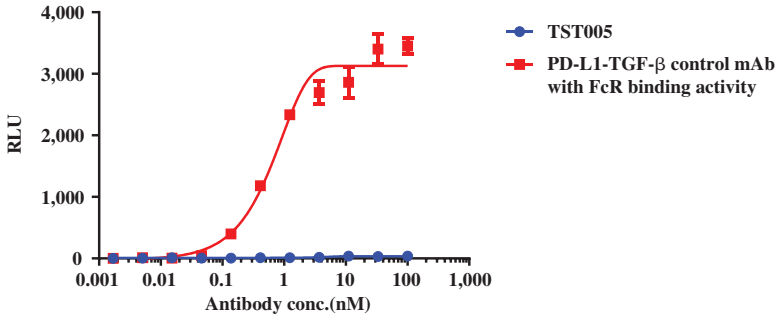
In vitro stimulation of peripheral blood mononuclear cells with purified protein derivative from Mycobacterium tuberculosis (tuberculin) results in T-cell activation and interferon-γ (IFN-γ) release. The ability of TST005 relative to that of PD-L1 antibody or TGF-β trap to further enhance T-cell activation was evaluated using this assay system.

Effect of anti-PDL1-TGFβ Bi-functional Antibodies on IFN-γ release by tuberculin (TB) stimulated PBMC



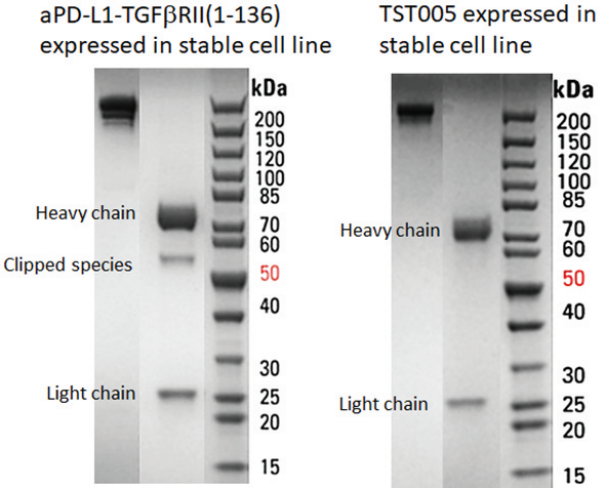
As shown in the above chart, in a superantigen stimulation assay with human peripheral blood mononuclear cells (PBMCs), TST005 enhanced T-cell activation more significantly as measured by IFN-γ production, as compared to TGF-β trap or PD-L1 mAb alone. In the same system, we did not observe any T-cell enhancement by M7824 analog.

ADCC activity of TST005



As shown in the above picture, because of the triple mutations, L234F/L235E/P331S, in its Fc region, there was no binding of TST005 to human Fcγ receptors and C1q, and no ADCC and CDC activities were detected in the PD-L1 reporter cell assays. In light of the fact that PD-L1 is expressed at high level on activated T-cells, this will help reduce the risk of NK cell mediated killing of activated T-cells and thus could ensure the full benefits of PD-L1 and TGF-β dual inhibition in tumor.

TST005 Has Engineered for Better Stability with TGFβ-Trap



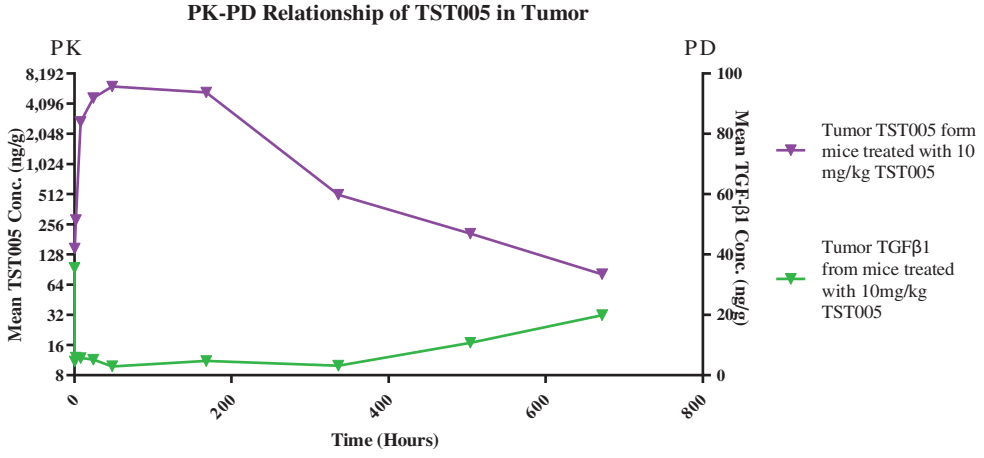
TST005 is composed of a PD-L1 antibody fused with a TGFβRII protein at its c-terminal. M7824, a benchmark PD-L1-TGFβ Trap bi-functional molecule utilized a full length fusion protein of the extracellular portion of TGFβRII. Anti-PD-L1-TGFβRII (1-136) is similar to the structure of M7824. This structure has been found to be unstable in stable CHO cell line and its heavy chain can be cleaved and result in loss of the TGFβRII protein. Our TST005 has used

a truncated version of TGFβRII and showed better stability than the version with full length TGFβRII as shown in above chart. This improved stability could have important advantage over those PD-L1-TGFβRII bi-functional molecule such as M7824. TST005 could deliver more TGFβRII protein into the tumor and leave less free TGFβRII in the circulation. Therefore, it may have more efficient suppression of free TGF-β and lead to better anti-tumor activity and tolerability.

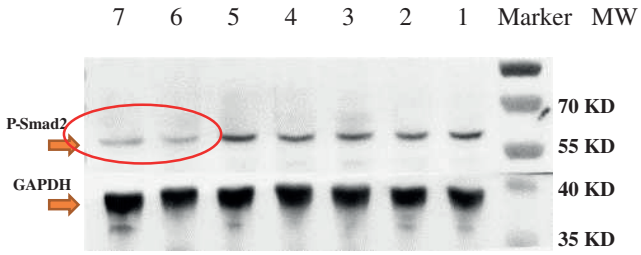
PK profile

TST005 demonstrated an approximately dose-proportional PK profile with a single IV infusion in rodents and monkeys with the dose range of 0.3-30 mg/kg, and a negative correlation between TST005 concentration and its pharmacodynamic marker TGF-β1 level was established in both plasma and tumor. In addition, TST005 displayed dose-dependent occupancy of PD-L1 receptor on CD3+ T lymphocytes. The effects of TST005 on occupying PD-L1 receptor and depleting serum TGF-β1 were almost synchronized. Based on PK allometric scaling, the projected clearance of the first-order elimination pathway of TST005 in humans is 4.44 mL/kg/d with an elimination half-life of 9 days when the nonlinear elimination pathway is saturated. If this translates into human, TST005 should have an improved PK profile than Bintrafusp Alfa (M7824), which had the systemic clearance of 4.8 – 8.1 mL/kg/day with a terminal elimination half-life of 3.1-6.6 days in human.

PK/PD relationship of TST005 and TGF-β1 concentration in tumor of MC38/human PD-L1



WB Analysis of p-Smad2 level upon TST005 Treatment on MC38/human PD-L1 Tumor Model in C57BL/6 Mice

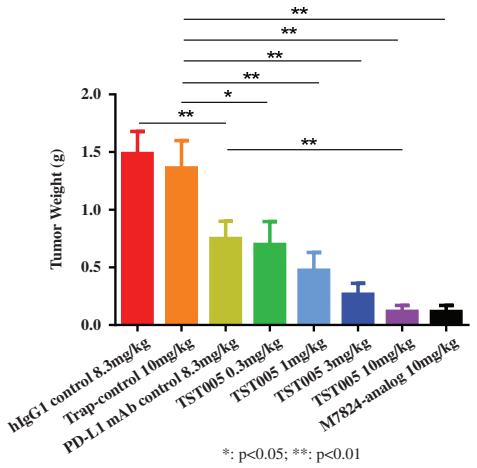


Lane 1: PBS
Lane 2: Isotype control 8.5 mg/kg
Lane 3: Trap-control 10 mg/kg
Lane 4: PD-L1 mAb control 8.5 mg/kg
Lane 5: TST005 1 mg/kg
Lane 6: TST005 3 mg/kg
Lane 7: TST005 10 mg/kg

Furthermore, as shown in the above chart, in MC38/human PD-L1 mouse tumor model, depletion of tumor TGF-β1 was maintained for more than 90% for 14 days and more than 70% for 21 days with a single dose of 10 mg/kg injection of TST005. TST005 exhibited an evident and dose-dependent inhibition on TGF-β1 levels in both plasma and tumor, and the time lag of TGF-β1 depletion in tumor as compared with in plasma appeared to be associated with the delayed exposure of TST005 in tumor. In addition, the amount of phosphorylated SMAD2 in the tumor, a marker of TGFβ pathway activation, was analyzed using western blot and the data shown above demonstrated that TST005 at 3 and 10 mg/kg can significantly reduce the phosphorylated SMAD2, and thus the degree of TGFβ pathway activation.

In vivo pharmacology profile. The anti-tumor activities of TST005 were evaluated in multiple syngeneic tumor models including MC38 (a mouse colon tumor model) and EMT6 (a mouse breast cancer model). The MC38 tumor model is characterized by PD-L1 expression and high tumor mutation load and is sensitive to PD-1 or PD-L1 inhibitors. EMT6 model is a tumor model insensitive to PD-1 or PD-L1 inhibitors due to its high level of TGF-β expression. M7824 has shown significant activity in both tumor models and thus we have used these two models to characterize the activity of TST005 relative to that of M7824 analog.

***In Vivo* Anti-tumor Activity of TST005 as Measured by Tumor Weights in MC38/Human PD-L1 Mouse Model**



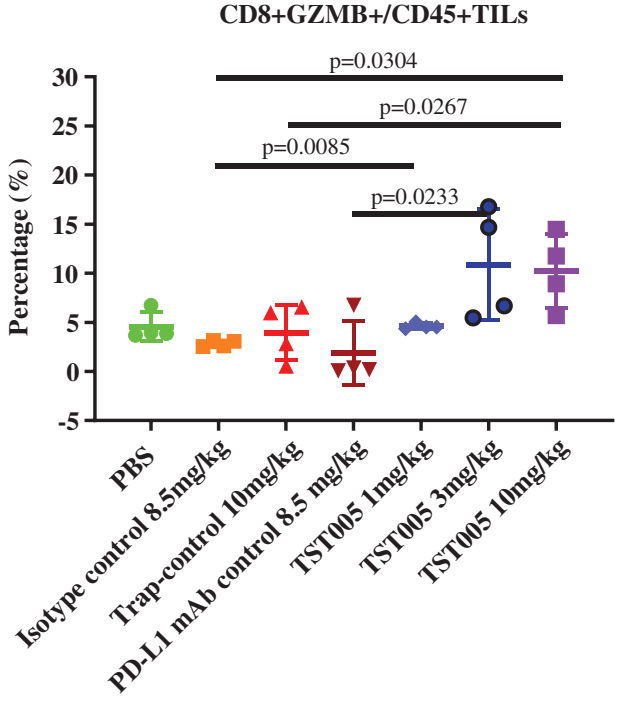
*: p <0.05;

**: p <0.01

Source: Company in-house data

As shown in the above chart, TST005 and M7824 both displayed significantly more potent and dose-dependent anti-tumor activity, as compared with TGF-β trap or PD-L1 mAb, in the MC38/human PD-L1 mouse tumor model.

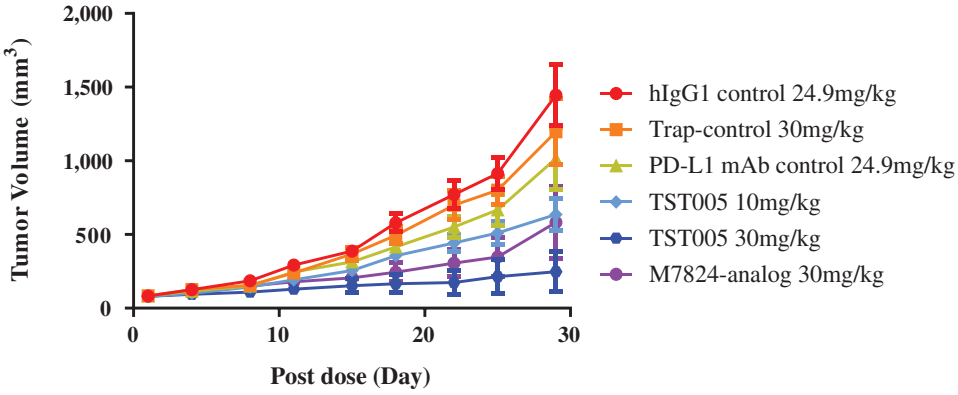
Increased Infiltration of the Activated CD8+/GZMB+ T-cells in the MC38/human PD-L1 Tumors in Tumor-bearing Mice after TST005 Treatment at >3 mg/kg



Source: Company in-house data

As shown in the above chart, TST005 treatment resulted in tumor regression starting from 3 mg/kg. In consistent with its mechanism of action, TST005 increased the infiltration of activated CD8+/GMZB+ T-cells into the MC38/human PD-L1 tumor.

***In Vivo* Anti-tumor Activity of TST005 as Measured by Tumor Weights in EMT6/Human PD-L1 Mouse Mode**



Source: Company in-house data

Of particular interest, in the EMT6/human PD-L1 xenograft model, which responds only moderately to PD-L1 inhibitors alone, TST005 induced significant tumor growth inhibition and regression starting from 10 mg/kg and had more potent tumor growth inhibition than M7824 analog at the same dose, as shown in the above chart. As this model is enriched in TGF-β and TST005 showed more potent anti-tumor activity in this model, which has higher level of TGF-β. These results demonstrated TST005 may have more efficient neutralization of TGF-β relative to M7824 analog as their activity on the PD-L1 side is very similar.

Safety profile

The preclinical safety profiles of TST005 were characterized in the good laboratory practice (GLP) toxicology studies in both rodent and non-human primate integrated with safety pharmacology, local tolerance and immunotoxicity, and *in vitro* hemolysis study, tissue cross-reactivity (TCR) study, and cytokine release study. Following a single dose, TST005 was well tolerated in rats up to 600 mg/kg and cynomolgus monkeys up to 300 mg/kg, respectively, or following repeated doses up to 200 mg/kg (20, 60 or 200 mg/kg) in both species. No animal death and other major findings were observed in any of these studies. In addition, TST005 did not induce any cytokine release by human naïve peripheral blood mononuclear cells (PBMCs) *in vitro*, nor in cynomolgus monkeys after the repeated doses.

Taken together, TST005 has enhanced immunomodulatory properties and can induce potent anti-tumor activity in preclinical tumor model such as EMT6 that is less sensitive to PD-(L)1 monotherapy. In particular, TST005 is significantly more potent than PD-L1 antibody alone and also has the potential to be more potent than that of M7824 in inhibiting tumor

growth in TGF-β enriched tumor. In addition, TST005 is well tolerated in GLP toxicology study in both rodent and hon human primate such as cynomolgus monkey. These results provide the rationale for further clinical evaluation of TST005 in patients with advanced solid tumors, which have less optimal response to first generation PD-(L)1 based immunotherapy.

Market opportunity and competition

PD-1 and PD-L1 are key components of immunosuppressive network, but only a limited percentage of patients can respond to PD-(L)1 therapy. Concurrent TGF-β blockade might be a feasible strategy to enhance the efficacy of immunotherapy and relieve resistance to immune checkpoint inhibitors. As a result, PD-L1/TGF-β bi-functional antibodies could benefit patients who are not eligible for or failed PD-(L)1 monotherapy. For patients who are responsive to PD-(L)1, bi-functional antibodies could potentially be more efficacious than PD-(L)1 mAb and has the potential to replace PD-(L)1 monotherapies in certain patients such as patients who are sensitive to PD-(L)1 yet whose tumor has high levels of TGF-β.

TST005 has the potential to benefit patients with various tumor types, especially those with PD-L1 expression. Bintrafusp Alfa (M7824), a drug candidate currently under clinical development by Merck targeting the same targets as TST005, has showed significant anti-tumor activities in NSCLC, biliary tract cancer, human papillomavirus (HPV) positive tumors such as cervical cancer, gastric cancer, esophageal cancer, and triple-negative breast cancer (TNBC). Differentiated from Bintrafusp Alfa, TST005 has no Fc receptor binding activity and thus reduces FcR mediated clearance and reduced effector T-cell killing. TST005 has also displayed more potent anti-tumor activities than M7824 in preclinical models with high TGF-β expression. In addition, we have applied perfusion bioprocessing technology in the production of TST005, which increases the production capacity in a most cost-effective way.

HPV-related cancer (such as cervical cancer, head and neck cancer, and anogenital tract cancer). According to the CIC Report, approximately 640 thousand new cases of HPV-related cancer are reported worldwide annually. Approximately 91% of cervical cancer, 70% oropharyngeal cancer, 63-91% other anogenital tract cancers are associated with HPV infections. Advanced HPV-associated cancers are often incurable and poorly palliated by traditional chemotherapies. Analyses of HPV+ cervical and SCCHN tumor samples demonstrated frequent dysregulation of TGF-βR1 signaling, suggesting that dysregulation of TGF-β signaling may drive tumorigenesis in HPV-positive cancers. Bintrafusp Alfa has demonstrated strong anti-cancer activity in patients with HPV+ cancers in a phase 1/1b study indicated that PD-L1/TGF-β bi-functional antibody such as TST005 has potential in this patient population.

Cervical cancer accounts for approximately 83% of all HPV-related cancer, according to the CIC Report. Various strains of HPV, a sexually transmitted infection, play a role in causing most cervical cancer. The most common types of cervical cancer are squamous cell carcinoma and adenocarcinoma. Cervical cancer is the second most frequently occurred cancer in women. Cervical cancer is typically asymptomatic at the early stage, so most patients have advanced disease at the time of diagnosis. Approximately 73% of patients with cervical cancer in China

are at the locally advanced stage. In China, the incidence of cervical cancer reached 115.7 thousand in 2019 and is expected to expand to 125.4 thousand by 2030, according to the CIC Report. Anti-PD-(L)1 monotherapies have shown clinical activities in the second line treatment of cervical cancer, but response rates are generally lower than 15%. For advanced or metastatic cervical cancer, platinum-containing combination chemotherapy plus Bevacizumab is the first line standard of treatment worldwide, however, Bevacizumab has not yet been approved for cervical cancer treatment in China. Several biologics targeting VEGF, EGFR and PD-(L)1 are under clinical development. Limited treatment options result in unmet medical needs. In China, the market size of PD-L1/TGF-β bi-functional antibody inhibitors in HPV-related cancer is expected to reach US$9.6 million in 2024 and further to US$434.4 million in 2035, representing a CAGR of 41% from 2024 to 2035, according to the CIC Report. Globally, the market size of PD-L1/TGF-β bi-specific antibody inhibitors in HPV-related cancer is expected to reach around US$70 million in 2025 and further to approximately US$1 billion in 2035.

Squamous cell carcinoma of head and neck (HNSCC) accounts for approximate 6% of all cancer cases around the globe, according to the CIC Report. The aggregation of all the subtypes of HNSCCs should be the sixth most common cancer worldwide in 2018 (around 890,000 new cases and 450,000 deaths). Typically, 70% of oropharynx cancer, which is an essential subtype of HNSCC, is probably caused by HPV, and the other subtypes are also related to HPV. Cases of HPV-associated oropharyngeal cancer, induced primarily by HPV type 16, are increasing, predominantly among younger people in North America and northern Europe. The fraction of HNSCCs diagnosed as HPV-positive oropharyngeal cancers in the United States rose from 16.3% in the 1980s to more than 72.7% in the 2000s as a result of increased awareness, identification of the association between HPV and cancers of the head and neck, and enhanced diagnostic evaluation for HPV. Despite advances in diagnosis and treatment, recurrent and/or metastatic disease develops in more than 65% of patients with HNSCC and are associated with poor survival outcomes. Fluorouracil plus a platinum in combination with Cetuximab is the first line standard of treatment for recurrent or metastatic HNSCC associated with median survival of 10.1 months. Pembrolizumab in combination with chemotherapy was recently been approved as the first line treatment of recurrent or metastatic HNSCC. Both Nivolumab and Pembrolizumab have been approved for the treatment of platinum-refractory patients but are effective only in a small portion of unselected patients (ORR: 13% to 18%).

Lung cancer. Lung cancer is the most commonly diagnosed cancer in China and the second most commonly diagnosed cancer in the United States. It is the leading cause of cancer death in both countries. According to the CIC Report, the incidence of lung cancer in China in 2019 was 916.4 thousand and is projected to reach 1.4 million in 2035, and the incidence of lung cancer in the United States in 2019 was 226.5 thousand and is projected to reach 311.9 thousand in 2035. There are two types of lung cancer: small cell lung cancer (SCLC) and non-small cell lung cancer (NSCLC). In general, approximately 20% of all lung cancers are SCLC and approximately 80% are NSCLC.

- *NSCLC.* According to the National Comprehensive Cancer Network Guidelines, treatments of early-stage NSCLC is mainly surgery and radiotherapy; and target drugs are used for patients with advanced NSCLC. Approximately 80% of patients

with NSCLC are in the advanced stage at the time of diagnosis. Currently, PD-1 and PD-L1 antibodies have been broadly used as monotherapy or in combination with chemotherapy or other antibodies, such as Bevasuzumab or Ipilimumab, in both squamous and non-squamous NSCLC without oncogene mutation. However, a large proportion of patients do not respond to checkpoint inhibitors as monotherapy or combinations. Reasons for the lack of response to checkpoint inhibitors include immune regulation mediated by cancer cells and leukocyte populations through a variety of cell-expressed and secreted molecules such as TGF-β. The importance of stromal TGF-β signaling as a determinant of T-cell immune exclusion, and poor response to immune checkpoint inhibitors has been reported, thus supporting that patients who have progressed on or after anti-PD-1 or anti-PD-L1 monotherapy represent a population with unmet medical need that might benefit from alternative treatment options including TGF-β blockade. Based on the role of TGF-β both in immune tolerance and in stromal activation, the combined inhibition of TGF-β with checkpoint inhibitors such as anti-PD-L1 therapy might be an attractive strategy in diverse solid tumors such as resistant to anti-PD-(L)1 in NSCLC. Although Bintrafusp Alfa was not able to demonstrate superiority compared with Keytruda in the head to head first line NSCLC study, it has shown very high response rate in PD-L1 high expression NSCLC patients in phase II study. This indicated that a well-designed PD-L1/TGF-β bi-functional antibody with better profile may still have potential in NSCLC, especially in a biomarker enriched patient population. According to the CIC Report, the market size of PD-L1/TGF-β bi-functional antibody inhibitors in NSCLC in China is expected to reach US$35.4 million in 2024 and further to US$2,507.7 million in 2035, representing a CAGR of 47% from 2024 to 2035. Globally, the market size of PD-L1/TGF-β bi-specific antibody inhibitors in NSCLC is expected to reach around US$400 million in 2025 and further to approximately US$9 billion in 2035.

- *SCLC.* Traditional tumor staging divides SCLC into two categories: limited stage (LS-SCLC) disease and extensive stage (ES-SCLC) disease. Most patients (about 70%) present with an extensive disease at diagnosis. Until recently, the standard of care for extensive-stage SCLC is platinum doublet chemotherapy with either cisplatin or carboplatin in combination with etoposide. Even though first-line therapy has an initial response rate of 60–80%, the prognosis is poor, with overall survival of 10–12 months. Currently, two PD-L1 inhibitors (Atezolizumab and Durvalumab) in combination with chemotherapy have been approved as first line treatment for advanced SCLC. Two PD-1 antibodies (Pembrolizumab and Nivolumab) were originally approved by the FDA as monotherapy in the third line treatment of SCLC under accelerated approval, but later withdrew because confirmatory trials did not meet OS benefit. Although the immunotherapies in combination with standard chemotherapy improved overall survival in ES-SCLC, the benefit observed so far with immunotherapy in SCLC is still very limited, due to the limited improvement in overall survival and the benefit limited to a small number of patients. There is still an unmet need for ES-SCLC. PD-L1/TGF-β bi-functional antibody has the potential to improve the clinical benefit in SCLC

beyond PD-(L)1. According to the CIC Report, the market size of PD-L1/TGF-β bi-functional antibody inhibitors in SCLC in China is expected to reach US$21.9 million in 2027 and further to US$666.5 million in 2035, representing a CAGR of 53% from 2027 to 2035. Globally, the market size of PD-L1/TGF-β bi-specific antibody inhibitors in SCLC is expected to reach around US$80 million in 2025 and further to approximately US$3 billion in 2035.

Pancreatic cancer. According to American Cancer Society, pancreatic cancer is the seventh leading cause of death by cancer in the world. Pancreatic cancer is highly aggressive malignancy with an increasing incidence, which features rapid progression, invasiveness and resistance to radiochemotherapy. At present the 5-year survival for pancreatic cancer is only approximately 9-10% and the median survival from diagnosis is about 4-6 months. Moreover, pancreatic cancer is expected to rise to the second leading cause of cancer-associated mortality by 2030. Current treatment choices available for pancreatic cancer show no significant improvement in disease control in the recent decades. Though tremendous advances have been made by immunotherapies across multiple tumor types, checkpoint inhibitors have failed to elicit efficacy in patients with pancreatic cancer. This inefficacy mainly resides in the low immunogenicity and non-inflamed phenotype of pancreatic cancer. The abundant stroma generates a hypoxic microenvironment and drives the recruitment of immunosuppressive cells through cancer-associated-fibroblast activation and TGF-β secretion. Deregulation of TGF-β signaling is involved in the pathophysiology of pancreatic cancer. TGF-β signaling is one of the core signaling pathways involved in pancreatic cancer. Simply blocking PD-(L)1 has not yield meaningful clinical benefits in both the single agent and in combination with chemotherapies. Dual inhibition of both PD-(L)1 pathway and TGF-β pathway may improve efficacy. In China, the market size of PD-L1/TGF-β bi-functional antibody inhibitors in pancreatic cancer is expected to reach US$6.4 million in 2026 and further to US$378.1 million in 2035, representing a CAGR of 57% from 2026 to 2035, according to the CIC Report. Globally, the market size of PD-L1/TGF-β bi-specific antibody inhibitors in pancreatic cancer is expected to reach around US$30 million in 2025 and further to approximately US$3 billion in 2035.

Biliary Tract Cancer (BTC). BTC is a relatively rare malignancy which includes gallbladder cancer (GBC) and cholangiocarcinoma (CC). Cholangiocarcinoma is further classified into intrahepatic CC (ICC) and extrahepatic CC (ECC). In 2020, 115,949 new cases of GBC were reported worldwide. BTC incidence is variable geographically, and is high in Latin America and Asia, especially in China, Japan and Korea. The standard first line treatment for advanced BTC is Gemcitabine plus Cisplatin, while other doublet combination of Gemcitabine, 5-fluorouracil drugs and platinum agents are also available. There is no validated standard second line treatment at present. In some selective patients with driver gene aberrant, small molecule bio-targeted agent achieved promising efficacy. Checkpoint inhibitors were widely studied in the second line setting of advanced BTC with only modest tumor response observed. Bintrafusp Alfa as a monotherapy in the second-line treatment of non-biomarker selected patients with locally advanced or metastatic BTC did not meet its prespecified endpoint. Given the unmet treatment need in BTC, where single agent immunotherapy in PD-L1 all comers has shown an ORR of 5.8%, it was still encouraging to see the single agent clinical activity of Bintrafusp Alfa in this study as a second-line treatment. A better designed

PD-L1/TGF-β bi-functional antibody may still have potential to show meaningful clinical efficacy in BTC, especially in a biomarker enriched patient population. In China, the market size of PD-L1/TGF-β bi-functional antibody inhibitors in gallbladder and biliary tract cancer is expected to reach US$4.0 million in 2024 and further to US$236.9 million in 2035, representing a CAGR of 46% from 2024 to 2035, according to the CIC Report. Globally, the market size of PD-L1/TGF-β bi-specific antibody inhibitors in gallbladder and biliary tract cancer is expected to reach around US$30 million in 2025 and further to approximately US$500 million in 2035.

Esophageal cancer. Esophageal cancer bears the characteristics of multi-stage, multi-factor and progressive evolution. It develops from normal mucosa to basal cell hyperproliferation, atypical hyperplasia, carcinoma in situ, and infiltrating carcinoma. Long-term accumulation of genetic changes leads to malignant proliferation of esophageal cells and the overexpression or abnormal expression of proteins. Esophageal cancer can be classified into esophageal squamous cell carcinoma (ESCC) accounting for 95% of patients and esophageal adenocarcinoma. In China, the incidence of esophageal cancer reached 332.8 thousand in 2019 and is expected to expand to 454.0 thousand by 2035. Approximately 73% of patients with esophageal cancer in China are at the locally advanced or metastatic stage, according to the CIC Report.

Esophageal cancer is one of the most lethal cancers in the world and its morbidity and mortality rates rank among the top ten in China. Currently, surgical resection, radiotherapy and chemotherapy are the primary clinical treatments for esophageal cancer. However, outcomes are still unsatisfactory due to the limited efficacy and severe adverse effects of conventional treatments. In terms of biologics, globally launched biologics for esophageal cancer, such as Herceptin, Keytruda, Opdivo and Camrelizumab, target at HER2 and PD-1. For HER2 positive cancer patients, the current first-line treatment is largely based on the Trastuzumab combined with chemotherapies. PD-1 is added in the second-line treatment. However, they fall far short of demand compared with the high morbidity rate and the high mortality of esophageal cancer. More bio-targeted treatment with strong specificity and better anti-tumor effect is urgently needed in patients with the locally advanced or metastatic disease, which indicates a huge market potential.

As of March 2021, there were three PD-L1/TGF-β bi-functional biologic candidates under clinical development in China and the United States. See "Industry Overview" for more detailed information regarding these biologic candidates.

Clinical development plan

We filed an IND application for Phase 1 clinical trials for TST005 in patients with solid tumors in the United States in March 2021 and obtained IND clearance from the FDA in April 2021. The first site of the Phase I trial in the United States was activated and the first patient was enrolled in the third quarter of 2021. We also filed an IND application for TST005 with the NMPA in China in September 2021. The planned Phase 1 study will be conducted in

multiple countries, including the United States and China. We expect to leverage our U.S. clinical data to expedite our clinical development in China and quickly establish proof of concept data in selected tumor types to enable us to initiate the registration trial in 2023.

Phase 1 study in the United States and China will be conducted under one protocol. This Phase 1 study will be a first-in-human study to evaluate the safety, tolerability, pharmacokinetics profile and preliminary anti-tumor effect of TST005 in patients with unresectable, locally advanced or metastatic solid tumors. The study will consist of a dose escalation phase followed by an expansion phase at the RP2D in patients with locally advanced or metastatic HPV related cancers such as cervical cancer and other tumor types, including, but not limited to, head and neck, oropharyngeal cancers, anal cancers, and other solid tumors such as lung cancer and esophageal cancer.

HPV-related cancer (such as cervical cancer, head and neck cancer, and anogenital tract cancer). We are planning to enroll patients with HPV+ cancers who have failed standard of therapies in the dose expansion phase of the TST005 Phase 1 study to generate the preliminary efficacy data for proof-of-concept purpose. Following proof-of-concept study, we will initiate a global basket study of TST005 in the second quarter of 2023 as monotherapy in HPV+ cancer patients who have failed at least one line of standard of therapies. This basket study will explore TST005 anti-tumor activities in select HPV+ tumor types and potentially be used for registration purpose if robust and durable clinical responses observed, which might be a fast to market opportunity for TST005 clinical development.

NSCLC. TST005 in patients who are refractory to or progressed on PD-(L)1 inhibitor treatment is an important indication we are planning to develop for lung cancer.

Rationale: Increased TGF-β plasma levels have been observed in patients with NSCLC compared with individuals without lung cancer and are an indicator of poor prognosis. TGF-β activity may attenuate the efficacy of, or even lead to resistance to anti-PD-L1 therapies. Preclinical studies have found that the combination of a TGF-β inhibitor and anti-PD-L1 inhibitor reduced TGF-β signaling in stromal cells, facilitated T-cell penetration into the center of the tumor, and elicited robust anti-tumor immunity and tumor regression. Therefore, inhibition of TGF-β pathway in combination with anti-PD-(L)1 therapy is an interest to be explored in patients who failed prior anti-PD-(L)1 treatment.

Monotherapy: We plan to test TST005 in the last line (where there is no standard of care available) for NSCLC patients with stratification for PD-L1 and/or TGF-β. Once we have established enough evidence that TST005 has significant activity in this setting, we will explore using single arm study in last the line NSCLC with PD-L1 and TGF-β biomarker enrichment in the third quarter of 2023 as a fast to market approval strategy.

Combination therapy: The combinations of immunotherapies and anti-angiogenic therapies demonstrated strong additive and/or synergistic effects and are emerging standard of therapies across different tumor types. Combination of anti-PD-(L)1 and anti-angiogenic agents has demonstrated promising efficacy in CPI-exp setting in multiple malignancies in front line setting. Recently, a phase 2 study in NSCLC patients who have failed prior checkpoint inhibitor treatment, Nivolumab plus Sitravatinib (a VEGFR TKI) achieved a promising ORR of 28%, which indicated the combination of anti-PD-(L)1 and anti-angiogenic

agents is probably a rational approach to enhance or restore the clinical activity of checkpoint inhibitors in patients with immunotherapy resistant tumors. Currently, a few phase 3 studies of the combination of anti-PD-(L)1 antibodies and anti-angiogenic agents in CPI-exp patients with advanced NSCLC are ongoing.

Contingent on positive data from the last line NSCLC trial mentioned above, we plan to conduct a global randomized Phase 2 study in the third quarter of 2023 in CPI-exp NSCLC patients to receive the combination of TST005 with an anti-angiogenic agent treatment vs. Docetaxel, which is the standard of therapy for second line NSCLC patients who failed first line treatments, for proof-of-concept purpose. Based on the study results of the randomized Phase 2 study and the competitive landscape, a Phase 3 study will be planned.

Pancreatic cancer. Deregulation of TGF-β signaling is involved in the pathophysiology of pancreatic cancer. TGF-β signaling is one of the core signaling pathways involved in pancreatic cancer. Mutation in at least one of the TGF-β signaling genes occurs in 100% of the pancreatic cancer. The role of TGF-β during pancreatic cancer initiation and progression is complex and somewhat paradoxical. TGF-β plays as a tumor suppressor in the early stage of pancreatic cancer by promoting apoptosis and inhibiting epithelial cell cycle progression but plays as a tumor promoter in late-stage by genomic instability, neoangiogenesis, immune evasion, cell motility, and metastasis. TGF-β signaling targeted therapies have been investigated in the preclinical and clinical settings and have shown efficacy in pancreatic cancer. Galunisertib, a small molecule TGF-β signal inhibitor demonstrated promising efficacy and tolerability when combined with Gemcitabine in the treatment of advanced pancreatic cancer in a phase 1b/2 study. Primary objective of overall survival (OS) in the study was met with a median OS of 8.9 and 7.1 months for Galunisertib and placebo, respectively (hazard ratio = 0.79 [95% confidence interval: 0.59-1.09]). Currently, multiple phase 1b or phase 2 studies of TGF-β alone or in combination with PD-(L)1 inhibitors or chemotherapies in patients with advanced pancreatic cancer are ongoing.

We plan to test TST005 in a cohort of pancreatic cancer patients who have failed the first line and the second line treatments in the current Phase 1 study after dose-escalation phase completed in the third quarter of 2022. Contingent on positive data from this expansion cohort, a single arm TST005 or a placebo controlled global randomized registration study will be conducted in the third quarter of 2023 in late line setting as a registration-enabling Phase 2 or a pivotal Phase 3 trial. In addition, we may also plan a randomized Phase 2/3 study of TST005 with chemotherapy in first line or second line setting.

Biliary tract cancer. TGF-β mediated signaling in the tumor microenvironment has been shown to promote invasiveness, migration, and metastasis via multiple mechanisms. In biliary tract caners, the expression of TGF-β1 was significantly correlated with tumor metastasis and tumor recurrence. Patients with TGF-β1 positive tumors had significantly shorter survival time. Study also showed that the presence of mutations in TGF-βRII genes was significantly associated with poor prognosis in patients with intrahepatic cholangiocarcinoma.

We plan to test TST005 in a cohort of biliary tract cancer patients who have failed the first line treatments in the current Phase 1 study after dose-escalation phase completed in the third quarter of 2022. M7824 demonstrated encouraging clinical activity in this setting, but did not meet predefined primary endpoint for pivotal trial without biomarker selection. Based on the competitive advantages of TST001 molecule design, we will explore clinical activities of TST001 in this setting with extensive translational research. Contingent on positive data from this expansion cohort, a single arm TST005 monotherapy in second line setting or a placebo controlled randomized registration study with PD-L1 and TGF-β biomarker selection will be conducted in the fourth quarter of 2023 in second line setting as a registration-enabling Phase 2 or a pivotal phase 3 trial. In addition, we may also plan a randomized Phase 2/3 study of TST005 with chemotherapy in first line setting.

Other tumor types. We will also explore TST005 in other tumor types in the dose expansion phase of the Phase 1 study, including but not limited to SCLC, nasopharyngeal cancer, bladder cancer, gastric cancer, or esophageal cancer as monotherapy or conduct separate Phase 2 proof-of-concept studies in combination with other anti-cancer therapies.

Licenses, rights and obligations

We developed TST005 in-house and own worldwide rights to it.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TST005 SUCCESSFULLY.

TST002 (Blosozumab): A Humanized Sclerostin mAb for Osteoporosis

TST002 (Blosozumab) is a humanized IgG4 mAb with neutralizing activity against sclerostin, which is a naturally occurring protein produced by osteocytes. Sclerostin is a negative regulator of bone formation. Sclerostin deficiency syndromes in humans and animals are characterized by high bone mass of normal quality. In animal models of osteoporosis, inhibition of sclerostin with monoclonal antibodies induces osteoblast activity and new bone formation, normalizing bone mass and improving bone architecture and strength. Recently completed clinical trials of anti-sclerostin antibody therapy resulted in rapid and marked increases in bone mineral density and substantial reduction in fracture risk.

Products with similar mechanism of action have demonstrated promising data in different clinical setting. For example, Romosozumab, an anti-sclerostin antibody co-developed by Amgen and UCB and approved by the FDA, the EMA and the Pharmaceuticals and Medical Devices Agency in Japan significantly reduced the risk of fracture and increased bone mineral density in postmenopausal women in several key phase 3 studies. In one of the phase 3 clinical studies, after 12 months treatment, the incidence of new vertebral fractures was reduced by 73% and the incidence of clinical fractures by 36% in the Romosozumab group vs. placebo group. In another phase 3 study with postmenopausal women with osteoporosis at high risk (ARCH), monthly subcutaneous Romosozumab (210 mg) was compared to weekly oral Alendronate (70 mg). Romosozumab reduced vertebral fracture risk by 37%, clinical fracture

risk by 28%, and non-vertebral fracture risk by 26% after 12 months of treatment. Romosozumab also has demonstrated superior treatment effects vs. Teriparatide in a randomized open-label phase 3 study. Four hundred and thirty-six postmenopausal women who had been taking Alendronate for at least 3 years were randomized to receive Romosozumab (210 mg/month) or teriparatide (20 μg/day). At the 12-month time point, the mean change in hip BMD was significantly higher in patients who received Romosozumab. Integral volumetric bone mineral content was increased in patient treated with Romosozumab but unchanged in patient treated with Teriparatide. Finite element analysis also revealed greater gains in hip strength in Romosozumab treatment group. Since launched in 2019, Romosozumab has generated sales of US$539.0 million as of December 31, 2020, which indicated a strong market demand.

Early-phase clinical trials of Blosozumab in the United States demonstrated a favorable safety profile and increased levels of biomarkers relating to bone formation. In a Phase 2 clinical study in the United States, Blosozumab treatment resulted in statistically significant dose-related increases in lumbar spine BMD across all treatment groups at 52 weeks. The changes were apparent as early as in 12 weeks of treatment. These evidences suggest that Blosozumab could be a highly effective therapy for patients with severe osteoporosis at a high risk of fracture.

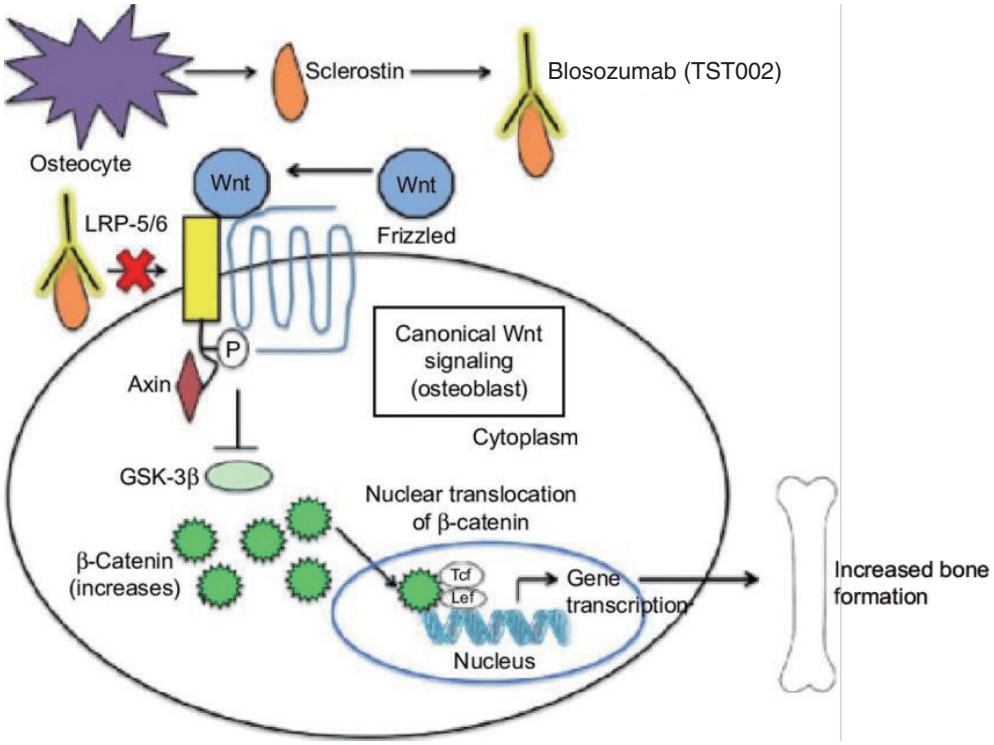
We in-licensed the Greater China rights of Blosozumab (TST002) from Eli Lilly in 2019. TST002 is currently at the IND-enabling stage in China. Eli Lilly has completed the Phase 2 development of Blosozumab in the United States. Moreover, Blosozumab (TST002) will be developed as an intravenously administrated agent which may significantly reduce the frequency of administration and be more suitable for older patients.

Mechanism of action

The balance between bone resorption and bone deposition is determined by the activities of two principal cell types, namely, osteoclasts and osteoblasts. Therefore, the bone rebuilding cycle needs to start from the two aspects of inhibiting osteoclasts or promoting osteoblasts. The loss of gonadotropin with aging reduces the conversion of bone marrow stromal stem cells into adipocytes and decreases the differentiation of osteoblast precursor cells. The increased activity of osteoclasts results in osteocyte death and at the same time enhances bone resorption.

Sclerostin is a glycoprotein encoded by the SOST gene and produced in osteocytes. Sclerostin is an inhibitor of the WNT/β-catenin signaling pathway, which stimulates osteoblast differentiation and bone formation. By inhibiting the activity of sclerostin, sclerostin mAbs can promote bone formation, reduce bone absorption and increase bone mineral density and bone strength, thus reverse the symptoms of osteoporosis.

Mechanism of Action of Sclerostin Inhibitors



Source: Drug Design, Development and Therapy, Volume 11:1221-1231

Market opportunity and competition

Osteoporosis is the most common bone disease, which is characterized by low bone mass and structural deterioration of bone tissue, leading to bone fragility and an increased risk of fracture. Two categories of osteoporosis have been identified: primary osteoporosis and secondary osteoporosis. Primary osteoporosis includes postmenopausal osteoporosis (type I), senile osteoporosis (type II) and idiopathic osteoporosis (including adolescent type). Postmenopausal osteoporosis (PMO) is cause by estrogen deficiency after menopause. The increase in overall osteoclastic resorption activity is due to weakened inhibition effects caused by the reduction of available estrogen. As a result, the amount of bone resorbed exceeds the amount deposited, which leads to a net loss of bone. Senile osteoporosis implicates diminished bone mass due to the imbalance between bone resorption and bone formation along with the aging process. Besides, with increasing age and estrogen deficiency, the immune system is at a low level of activation and at a pro-inflammatory state. Secondary osteoporosis is defined as low bone mass with micro architectural alterations in the bone, leading to fragility fractures in the presence of an underlying disease or medication.

According to the results of the first Chinese osteoporosis epidemiological survey disclosed by the National Health Commission, osteoporosis has become a significant health problem for middle-aged and elderly population in China, which is especially prevalent among

middle-aged and elderly women. In China, the incidence of osteoporosis reached 83.4 million in 2014, and expanded to 101.0 million in 2019. The prevalence of osteoporosis is estimated to be 19.2% in people over 50 years old (6.0% in men, 32.1% in women, 16.2% in urban areas and 20.7% in rural areas). The prevalence of osteoporosis is estimated to be 32.0% in people over 65 years old (10.7% in men, 51.6% in women, 25.6% in urban areas and 35.3% in rural areas). The prevalence of osteoporosis in men has no obvious difference between China and other countries, but the prevalence in women is significantly higher than that in European and American countries and similar to that in Asian countries such as Japan and Korea. Due to the relatively more serious aging problem, the compound annual incidence rate of osteoporosis patients in China was higher than the global average in the past five years.

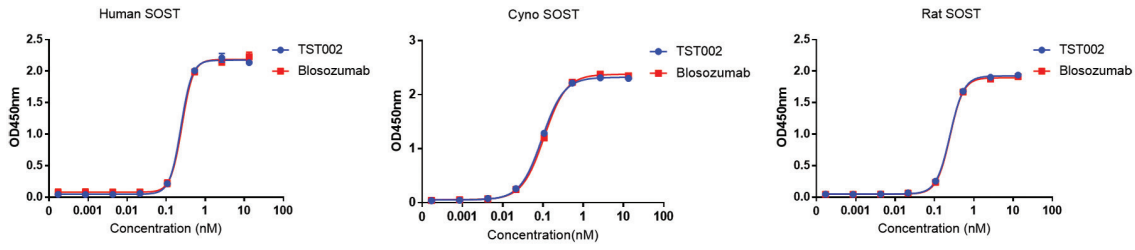
Biologics for treating osteoporosis can be divided into two types according to their mechanism of action, which include promoting bone formation and inhibiting bone absorption. Compared with RANKL mAbs, sclerostin mAbs successfully achieve the dual goal of preventing bone loss and rebuilding the bone, so sclerostin is considered to be a promising candidate. In April 2019, Amgen's sclerostin mAb was approved for the treatment of osteoporosis in postmenopausal women at an increased risk of fracture in the United States. No sclerostin antibody has been approved in China, and bisphosphonates are the most widely used drugs for treating osteoporosis by preventing bone resorption. Sclerostin mAbs' powerful treatment mechanism ensures a large market in the future. In China, the market size of sclerostin inhibitors is expected to reach US$0.1 billion in 2022 and further grow to US$4.4 billion in 2035, representing a CAGR of 39.2% from 2022 to 2035.

Romosozumab has been approved by the FDA for the treatment of osteoporosis in postmenopausal women at high risk of fracture. As of March 2021, Romosozumab was still under clinical development for a few other indications in the United States. There was one anti-sclerostin antibody under clinical development in China as of March 2021. See "Industry Overview" for more detailed information regarding these biologic candidates.

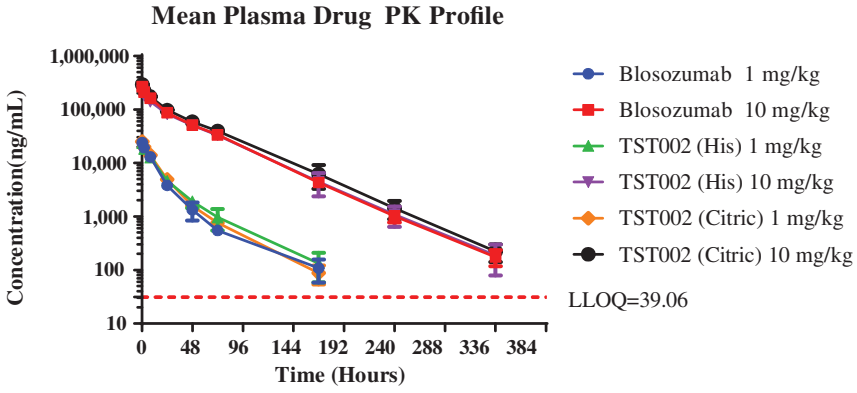
Pre-clinical studies conducted by us

We have compared the *in vitro* property and *in vivo* PK of TST002 produced using our own process and manufacturing facility. As shown below, *in vitro* profiling demonstrated that TST002 has identical binding property to sclerostin of human, cynomolgus and rat origin relative to Blosozumab and has identical PK profile in rat relative to Blosozumab.

Binding of TST002 and Blosozumab to Human, Cynomolgus and Rat Sclerostin

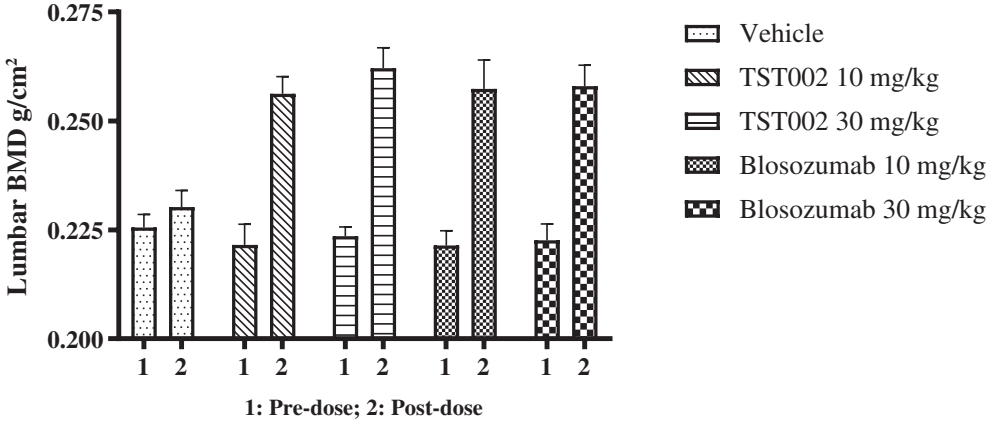


PK Profile of TST002 and Blosozumab in Rat



The ability of TST002 and Blosozumab in increasing BMD was tested in six-month old female rats. The rats were randomized based on baseline BMD level and then the rats of each group (n=10) received IV infusion of either vehicle, TST002 at 10 mg/kg or 30 mg/kg, Blosozumab at 10 mg/kg or 30 mg/kg every three days for total 15 days (five injections). The post-treatment vertebrate BMD was measured three days after the last dosing and shown in the graph below.

Lumbar Vertebra BMD Before and Day 3 Post Last Dosing



These studies demonstrate that TST002 has comparable *in vitro* and *in vivo* biological activity comparing to Blosozumab despite a change of manufacturing process and site.

Summary of clinical data

Phase 2 study of Blosozumab in postmenopausal women with low bone mineral density conducted by Eli Lilly

Study Design. This study evaluated the efficacy and safety of Blosozumab in ambulatory postmenopausal women between 45 and 85 years of age, with a lumbar spine BMD T-score of -2.0 to -3.5, inclusive. The primary objective was to evaluate the dose-response of Blosozumab on lumbar spine BMD measured by dual-energy X-ray absorptiometry (DXA). This study included a 1-year treatment period and a 3-month follow-up period. The study was conducted at 13 sites in five countries. The study also evaluated the effect of Blosozumab on change from baseline in BMD of the hip and wrist (distal radius); total body mineral content; and biochemical markers of bone metabolism, including serum procollagen type 1 N propeptide (P1NP), osteocalcin, bone-specific alkaline phosphatase, and serum carboxy-terminal cross-linking telopeptide of type 1 collagen (CTx). The study was not designed or powered to evaluate fracture efficacy.

At study enrollment, each patient was provided oral calcium (approximately 1000 mg/day) and vitamin D (approximately 1000 IU/day) for 4 to 8 weeks before receiving the study drug and continuing through study end. Patients meeting all enrollment criteria were randomized to double-blind treatment groups by a computer-generated random sequence interactive voice response system. Patients, investigators, study site personnel, and the sponsor study team in contact with the study sites remained blinded during the treatment phase and follow-up period, with the exception of pharmacy personnel preparing and dispensing study medication.

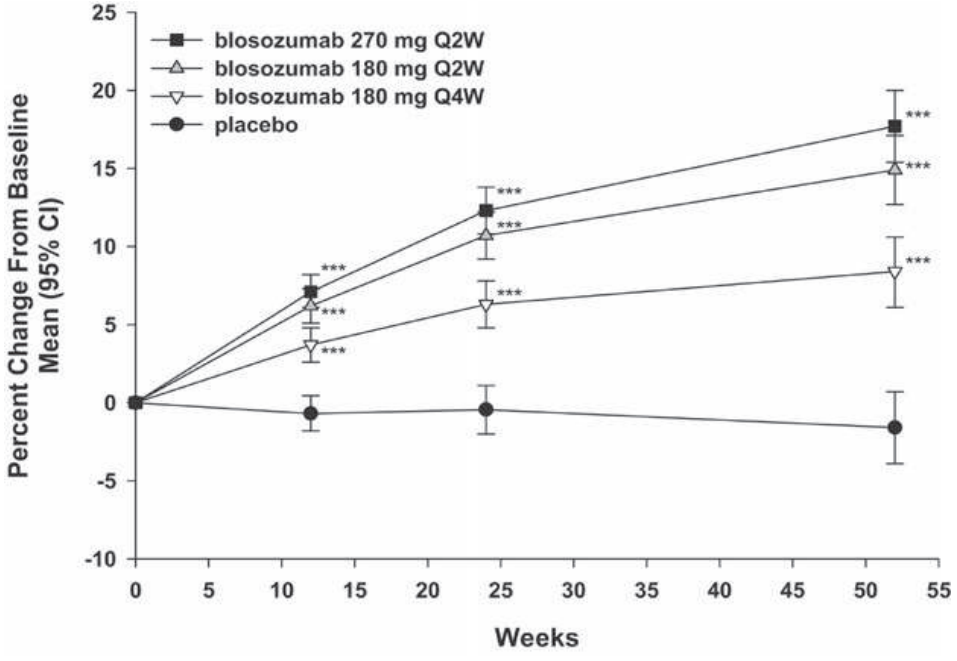
A medical history and physical examination were performed at baseline. Measures of vital signs and clinical assessments, including electrocardiograms and recording of adverse events, were continued throughout the study. Laboratory tests of serum calcium, 25-hydroxyvitamin D, 1,25-dihydroxyvitamin D, intact PTH, and biochemical markers of bone turnover were performed at baseline and predefined intervals throughout the study. Auditory-evoked potentials were obtained for a subset of patients at baseline and at the end of treatment. For all primary efficacy and safety measures, a central laboratory and reading facility maintained consistency of methods and data collection across sites.

Blosozumab was administered by subcutaneous injections delivering 180 mg every 4 weeks (Q4W), 180 mg every 2 weeks (Q2W), or 270 mg every 2 weeks (Q2W). Matching placebo injections were administered every 2 weeks such that all study patients, regardless of treatment arm, received three subcutaneous injections at their study visit every 2 weeks. Each injection totaled 1.5 mL in volume. These injections were administered in the lower abdomen and outer thigh by clinical study personnel.

Study Patients. Overall, 120 postmenopausal women were enrolled and 106 patients completed the primary treatment phase; 1 patient discontinued during follow-up. There were no statistically significant differences between the treatment groups in the number of patients who discontinued the study. The baseline characteristics of the study population were similar across treatment groups.

Efficacy. Blosozumab treatment resulted in statistically significant dose-related increases in lumbar spine BMD. The changes were apparent after 12 weeks of treatment, and the mean increase after 52 weeks of treatment at the primary study endpoint was 8.4% above baseline in women assigned to Blosozumab 180 mg Q4W, 14.9% above baseline with Blosozumab 180 mg Q2W, and 17.7% above baseline with Blosozumab 270 mg Q2W. When compared with placebo, these mean increases in lumbar spine BMD from baseline to week 52 were statistically significant for all Blosozumab treatment groups ($p < 0.001$). In women receiving placebo, lumbar spine BMD declined from baseline to week 52 by a mean of 1.6%.

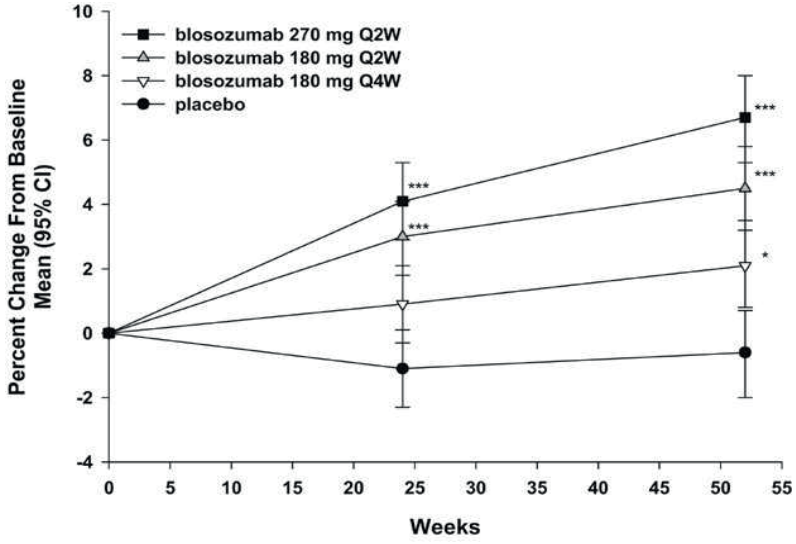
Percent Change in Bone Mineral Density of the Lumbar Spine from Baseline to Week 52 for All Study Patients According to Study Group



Notes: The least squares mean percent change (mean, 95% CI) in bone mineral density of the lumbar spine from baseline to week 52 is shown. Asterisks (*) indicate statistically significant differences (*$p < 0.050$, **$p < 0.010$, ***$p < 0.001$) for each study group as compared with placebo.

There were also statistically significant dose-related increases in total hip and femoral neck BMD. At 52 weeks of treatment, total hip BMD increased from baseline by a mean of 2.1% in women assigned to Blosozumab 180 mg Q4W, 4.5% for women assigned to Blosozumab 180 mg Q2W, and 6.7% for women assigned to Blosozumab 270 mg Q2W. Femoral neck BMD increased from baseline by a mean of 2.7% in women assigned to Blosozumab 180 mg Q4W, 3.9% in women assigned to Blosozumab 180 mg Q2W, and 6.3% for women receiving Blosozumab 270 mg Q2W. When compared with placebo, the mean increases in total hip BMD from baseline to week 52 were statistically significant for all Blosozumab treatment groups. However, when compared with placebo, the mean increases in femoral neck BMD from baseline to week 52 were statistically significant only for patients receiving Blosozumab 180 mg Q2W and 270 mg Q2W. In women receiving placebo, total hip and femoral neck BMD decreased from baseline to week 52 by a mean of 0.7% and 0.6%, respectively.

Percent Change in Bone Mineral Density of the Total Hip from Baseline to Week 52 for All Study Patients According to Study Group



Notes: The least squares mean percent change (mean, 95% CI) in bone mineral density of the total hip from baseline to week 52 is shown. Asterisks (*) indicate statistically significant differences (*$p < 0.050$, **$p < 0.010$, ***$p < 0.001$) for each study group as compared with placebo.

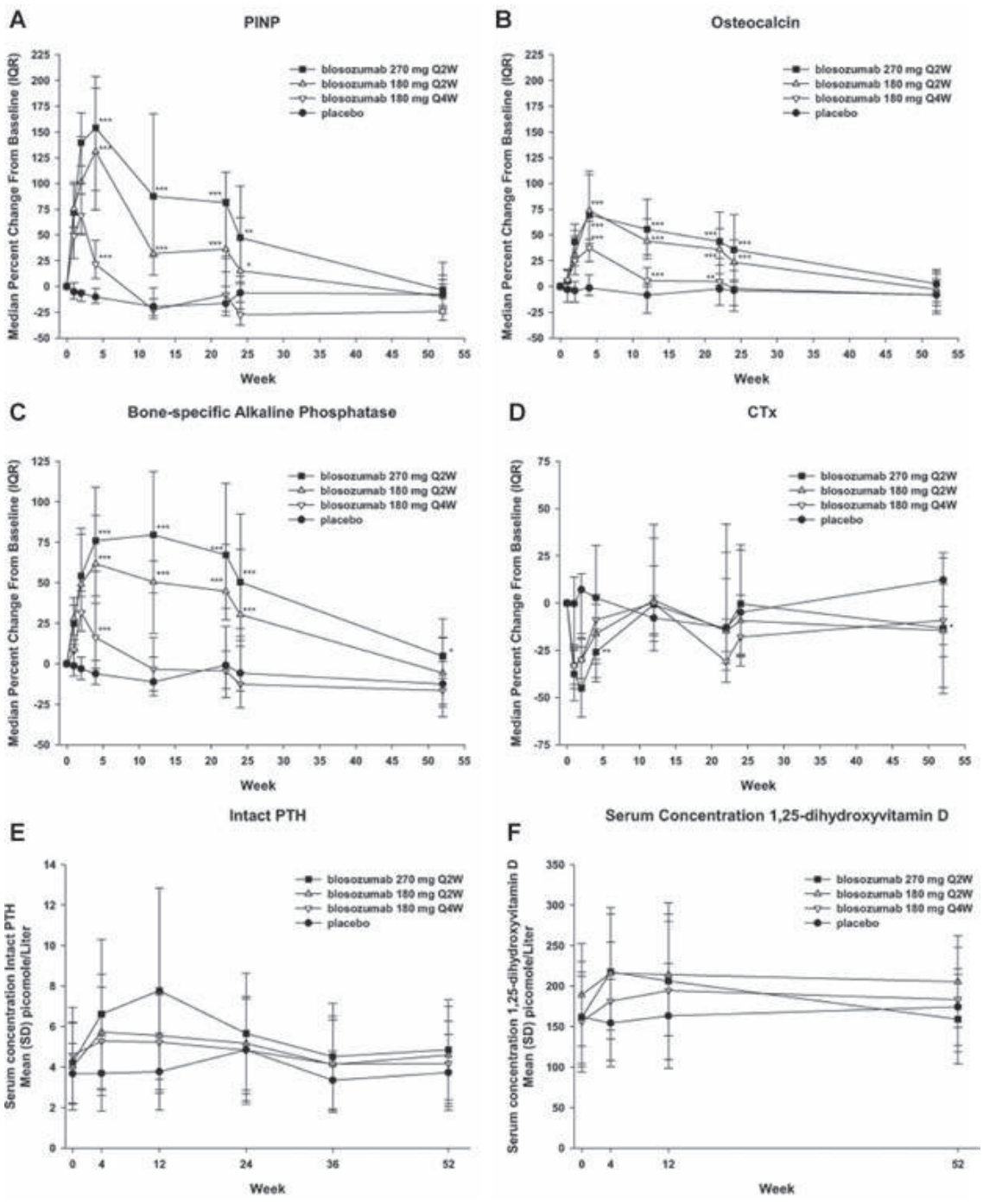
There were no statistically significant changes in wrist BMD observed in the study treatment groups. At the one-third radius, mean 1.5% and 1.9% decreases in BMD were observed for the two Blosozumab 180 mg treatment groups at week 52. However, in the Blosozumab 270 mg Q2W treatment group, a 0.9% mean increase from baseline was observed at week 52, which was not statistically significant when compared with placebo ($p = 0.11$). A mean 1.4% decrease in one-third radius BMD from baseline was observed at the end of the treatment period for the placebo group.

At baseline, 95.6% of the women randomized to Blosozumab treatment had a lumbar spine T-score less than or equal to –2.0. At the end of treatment, a positive shift in the lumbar spine T-score to greater than –2.0 was observed in 72.4% of the women receiving Blosozumab 180 mg Q2W, and 88.5% of the women receiving Blosozumab 270 mg Q2W.

Total body bone mineral content (BMC), a measure of treatment effect on the skeleton, increased from baseline to week 52 by a mean of 1.7%, 4.2%, and 7.3% in women assigned to Blosozumab 180 mg Q4W, 180 mg Q2W, and 270 mg Q2W, respectively. For women randomized to placebo, total body BMC declined from baseline by a mean of 1.9% over 52 weeks of treatment. The corresponding mean percent changes from baseline in BMC of the head (skull) subregion were an increase of 1.6%, 1.4%, and 4.0% in women assigned to Blosozumab 180 mg Q4W, 180 mg Q2W, and 270 mg Q2W, respectively. The changes in BMC of the head for women randomized to placebo were a mean decrease of 2.2% from baseline during 52 weeks of treatment.

Treatment with Blosozumab resulted in increased serum concentrations of biochemical markers of bone formation, including serum P1NP, osteocalcin, and bone-specific alkaline phosphatase, measured prior to dose of study drug. Serum concentrations of P1NP increased toward a peak level within 4 weeks of Blosozumab treatment, remained significantly above baseline through 24 weeks for all but the Blosozumab 180 mg Q4W treatment group, as compared with placebo, and then trended toward pretreatment concentrations by study end. Osteocalcin and serum bone-specific alkaline phosphatase concentrations increased early and significantly from baseline during Blosozumab treatment, as compared with placebo, and were approaching baseline by study end. However, the Blosozumab 270 mg Q2W group maintained an increase in bone-specific alkaline phosphatase concentration significantly greater than placebo through week 52. Serum concentrations of CTx, a biochemical marker of bone resorption, decreased from baseline during Blosozumab treatment, with a trough concentration less than placebo occurring by 2 weeks, a concentration similar to placebo at 12 weeks, and a concentration less than placebo at study end.

Median Percent Change (IQR) in Biochemical Markers of Bone Turnover from Baseline to Week 52 and Serum Concentration of Intact PTH and 1,25-dihydroxyvitamin D from Baseline to Week 52



Notes: Median percent change (IQR) in predose serum concentrations of biochemical markers of bone turnover from baseline to week 52 for all study patients: serum P1NP (A); osteocalcin (B); bone-specific alkaline phosphatase (C); and serum CTx (D). Asterisks (*) indicate statistically significant differences (*$p < 0.050$, **$p < 0.010$, ***$p < 0.001$) for each study group as compared with placebo. In A, in addition to designations of statistical significance provided on the figure, all values for median percent change from baseline in P1NP

at weeks 1 and 2 are statistically significant at $p < 0.001$ as compared with placebo. In B, in addition to designations of statistical significance provided on the figure, all values for median percent change from baseline in osteocalcin at week 1 are statistically significant at $p < 0.050$ as compared with placebo, and $p < 0.001$ at week 2 as compared with placebo. In C, in addition to designations of statistical significance provided on the figure, the values at week 1 for median percent change from baseline in bone-specific alkaline phosphatase are statistically significant at $p < 0.050$ for Blosozumab 180 mg Q4W as compared with placebo, and $p < 0.001$ for Blosozumab 180 mg Q2W and Blosozumab 270 mg Q2W. At week 2, all values for median percent change from baseline in bone-specific alkaline phosphatase are statistically significant at $p < 0.001$ for Blosozumab as compared with placebo. In D, in addition to designations of statistical significance provided on the figure, all values for median percent change from baseline in CTx are statistically significant at $p < 0.001$ as compared with placebo at weeks 1 and 2. In (E), approximately one-half of the patients in each treatment group had an iPTH assessment at week 24. IQR = interquartile range; P1NP = procollagen type 1 N propeptide; CTx = carboxy-terminal cross-linking telopeptide of type 1 collagen.

Safety. Other than mild injection site reactions reported more frequently with Blosozumab than placebo, the frequency of adverse events during treatment and the 3-month follow-up period was similar across all treatment groups. Mild injection-site reactions, including pruritus, swelling, erythema, bruising, and pain, were reported by 22.6% to 40.0% of women receiving Blosozumab and 10.3% of women receiving placebo, and were not associated with the development of anti-drug antibodies.

There were no patient deaths during the study. Nine patients reported serious adverse events during the treatment period, with only 1 evaluated by a blinded investigator as possibly related to the study drug. This patient, randomized to placebo, experienced a cerebral infarction after 3 weeks of treatment. Breast cancer was reported in 4 women receiving Blosozumab: 2 women (270 mg Q2W group) within 3 months of initiating Blosozumab treatment, 1 woman (180 mg Q2W group) 3 months after the last dose of Blosozumab, and 1 woman (180 mg Q4W group) approximately 1 year after the last dose of Blosozumab. All 4 women were Japanese and enrolled in two study sites in Japan. A retrospective exploration of these 4 patients' medical histories provided additional information. One patient, with bone metastases detected at the time of the breast cancer diagnosis, had a mammogram report indicating microcalcifications prior to study enrollment. Two patients had not had a screening mammogram for over 4 years prior to the study, and 1 patient had never had a mammogram. The tumors were heterogeneous with respect to histopathology, receptor status, and stage. None of the investigators considered this serious adverse event to be related to Blosozumab treatment.

There was a slight initial decrease in serum calcium (0.01 to 0.05 mmol/L, equivalent to 0.04 to 0.20 mg/dL) in the Blosozumab treatment groups that was notable at week 4, with the maximum decrease occurring by week 12. Thereafter, serum calcium fluctuated around baseline for the duration of the study and follow-up period in all treatment groups. As expected with the decrease in serum calcium concentrations, there was a corresponding increase in intact PTH concentrations (0.61 to 3.57 pmol/L, equivalent to 5.8 to 34.0 pg/mL). The increase was noted at week 4 and continued through week 24, returning to normal levels by week 36 and remaining normal through the follow-up period. These observed changes in calcium concentrations were likely a result of rapid bone mineral increase associated with blosozumab treatment, and the changes in PTH were a physiological response to changes in serum calcium concentrations. There were no adverse events associated with the changes in calcium or PTH.

An increase in 1,25-dihydroxyvitamin D concentration was observed in patients during the treatment period. The increase in 1,25-dihydroxyvitamin D concentration appeared to be dose-related in the Blosozumab groups, with the peak mean increase of 56.8 pmol/L occurring in the Blosozumab 270 mg Q2W group at week 4. At week 12, mean increases in serum concentration of 1,25-dihydroxyvitamin D were 32.0 to 32.7 pmol/L from baseline in the Blosozumab 180 mg groups, and 45.4 pmol/L in the Blosozumab 270 mg Q2W group. Mean serum concentrations of 1,25-dihydroxyvitamin D declined toward baseline at the end of treatment, with the Blosozumab 270 mg Q2W group essentially reaching the level of pretreatment concentration at week 52.

Serum concentration of 25-hydroxyvitamin D was measured at baseline and at the end of the treatment phase. An increase in serum concentration of 25-hydroxyvitamin D was observed in all groups during the treatment period. At the end of treatment, a mean increase from baseline of 2.1 to 12.2 nmol/L was observed in the blosozumab treatment groups, whereas a mean increase from baseline of 10.0 nmol/L was seen in the placebo group. There were no adverse events associated with these changes in vitamin D metabolites.

There were no clinically relevant changes in systolic or diastolic blood pressure, heart rate, or any electrocardiogram parameter at any Blosozumab dose groups during treatment or during the follow-up period.

Thirty-two patients (35%) developed anti-drug antibodies after exposure to Blosozumab. The highest incidence was noted in the Blosozumab 180 mg Q4W and 180 mg Q2W groups, with increasing occurrence observed over the course of treatment. The development of anti-blosozumab antibodies appeared to be inversely dependent on dose and dose frequency. Only 1 patient (180 mg Q2W group) developed anti-blosozumab antibodies that had an effect on Blosozumab exposure and efficacy. Briefly, the treatment-emergent anti-drug antibody was first detected at week 24 with Blosozumab serum concentration more than 10-fold lower than the expected level. Based on a validated screening assay, the anti-drug antibody titer reached its maximal level (>1:160000) at the end of the treatment, when Blosozumab could no longer be detected in serum. The anti-drug antibodies in this patient were found to be neutralizing to Blosozumab using a validated neutralizing assay. The BMD responses at the end of treatment were relatively small in this patient, with increases from baseline of approximately 3.2% and 0.2% in lumbar spine BMD and total hip BMD, respectively. There were no adverse events associated with the development of anti-drug antibodies in any of the patients, including the 1 patient with reduced Blosozumab exposure.

Pretreatment and posttreatment brainstem auditory-evoked potential testing was performed in a subset of 44 patients. One woman in the Blosozumab 180 mg Q2W group began the study with a normal auditory-evoked potential and ended with an observed abnormality. This abnormality was described as probable conductive loss, thought to be secondary to a technical effect, such as ear wax blocking the auditory canal. The results of auditory-evoked potential testing were otherwise unremarkable, as judged by a blinded expert clinician.

Conclusion. In conclusion, injections of Blosozumab for 1 year resulted in substantial anabolic effects on the skeleton and were well tolerated. These findings support further investigation of Blosozumab as a potential therapy for osteoporosis.

Clinical development plan

Five phase 1 studies in postmenopausal women and one phase 2 study of Blosozumab in postmenopausal women with low bone mineral density have been conducted by Eli Lilly. TST002 is currently at the IND-enabling stage in China. We filed IND application to the NMPA in June 2021 and the application was formally accepted by the NMPA on July 6. We expect to initiate a Phase 1 study in patients with osteoporosis upon IND clearance.

Based on available clinical data of Blosozumab, we plan to conduct a phase 1 study of TST002 in China after IND clearance. This is a placebo-controlled, multiple-dose study in postmenopausal women with osteoporosis that consists of a dose-escalation phase followed by a dose-expansion phase at RP2D. The primary objective of this study is to evaluate the safety and tolerability of multiple-dose exposure to TST002 following intravenous administration and determine the recommended dose for the next step of clinical development.

Eligible patients who signed informed consent and meet the eligibility criteria as assessed by the investigator will receive TST002 or placebo intravenous infusion every 8 weeks (Q8W) or every 12 weeks (Q12W). Safety evaluation includes but not limited to adverse events (AEs), electrocardiograms (ECGs), vital signs and safety laboratory tests. Blood samples for PK and PD assessments will be taken. Patients will return for additional dosing Q8W or Q12W for a total of 24 weeks. All patients will be followed for 12 weeks after the final dose.

Dose escalation. Based on the available phase 1 clinical data of Blosozumab by Eli Lilly, we plan to initiate dose escalation phase of the Phase 1a study in the first half of 2022 from a higher dose (200 mg, 600 mg, 800 mg every eight weeks and 1,000 mg and 1,200 mg every twelve weeks), which was agreed by the NMPA in December 2020. At each dose level during the dose-escalation phase, after the patients complete the safety evaluation window of a dose cohort, the investigator, clinical research physician and safety physician from the sponsor will assess the available safety data and determine whether to escalate to next dose level.

Dose expansion. Once an RP2D is determined based emerging data from dose escalation phase at two dosing regimens (Q8W or Q12W) in 2023, we will conduct a phase 1b study to further explore safety, tolerability, PK and PD and preliminary efficacy of 12 months of TST002 treatment. Each regimen will enroll 30 patients with postmenopausal osteoporosis to receive TST002 and 15 patients to receive placebo treatment.

Considering Blosozumab has achieved proof of concept in a Phase 2 study, we plan to initiate a Phase 3 study after the conclusion of the dose expansion phase of the phase 1 study. Before Phase 3 study initiation, we will communicate with the NMPA on the study design to seek for its endorsement of using 12-month BMD as the surrogate endpoint to enable an accelerated, conditional approval while continue to follow the bone fracture information and submit the 3-year bone fracture data as post approval commitment. Upon discussion and agreement with the NMPA, we plan to enroll approximately 1,500 patients in the Phase 3 registrational study and use 12-month BMD data from the first enrolled 300-400 patients for NDA submission while submitting 36-month bone fracture data to achieve full approval from the NMPA.

Licenses, rights and obligations

We in-licensed the Greater China rights to TST002 from Eli Lilly in 2019. See "– Licensing and Collaboration Arrangements – Licensing Arrangements with Eli Lilly" for more details of the licensing arrangements.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TST002 SUCCESSFULLY.

TST004: A Humanized MASP-2 mAb Candidate for Kidney Diseases

TST004 is a humanized mAb targeting a protease required for the lectin pathway of complement activation. The lectin pathway is activated primarily by tissue damage or microbial infection, which are often associated with the human thrombotic microangiopathy class of diseases and IgA nephropathy (IgAN). TST004 is designed to prevent the lectin pathway-activated complement-mediated inflammation and endothelial damage without affecting other complement pathways of innate immunity. TST004 is currently at the IND-enabling stage.

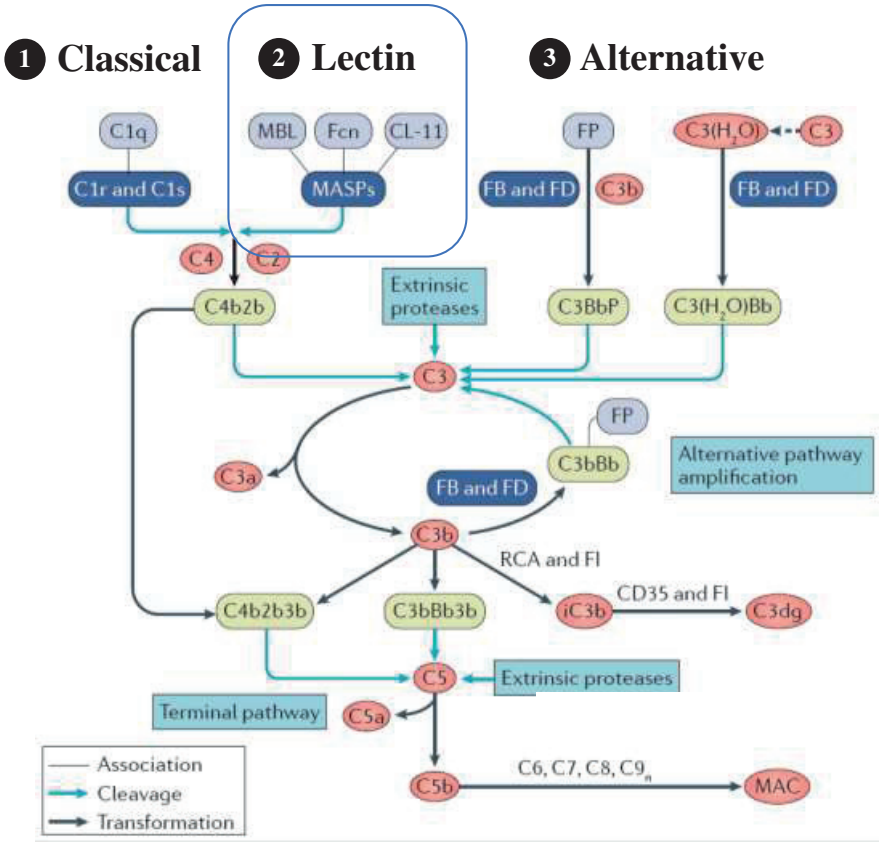
Mechanism of action

Over-activation of the complement pathway is an important cause of the deterioration of some IgAN. There are three main complement pathways, namely, classical pathway, alternative pathway and lectin pathway. The lectin pathway is a type of cascade reaction, similar in structure to the classical complement pathway, in that, after activation, it proceeds through the action of C4 and C2 to produce activated complement proteins further down the cascade. In contrast to the classical complement pathway, the lectin pathway does not recognize an antibody bound to its target. The lectin pathway starts with mannose-binding lectin (MBL) or ficolin binding to certain sugars.

In this pathway, MBL binds to mannose, glucose, or other sugars with 3- and 4-OH groups placed in the equatorial plane, in terminal positions on carbohydrate or glycoprotein components of microorganisms. MBL is a protein belonging to the collecting family that is produced by the liver and can initiate the complement cascade by binding to pathogen surfaces.

MASP-2 is a pro-inflammatory protein involved in the activation of the lectin pathway in the complement system. MASP-2 is very similar to the C1s molecule of the classical complement pathway. When the carbohydrate-recognizing heads of MBL bind to specifically arranged mannose residues on the surface of a pathogen, MASP-2 is activated to cleave complement components C4 and C2 into C4b2a, which cleaves C3 into C3a and C3b.

Mechanism of Action of MASP2 Inhibitors



Source: Nat Rev Nephrol. 2016 Jul;12(7):383-401.

Market opportunity and competition

IgAN is a group of clinical syndromes characterized by the deposition of IgA antibody in the glomerular mesangial area of kidney. It is the most common primary glomerulonephritis worldwide as well as an important cause of chronic kidney disease (CKD) and end-stage renal disease (ESRD). IgAN's clinical manifestations are diverse and is usually preceded by upper respiratory tract infection and other inducements. The most common manifestations are paroxysmal gross hematuria and persistent microscopic hematuria, which can be accompanied by varying degrees of proteinuria. Primary nephritis refers to inflammation of the glomerulus, which could be acute or chronic. Chronic nephritis is divided into several pathological types, among which IgAN is the most common. Secondary nephritis refers to nephritis caused by diseases of other parts of the body.

The progression of disease varies among IgAN patients, with a small proportion of patients progressing rapidly and developing renal failure within a few months. More than 35% of IgAN patients progressed slowly to renal failure over 20 to 25 years. The remaining patients enter a continuous remission or present only a moderate degree of persistent hematuria or proteinuria.

The majority of IgAN cases occur in Asia, commonly among young men, and IgAN is the most common cause of chronic glomerulonephritis. By contrast, IgAN is a rare disease in Europe and the United States. Many pipelines in the United States have adopted orphan strategies to speed up the approval process. IgAN is most common in Asia, accounting for approximately 40% of native biopsies compared to 12% in the United States and 25% in Europe. Further, the number of patients with IgAN in China increased from approximately 1.3 million in 2015 to more than 1.4 million in 2019, far exceeding the number of patients in Europe and the United States.

Current treatment methods for IgAN are still based on angiotensin converting enzyme inhibitors (ACEI) and angiotensin receptor blockers (ARB), supportively combined with corticosteroids and other immunosuppressive therapies, the toxicity of which is too high, and the long-term use of these drugs can cause additional risk to the patients. However, as these drugs can effectively reduce the urinary protein, they are still the only choices for patients.

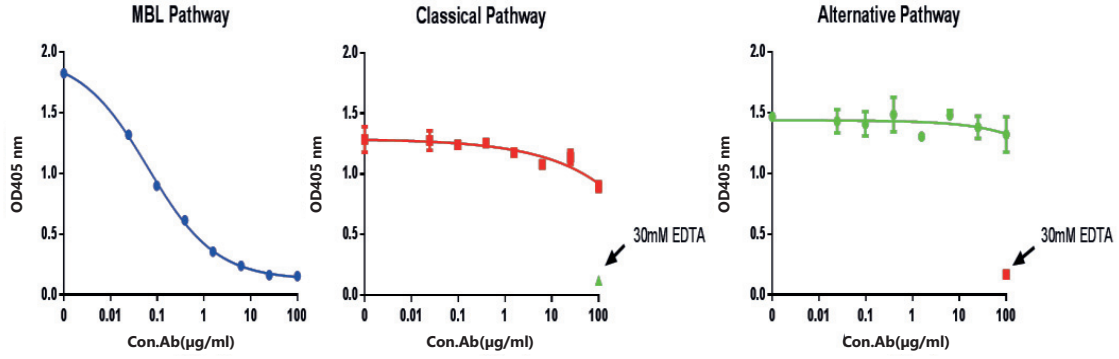
Currently, no approved biologics for the treatment of IgAN is available globally. In early 2017, the FDA agreed for the first time to use a new alternative indicator (glomerular filtration rate) for regulatory approval of new IgAN drugs. This decision greatly increased the likelihood of a significant reduction in the development schedule, and there has been an increasing pipeline over the past two years, with the focus being on inhibiting B lymphocyte activity and the complement pathway. Omeros' OMS721, the most advanced drug, is currently in Phase 3 clinical trial and has submitted a BLA for TMA to the FDA. However, Omeros has not initiated any trials for OMS721 in China. Outside China, there are also a large number of drugs in Phase 2 trials, including Ionis' IONIS-FB-Lrx and Oellis's APL-2, which are mainly complement inhibitors, and BAFF/APRIL inhibitors (Merck's atacicept and RemeGen's RC18). Given the present trend of drug development, BAFF/APRIL inhibitors may become the mainstream research direction in the future.

As of March 2021, there was only one clinical stage biologic candidate, RC18 of RemeGen, under clinical development stage (phase 2) in China for IgAN. Due to the shortage of IgAN drugs on the market, the market size for IgAN biologics in China is estimated to reach US$0.2 billion in 2028 and is expected to further grow to US$2.6 billion in 2035, representing a CAGR of 46.5% from 2028 to 2035, according to the CIC Report. In addition, there were 1.44 million patients with IgAN in China in 2019. In the future, most companies will likely first obtain rapid listing through the indication of IgAN, and later expand to other nephropathy fields with greater market potential, as glomerulonephritis shares similar pathogenesis. If the drug development process is smooth, the first biologic in the China market could be launched by 2028.

Summary of pre-clinical data

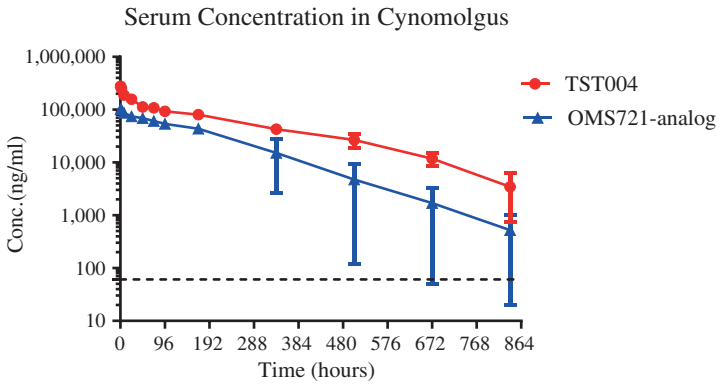
In Vitro Data. TST004 is an antibody of HuIgG4 subtype targeting MASP-2, which is a key regulator involving in Lectin complement pathway. Among all biologically-targeted drugs that are under development for IgAN, OMS721, a human monoclonal antibody targeting MASP-2, is the first entering phase 3 clinical trial. TST004 showed differentiated profiles from the benchmark OMS721-analog, such as higher binding affinity to human MASP-2 in bio-layer interferometry (BLI) assay (0.77 nM vs. 2.1 nM) and enzyme-linked immunosorbent assay (ELISA) (0.013 μg/ml vs. 0.02 μg/ml), and more potent *in vitro* blocking activity against the Lectin pathway as measured by C4 (0.04 vs. 0.27 μg/ml), C3 (0.04 vs. 0.12 μg/ml) and membrane attack complex (MAC) activation assays (0.05 vs. 0.32 μg/ml) using human serum. TST004 specifically bound to MASP-2 in the Lectin pathway, and showed no binding to MASP-1, MASP-3 and C1s/C1r. In addition, TST004 only blocked complement activation initialized from the mannan-binding lectin (MBL) pathway, but not the other two complement pathways (classic and alternative pathways). TST004 demonstrated cross-reactive binding to cynomolgus monkey MASP-2 (0.77 nM vs. 33 nM), but no meaningful binding to mouse and rat.

Classical, MBL and alternative pathway complement activation are three distinct complement pathways. TST004 displayed selective inhibition of MBL pathway and does not block classical pathway or alternative pathway.



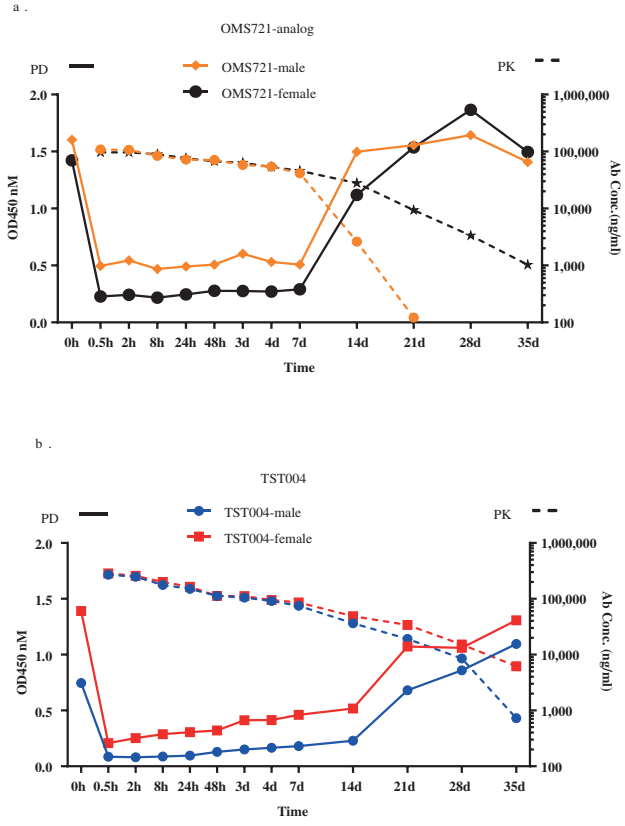
In Vivo Data. Bioavailability of TST004 was demonstrated in laboratory rats with both intravenous and subcutaneous administration routes. Further, TST004 PK/PD study was performed in the pharmacology relevant species cynomolgus monkeys, with a direct comparison with analog of the benchmark OMS721. In cynomolgus monkeys, half-life of TST004 (129C10-hu-WT) is 164.77 hours, which is longer than OMS721-analog (130.152 hours). As the pharmacodynamic biomarker, the C4 activation in cynomolgus monkey serum was inhibited to a basal level after 0.5 hour of both antibody administration. The inhibition effect lasted for 2 weeks in OMS721-analog group and 3 weeks in TST004 group. These findings in cynomolgus monkey suggested that TST004 achieved a good PK/PD relationship *in vivo*, which is superior to the benchmark OMS721-analog.

PK Results in Cynomolgus



Source: Company in-house data

PK and PD Results in Cynomolgus



Source: Company in-house data

Clinical development plan

We plan to complete the pre-clinical and CMC studies by the end of 2021 and file an IND application to both the FDA and the NMPA for TST004 in the first half of 2022. We plan to initiate the Phase 1 study in healthy volunteers in the United States in the second half of 2022 and initiate China Phase 1 study later at a higher starting dose which has been tested and proved to be safety in the United States study to accelerate the clinical development in China. When the RP2D is determined, we will initiate a registrational, single arm Phase 2 study in thrombotic microangiopathy (TMA) patients to seek fast to market opportunity considering TMA is a rare and serious disease with significant unmet medical needs. We also plan to initiate a randomized, placebo-controlled Phase 2 study in patients with IgA nephropathy. If we can achieve proof of concept in the Phase 2 study, a Phase 3, registrational study will be conducted.

Licenses, rights and obligations

We developed TST004 in-house and own worldwide rights to it. We have recently formed a joint venture with Alebund Pharmaceuticals to co-develop TST004 for certain indications in Greater China region. We retain the rights for the rest of world and the rights to develop TST004 for indications other than licensed indications in Greater China region. See "– Licensing and Collaboration Arrangements – Collaboration with Alebund Pharmaceuticals" for more details of the collaboration arrangements.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TST004 SUCCESSFULLY.

Other Products

MSB0254: A Humanized VEGFR-2 mAb Candidate for Solid Tumors

MSB0254 is a high affinity humanized VEGFR-2 mAb, with an anti-tumor mechanism of action by inhibiting tumor angiogenesis. MSB0254 has been generated using our in-house hybridoma platform. MSB0254 demonstrates blocking activities against the binding of VEGF-A, -C and -D to VEGFR-2. MSB0254 surrogate showed potent anti-tumor activities in pre-clinical tumor models, acceptable pre-clinical toxicity and desirable CMC properties. MSB0254 is currently under Phase 1 development in China. We are aiming to test potential anti-tumor effects of MSB0254 as a single agent and in combination with other drugs in multiple solid tumor types in human, such as gastric cancer and liver cancer.

Mechanism of action

VEGF is a key tumor-derived angiogenic factor that exerts multiple functions, including the stimulation of angiogenesis, vasculogenesis, inflammation and vascular permeability. The entire VEGF family has been identified to comprise eight members with a common VEGF homology domain: VEGF-A, VEGF-B, VEGF-C, VEGF-D, VEGF-E, VEGF-F and PIGF-1/-2. VEGFs signal through three tyrosine kinase receptors, known as VEGFR-1, VEGFR-2 and

VEGFR-3, predominantly expressed by endothelial cells. Both VEGF-A, VEGF-C and VEGF-E tightly bind and stimulate VEGFR-2. VEGFR-2 is activated after the binding of VEGF, which initiates a phosphorylation process that results in the enhancement of endothelial cell proliferation and migration. The VEGF family of growth factors and their receptors constitute the most important signaling pathway in tumor angiogenesis.

VEGFR-2 is overexpressed in neovascular tumor endothelial cells in comparison to normal endothelial cells. Vascular permeability, survival and migration of the vascular endothelial cells are controlled by the VEGFR-2 singling pathway. Recognition of the VEGF pathway as a key regulator of angiogenesis has led to the development of strategies for blocking these pathways, including the use of specific inhibitors (antibodies or small molecules), which may either bind VEGF or interfere with the different domains of VEGFR, such as ramucirumab and bevacizumab. VEGFR-2 inhibitors could be a promising target strategy to inhibit tumor-induced angiogenesis, as they can specifically interfere with the binding of multiple VEGF (VEGF-A, VEGF-C and VEGF-D) to VEGFR-2, consequently, inhibit VEGF-induced signal and strongly block tumor growth. VEGFR-2 inhibitors have a potential therapeutic role in many different tumor types, including gastric cancer, with a favorable toxicity profile.

Market opportunity and competition

As of March 2021, Ramuricumab of Eli Lilly is the only VEGFR2 antibody drug approved by the FDA in the United States with indications including monotherapy or combination treatment with chemotherapy for gastric cancer, second-line treatment of metastatic colorectal cancer, hepatocellular carcinoma and first-line treatment for metastatic EGFR-mutated NSCLC. Eli Lilly's Ramucirumab is the first FDA-approved biomarker-driven therapy in patients with HCC and there is no VEGFR2 antibody drug approved in China. In addition, one phase II clinical trial of Ramucirumab have been conducted in the United States by Eli Lilly with indications including mesothelioma and lung cancer. Eli Lilly and CHIATAI TIANQING also conducted two phase I studies in China targeting at gastric cancer, NSCLC, colorectal cancer and solid tumor. As of March 2021, three phase III clinical trials of Ramucirumab have also been conducted in China by Eli Lilly for hepatocellular carcinoma, gastric cancer and gastroesophageal junction adenocarcinoma. Furthermore, one phase II clinical trial of TTAC-0001 by PharmAbcine has been conducted in the United States for glioblastoma.

For phase I trials, as of March 2021, nine phase I trials have been conducted in China, including Kelun Biotech's A168, GenSci's VEGFR2/KDR, Transcenta's MSB0254, Buchang Pharma's BC001, Henlius's HLX12 and Akesobio's AK109, Eastern Biotech's JY025 for indications including solid tumor, advanced solid tumor, gastric cancer, NSCLC and colorectal cancer.

Summary of clinical data

Phase 1 study in advanced solid tumors

Study Design. This study is an open-label, multi-dose dose-escalation Phase 1 clinical study to evaluate the safety, tolerability and PK characteristics of MSB0254 in patients with locally advanced or metastatic solid tumors and to preliminarily assess its anti-tumor efficacy. This study started from 4 mg/kg with a dose increase of 3+3, and is planned to be carried out in 5 dose groups: 4 mg/kg, 8 mg/kg (100% increase), 12 mg/kg (50% increase), 16 mg/kg (33% increase) and 20 mg/kg (25% increase). MSB0254 injection was administered intravenously on day 1 and day 15 every 28 days. To collect PK blood samples after repeated administration, MSB0254 injection was not administered on day 1 of the third cycle (C3D1). The observation period of DLT was 28 days after the first administration. We plan to enroll a total of 30 patients for this study. The primary endpoints are safety and tolerability, MTD and RP2D. The secondary endpoints are AUC, Cmax, Tmax, t1/2, immunogenicity, ORR, DOR and PFS. ORR, DOR and PFS are as measured by RECISTv1.1.

Clinical development plan

MSB0254 is currently under Phase 1 development in China. We have completed the evaluation of 4 mg/kg, 8 mg/kg dose cohort and the 12 mg/kg dose cohort had been fully enrolled by March 2021. We anticipate to complete single agent dose escalation part of the study in the third quarter of 2021. When the RP2D is determined, we will initiate an expansion cohort in the fourth quarter of 2021 in some anti-angiogenesis sensitive tumors such as HCC to confirm the safety of the RP2D and serve the proof of concept purpose. We plan to initiate a Phase 3 study in 2023 after proof of concept is achieved.

Licenses, rights and obligations

We developed MSB0254 in-house and own global rights to it.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET MSB0254 SUCCESSFULLY.

Certain other early stage drug candidates

TST003

TST003 is a potentially first-in-class antibody drug candidate around the world targeting a novel immune regulatory protein produced by tumor-associated fibroblasts or tumor cells with mesenchymal phenotype. In preclinical studies, TST003 has demonstrated anti-tumor activities either as a single agent or in combination with targeted agent in "target-expressing" patient-derived xenografts (PDX) tumor model. In addition, TST003 displayed anti-tumor activities as a single agent and enhanced the anti-tumor activity of checkpoint inhibitor in multiple syngeneic tumor models. Currently, IND enabling studies for TST003 are ongoing and IND filing is planned for the first half of 2022 for the treatment of multiple solid tumors.

TST006

TST006 is a bi-specific Claudin 18.2/PD-L1 antibody, which has shown in preclinical studies to be more potent than Claudin 18.2 antibody alone in blocking tumor cell growth in xenograft model expressing both Claudin 18.2 and PD-L1.

TST008

TST008 is a tri-functional antibody combining a MASP2 antibody fused with a truncated transmembrane activator and CAML interactor (TACI) protein. TST008 has the potential for the treatment of autoimmune disease such as systemic lupus erythematosus (SLE).

OUR CDMO SERVICES

To fully utilize our manufacturing capacities and to generate certain income to offset, to the extent possible, our operating expenses, we provided CDMO services to our customers during the Track Record Period. We provide our customers with a wide array of CDMO services, which mainly include process development services, GMP/cGMP production services, cell line development services, sample detection services, formulation optimization services, druggability researches. In 2019 and 2020, we undertook 11 and 4 new CDMO projects, respectively. Depending on the scope of CDMO services we provided in each project, the duration of the CDMO projects we undertook varies significantly, ranging from a few weeks to three years. During the Track Record Period, we had 17 Independent Third Party customers. These customers are mainly biopharmaceutical companies based in China and the United States. Material provisions of the CDMO agreements with our customers set forth the exact scope of services with detailed specifications, standards, requirements and timeline for each type of services. The service fees are determined mainly based on the amount and type of services we provide and the cost of raw materials and consumables. During the Track Record Period, we procured CDMO customers mainly by directly contacting potential customers based our market analysis, presenting and advertising our CDMO capabilities in technical conferences and conference exhibitions, word of mouth and customer referral as well as marketing through our CDMO website.

LICENSING AND COLLABORATION ARRANGEMENTS

Licensing Arrangement with Eli Lily (the "Eli Lilly Agreement")

Eli Lilly and Company is an American-headquartered global pharmaceutical company with its products sold around the world. In March 2019, we entered into a license agreement with Eli Lilly and Company ("Lilly") with respect to certain technology, patent rights and proprietary materials related to certain compounds, in particular the compounds known by Lilly as LY-2541546 (Blosozumab), LY-3108653 and LY-2950913 (each a "Licensed Compound").

Pursuant to this agreement, Lilly grants to us an exclusive, royalty bearing license, with the right to grant sublicenses, under the patents ("Licensed Patents") and the know-how ("Licensed Know-How") that are necessary or reasonably useful for the development, use or commercialization and manufacturing patents/know-how of any Licensed Compound set forth in the agreement or any pharmaceutical composition or preparation containing or comprising a Licensed Compound (whether or not as the sole active ingredient), including all formulations and dosage forms thereof ("Licensed Product") for all uses in humans in the PRC, Hong Kong, Macau and Taiwan (the "Regions") and Licensed Know-How to research, develop, commercialize, make, have made, use, sell, have sold, offer to sell, and import Licensed Compounds and Licensed Products for all uses in humans in the Regions.

The rights and licenses granted to us include the right to grant sublicenses, directly or through multiple tiers to affiliates or third parties under certain circumstances. We, our affiliates or sublicensees, or our or their designees: (a) will have the right to conduct, and shall be responsible for, all regulatory activities and interactions in the Regions, at their cost, for the Licensed Products, and own the IND(s), if applicable, and any future regulatory application(s) and regulatory approval(s) for the Licensed Products; (b) will have the right to, and shall be responsible to, oversee, monitor and manage all regulatory interactions, communications and filings with, and submissions to regulatory authorities with respect to the Licensed Products for all uses in humans in the Regions; and (c) shall have final decision making authority regarding all regulatory activities with respect to the Licensed Products for all uses in humans in the Regions, including the regulatory and labeling strategy and the content of submissions.

Lilly also grants to us, during a certain period after the completion of the first Phase 2 trial and the signed-off a full clinical study report for the Licensed Compound (the "HJB ROFN Exercise Period"), an exclusive right of first negotiation to expand the territory of the licenses granted to us to include all other countries and/or regions in the world (the "ROW Territory") to the Licensed Compounds and Licensed Products (the "HJB ROFN"). If we timely exercise the HJB ROFN, then the parties shall negotiate in good faith and on an exclusive basis for up to an additional period from such exercise (the "Negotiation Period") regarding the terms pursuant to which we would obtain such expanded license grant for the territory to include the ROW Territory.

We paid Lilly a nonrefundable and non-creditable upfront payment of US$10 million. In addition, in connection with our next qualified preferred stock financing after the signing of the Eli Lilly Agreement, we issued to Lilly (for no payment by Lilly) US$4 million in the preferred shares issued in such qualified preferred stock financing at an effective price per share that is 85% of the price per share paid by the investors in such qualified preferred stock financing. Also, we are obligated to pay Lilly non-refundable and noncreditable one-time milestone payments in the aggregate amount of up to US$63 million upon reaching certain regulatory milestone events. Furthermore, we are obligated to pay Lilly regulatory milestone payments in the aggregate amount of US$21 million for each Licensed Compound. The regulatory milestones are (i) the first dosing (whether of Licensed Product, comparator or placebo) of a subject dosed in the first Phase 3 trial of a Licensed Product in the territory, which we expect to happen in 2023; (ii) the first filing of a NDA in the territory for a Licensed Product, which

we expect to happen in 2025; (iii) the first NDA approval in the territory for a Licensed Product, which we expect to happen in 2026; and (iv) the approval of the second indication in the territory for a Licensed Product, which we expect to happen in 2028. The milestone payment for each such regulatory milestone shall be paid once for each Licensed Compound on a Licensed Compound-by-Compound basis, for the first achievement of the corresponding milestone event for each Licensed Compound. In addition, we are obligated to pay Lilly milestone payments in the aggregate amount of US$8.5 million for each Licensed Product upon reaching certain commercial milestone events on a Licensed Compound-by-Compound basis. The commercial milestones are (i) the first time aggregate annual net sales for such Licensed Product exceed US$50 million in any calendar year, which we expect to happen in 2027; (ii) the first time aggregate annual net sales for such Licensed Product exceed US$100 million in any calendar year, which we expect to happen in 2028; and (iii) the first time aggregate annual net sales for such Licensed Product exceed $250 million in any calendar year, which we expect to happen in 2030.

We will pay Lilly a tiered royalty on the calendar year, aggregate territory net sales of each Licensed Product, on a Licensed Product-by-Licensed Product basis, with royalty rates ranging from mid-single digits to mid-teen percentages. Royalty obligations shall commence, on a country-by-country basis and a Licensed Product-by-Licensed Product basis, on the date of first commercial sale of a Licensed Product in the territory, and expire, with respect to the particular country at issue on the latest of the following dates (the "Royalty Term"): (a) the tenth (10th) anniversary of the date of first commercial sale of such Licensed Product in such country; (b) the expiration of the last-to-expire Licensed Patent having a valid claim covering the manufacture, use or sale of such Licensed Product as commercialized in the country at issue; and (c) the expiration of the data exclusivity period, if any, in the country at issue. Following the expiration of the Royalty Term with respect to a Licensed Product in a country, the licenses and rights granted to us hereunder with respect to such Licensed Product in such country shall become fully paid-up, royalty-free and non-exclusive.

On a Licensed Product-by-Licensed Product and country-by-country basis in the event that a generic version of a Licensed Product is commercially launched in a particular country and the net sales of such Licensed Product in such country subsequently decreases for two (2) consecutive calendar quarters by more than fifty percent (50%) from the level of net sales in such country for such License Product for the calendar quarter immediately prior to the entry of such generic version of such Licensed Product then the royalty owed to Lilly associated with such net sales for such Licensed Product in such country commencing on such date for the remainder of the Royalty Term shall be reduced by fifty percent (50%) provided that, notwithstanding the foregoing, such royalty reduction shall not apply to any net sales of a Licensed Product so long as any valid claim of the Licensed Patents covers the manufacture, use or sale of such Licensed Product as commercialized in such country or a data exclusivity period for such Licensed Product in such country remains in effect.

If we or any of our related parties determine in good faith, and after consultation with Lilly, that it is reasonably necessary to obtain a license or other right from a third party under any composition of matter or method of use patent with one or more valid claims covering any Licensed Product or the Licensed Compound, (including in connection with the settlement of a patent infringement claim) with respect to a particular country and are required to make royalty payments in connection therewith (in each case, "Third Party IP Royalty Payments"), then we may deduct fifty percent (50%) of the Third Party Royalty IP Payments payable by us or any of our related parties to such third party from the royalties otherwise payable by us to Lilly.

As between the parties, we shall own the entire right, title and interest in and to any and all information and inventions, whether or not patentable, discovered, created, identified or made solely by us or any of our representatives in the course of performing our obligations or exercising our rights under the Eli Lilly Agreement, and all intellectual property rights in any of the foregoing.

We have the first right to prosecute the patents and patent applications listed in the agreement ("Listed Patents") and any and all patent rights corresponding to the Listed Patents throughout the Region, whether now existing or hereafter filed or issued ("Program-Specific Patents") at our sole cost and expense using outside counsel mutually acceptable to the parties (such acceptance not to he unreasonably withheld). Upon our written request, for a certain period following the effective date of the Eli Lilly Agreement, Lilly will be responsible for prosecuting the Program-Specific Patents on our behalf at our cost. Lilly shall have the sole right, but not the obligation, to prosecute the other Licensed Patents, at its sole cost and expense.

As between the parties, we shall be responsible for selecting, in our sole discretion, and shall own all right, title and interest in and to any trademarks adopted by us for use with the Licensed Products anywhere in the world (including all goodwill accruing with respect to such use), and shall be responsible for the registration, filing, maintenance and enforcement thereof. We shall have no right to use any trademark, tradename, or corporate name of Lilly or any of its affiliates with the Licensed Products.

The Eli Lilly Agreement shall be effective until the expiration of the last-to-expire Royalty Term for any and all Licensed Products. We shall have the right to unilaterally terminate this agreement with prior written notice to Lilly. Either party may terminate this agreement for uncured material breach and insolvency upon written notice. Upon expiration (but not earlier termination) of this agreement, the license and rights under Licensed Know-How granted by Lilly to us pursuant to this agreement shall survive on a non-exclusive, royalty-free, fully-paid, irrevocable and perpetual basis. Upon the termination of this agreement prior to its expiration, all licenses and rights granted by Lilly to us shall automatically terminate and revert to Lilly, and all other rights and obligations of the parties under this agreement shall terminate, subject to certain exceptions. Solely in the event of termination of this agreement by us for no cause, or by Lilly for cause, the following provisions shall apply: (i) effective as of such termination, we shall grant to Lilly a right of first

negotiation, exercisable within a certain period after termination, to obtain: (1) an exclusive, worldwide (except as expressly set forth below), royalty-bearing license, with the right to sublicense, under all patent rights controlled (other than pursuant to the license granted to us by Lilly under this agreement) by us that, in each case, (A) claim only the composition of matter or formulation of, or any method of making or using, any Licensed Compound or Licensed Product (excluding any other product), and (B) do not claim the composition of matter or formulation of, or any method of making or using, any compound that is not a Licensed Compound or any product that is not a Licensed Product ("HJB Program-Specific Patents") and know-how (excluding any know-how covered by a claim of any published HJB Program-Specific Patent) that is (a) controlled as of the effective date of termination of this agreement by us or any of our affiliates and (b) necessary for the development, commercialization or use of any Licensed Compound or Licensed Product; but excluding the Licensed Know-How ("HJB Know-How"), solely to develop, make, have made, use, sell, have sold, offer for sale and import Licensed Compounds and Licensed Products for all uses in humans; (2) a non-exclusive, worldwide (except as expressly set forth below), royalty-bearing license, with the right to sublicense, under patent rights controlled (other than pursuant to the license granted to us by Lilly under this agreement) by us, other than HJB Program-Specific Patents, that claim inventions actually practiced or generated by or on behalf of us in the development, use, sale, offer for sale or import of any Licensed Compound or any Licensed Product (excluding any other product) prior to termination of this agreement, solely to develop, make, have made, use, sell, have sold, offer for sale and import Licensed Compounds and Licensed Products for all uses in humans; and (3) the transfer and assignment to Lilly of all regulatory applications and regulatory approvals for Licensed Products held in our name or any of our affiliates (other than the transferred regulatory materials, which will be transferred and assigned back to Lilly).

Collaboration with Alebund Pharmaceuticals

Framework collaboration agreement

On November 23, 2020, we entered into a framework collaboration agreement (the "Framework Agreement") with Shanghai Alebund Pharmaceutical Limited (上海禮邦醫藥科技有限公司) ("Alebund Pharmaceuticals"), pursuant to which we and Alebund Pharmaceuticals will establish a joint venture to carry out pre-clinical researches regarding TST004 in Greater China region. Alebund Pharmaceuticals is a biopharmaceutical company engaged in the development and commercialization of pharmaceutical products. As of the Latest Practicable Date and to the knowledge of the Company, entities affiliated with LAV Group (including associates of (as defined under the Listing Rules) and parties acting in concert (as defined under the Takeovers Code) with LAV Group) are interested in a certain shareholding percentage of Alebund Pharmaceuticals being no more than 30%. To the knowledge of the Company, entities affiliated with LAV Group that are interested in the share capital of Alebund Pharmaceuticals (including its appointed director on the board of directors of Alebund Pharmaceuticals) are not required to abstain from voting on matters relating to the Framework Agreement. Furthermore, to the knowledge of the Company, entities affiliated with LAV Group together only had one board seat out of five in the board of directors of Alebund

Pharmaceuticals when it approved the Framework Agreement; therefore, whether it abstained or not, the board of directors of Alebund Pharmaceuticals would have approved the Framework Agreement and the matters contemplated thereunder. LAV Group's appointed director on the board of directors of the Company at the applicable time abstained on voting on matters relating to the Framework Agreement in relation to our Group. Going forward and upon Listing, LAV Group will abstain on voting on matters in relation to transactions with and matters in relation to the joint venture formed pursuant to the Framework Agreement between the Company and Alebund Pharmaceuticals at a general meeting of the Company as applicable. As of the Latest Practicable Date, the registered capital of the joint venture is RMB1 million. We are obligated to contribute RMB500,000 to the joint venture to perform our registered capital contribution obligation. We completed such contribution in January 2021. Alebund Pharmaceuticals is obligated to invest an amount in RMB equivalent to US$9 million (subject to adjustment based on the expenses required for pre-clinical development of TST004), among which an amount equivalent to RMB500,000 will be contributed as the registered capital of the joint venture. Capital contribution by Alebund Pharmaceuticals (including both the amount as registered capital and the amount beyond registered capital) will be made in five installments. After the fifth capital contribution of Alebund Pharmaceuticals, Alebund Pharmaceuticals and we will have equal voting power as the shareholders of the joint venture. As of March 31, 2021, Alebund Pharmaceuticals had made the first installment of contribution in RMB equivalent of US$3.6 million, including RMB200,000 as the registered share capital of the joint venture. As of the Latest Practicable Date, Alebund Pharmaceuticals had contributed the first three installments in RMB equivalent to a total of US$7.2 million, including RMB400,000 as the registered share capital of the joint venture, representing 44.4% of the voting rights in the joint venture. The fourth installment will be made within 15 days after the joint venture receives toxicology analysis report, which we expect to happen in April 2022. The fifth installment will be made within 15 days after the joint venture files an IND application with respect to the first licensed product, which we expect to happen in June 2022. If IND application is submitted before April 30, 2022 or any other date agreed by both parties, Alebund Pharmaceuticals will extend a loan to the joint venture for the joint venture to further develop TST004. Upon the NMPA's approval to conduct Phase 2 clinical trial and satisfaction of certain other conditions, Alebund Pharmaceuticals will further contribute to the registered capital of the joint venture so that equity interest of Alebund Pharmaceuticals in the joint venture will reach 60%. Alebund Pharmaceuticals and we will share the expenses for Phase 2 development based on the ratio of 6:4 or any other proportion agreed by both parties at that time. We expect to contribute approximately US$2.4 million to the Phase 2 development of TST004. After a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, is approved to proceed with Phase 2 development, both parties have a right to acquire the other party's entire (not a part of) equity interest in the joint venture. A party will be entitled to a mandatory buyout right to purchase the other party's entire equity interest in the joint venture at the price calculated based on a formulation in the Framework Agreement upon the occurrence of (i) a material breach that cannot be resolved by both parties within certain period of time, (ii) change of control of a party without the other party's consent resulting in a competitor of the joint venture obtaining control of such party or transfer of equity interest in the joint venture or pledge or otherwise impose encumbrance on such party's equity interest in the joint venture not in compliance with the Framework Agreement, or (iii) bankruptcy,

entering into bankruptcy, dissolution or settlement procedures, or creditors' filing of petition for bankruptcy or reorganization due to such party's insolvency. A deadlock is defined in the Framework Agreement as any of the following two situations that last(s) for 90 days: (i) substantive disagreement(s) exist(s) in the shareholder level of the joint venture and any effective shareholder resolutions cannot be passed in a shareholders meeting convened; (ii) substantive disagreement(s) exist(s) in the board of director level of the joint venture and any effective board resolutions cannot be passed in a board meeting convened or a board meeting with quorum cannot be convened. In the case of a deadlock, any party may send a deadlock notice to the other party. Within 14 days after the deadlock notice is sent, each of the two parties should prepare a memorandum setting out its positions on the disagreement(s) and the reasons for taking such positions and send such memorandum to the other party. Two parties should use reasonable efforts to solve the deadlock in good faith. If the deadlock is not solved within 60 days after the deadlock notice is sent, a termination event is deemed to occur. The Framework Agreement can be terminated upon written notice by a party to the other party upon the occurrence of certain events, including failure to solve a deadlock within 60 days after a deadlock notice is sent from one party to the other party. However, both parties agree that unless otherwise agreed both parties shall not terminate the Framework Agreement arbitrarily before the joint venture obtains approval to conduct Phase 2 development. Any party seeking to terminate the Framework Agreement shall discuss with the other party during the period of 60 business days after noticing the other party of the intention to terminate. During such period of 60 business days, the terminating party has a right to buyout the other party's entire equity interest in the joint venture. If both parties do not exercise such buyout right within such 60 business days, the joint venture will be dissolved. Once the Framework Agreement is terminated, the collaboration and licensing agreement between the two parties will terminate automatically. For any disputes under the Framework Agreement, parties shall try to solve such disputes first through friendly negotiation. If parties are unable to solve the disputes within 60 days, any party can submit the disputes to Shanghai International Economic and Trade Arbitration Commission. The arbitration result is final and binding on parties.

Collaboration and licensing agreement

On December 30, 2020, we also entered into a collaboration and licensing agreement (the "Collaboration and Licensing Agreement") with Alebund Pharmaceuticals to further carry out parties' collaboration arrangement under the Framework Agreement. Pursuant to the Collaboration and Licensing Agreement, we shall grant a irrevocable, permanent, exclusive and sub-licensable license to the joint venture to research, develop, commercialize, use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China region within the scope of licensed patents and licensed know-how for certain licensed indications related to (i) thrombotic microangiopathy, (ii) renal diseases, and (iii) blood disorders. Royalty to be paid by the joint venture to us for the license is RMB500,000.

For any inventions, discoveries, patents and know-how arising from the development of a licensed product (the "Project Intellectual Property Rights"), we are entitled exclusively to the Project Intellectual Property Rights that arise from non-clinical researches (including

supporting non-clinical researches but excluding data), no matter whether inside or outside Greater China region and for licensed indications or not. If the Project Intellectual Property Rights arise from clinical researches conducted by the joint venture alone or together with a party to the Collaboration and Licensing Agreement, the joint venture shall be entitled exclusively to such Project Intellectual Property Rights (excluding data), no matter whether inside or outside Greater China region and for licensed indications or not. Notwithstanding the foregoing, regarding the intellectual property rights related to formulation and CDx, parties agree that the joint venture is entitled exclusively to formulation related or CDx related Project Intellectual Property Rights arising from research activities that target licensed indications and are initiated by and using the fund of the joint venture after the joint venture submits IND application, no matter whether inside or outside Greater China region or for licensed indications or not. We are entitled to a free, exclusive and sub-licensable license to these intellectual property rights outside the licensed indications and Greater China region for any purposes. For any formulation related Project Intellectual Property Rights other than the formulation related Project Intellectual Property Rights in the foregoing sentence, we are entitled exclusively to these intellectual property rights, no matter whether inside or outside Greater China region or for licensed indications or not. For the intellectual property rights related to CDx, we are entitled exclusively to any CDx related Project Intellectual Property Rights, no matter whether inside or outside Greater China region or for licensed indications or not, if such CDx related Project Intellectual Property Rights arise from research activities, whether clinical or non-clinical, initiated by and using funds raised by us. For the avoidance of doubt, outside the licensed indications, we are the owner of the intellectual property rights related to TST004 and licensed products and retain the rights to further improve TST004 and licensed products outside the licensed indications; within the licensed indications, our license grant to the joint venture shall not constitute a transfer of ownership and we retain such ownership.

For any data, results, documents, materials, intermediates and products obtained from pre-clinical and clinical researches for licensed indications in Greater China region (collectively the "Joint Venture Data"), the joint venture shall be entitled exclusively to such Joint Venture Data for the licensed indications in Greater China region. We are entitled to use such Joint Venture Data for free as long as Alebund Pharmaceuticals and we hold equity interest in the joint venture.

The goal of the collaboration between two parties is to co-develop TST004 through the joint venture and procure the joint venture to complete the commercialization of at least one licensed product in China. To carry out such goal, we are obligated to, either by ourselves or together with other parties, provide pre-clinical researches to the joint venture. We are also entitled to provide exclusively certain services to the joint venture in relation to CMC, manufacturing and supply of TST004 and licensed products within Greater China region for licensed indications on the condition that our service fees shall not be higher than fair market prices. Alebund Pharmaceuticals is obligated to provide management services to the joint venture for Phase 1 trial and clinical research related portion in the IND application within Greater China region with respect to the first licensed product.

The Collaboration and Licensing Agreement has an effective period starting from the date on which Alebund Pharmaceuticals actually paid the first installment of its capital contrition obligation until the occurrence of certain events outlined in the agreement, including the termination of Framework Agreement and unresolvable material breach by a party. For any disputes under the Collaboration and Licensing Agreement, parties shall try to solve such disputes first through friendly negotiation. If parties are unable to solve the disputes within 60 days, any party can submit the disputes to Shanghai International Economic and Trade Arbitration Commission. The arbitration result is final and binding on parties.

Collaboration with Merck

We entered into a collaboration agreement with Merck on June 29, 2020 to develop an equipment and technology portfolio within the bioprocessing manufacturing industry for the implementation of integrated continuous manufacturing. The parties will carry out the collaboration by phases and enter into statements of work ("SoW") during each phase to outline detailed obligations of each party. Activities under a SoW may include, without limitation, the development, supply, promotion and other supporting activities as applicable, desirable, or necessary to achieve continuous manufacturing process leveraging Merck's BioContinuum™ Platform.

During the Phase 1 of the collaboration, the parties will focus on the design and delivery of a hardware system and the software program(s) associated therewith to enable continuous flow through polishing (to include post virus inactivation depth filtration, polishing chromatography and virus filtration) for GMP manufacturing ("Equipment"). The Phase 1 shall include the Equipment's initial process review, process optimization with Merck purification technologies, system and single use assembly design, process modeling and system manufacturing, and may also include at the discretion and upon agreement of the parties, assessments and recommendations for and implementation of advanced software technologies including Merck's Bio4C™ Suite software platforms for the control of the Equipment and for the data collection and analytics platform. Pursuant to the collaboration agreement, we are obligated to make milestone payments in three installments. We made the first milestone payment to Merck regarding the Equipment on October 30, 2020 upon the execution of the collaboration agreement and a SoW covering that payment; and the second milestone payment to Merck regarding the Equipment on April 30, 2021 upon design lock. The last installment, which represents 50% of total milestone payment amount, will be made upon the completion of site acceptance testing of the Equipment. Unless otherwise agreed by the parties in writing, all of these milestone payments made are non-refundable for any reason. Upon full payment of the above milestone payments, we will have the right to possess and use the Equipment without charge for a period of two (2) years (the "Evaluation Period"). We will engage Merck to provide ongoing maintenance services with respect to the Equipment through the Evaluation Period. Upon or prior to the expiration of the Evaluation Period, we can choose to purchase the Equipment from Merck based on terms of the collaboration agreement. In addition, we will establish Merck as preferred supplier in order to allow the life science business of Merck, Darmstadt Germany, to supply raw materials, systems, and integrated software solutions for continuous antibody processing.

During the Phase 2 of the collaboration, parties will focus on the development and delivery of a fully continuous manufacturing ecosystem including upstream, downstream and digital technologies needed for GMP manufacturing leveraging Merck's BioContinuum™ Platform of technologies. The Phase 2 solutions are expected to focus on the integrated perfusion bioreactor, inline virus inactivation, multi-column capture, continuous concentration and diafiltration as well as the evaluation of other consumables as Merck's portfolio expands. During Phase 2, Merck will provide necessary and adequate technical resources for process development, optimization and design, product development and access to their product development pipeline of technologies as well as industry expertise, including opportunities for training, and technical services and support, and support with standard product documentation in connection with interactions with regulatory agencies but will not be responsible for making any regulatory filings.

During the collaboration, to the extent that a party provides its personal property, tooling, equipment, or other tangible asset(s) pursuant to a SoW (collectively "Assets"), for use either by itself, by another party, or together with another party in performing relevant obligations, such Assets shall be listed in the applicable SoW. Unless specifically stated to the contrary in a SoW, (a) title to the Assets is vested in and shall remain with the party that provided the Asset; (b) each party disclaims any and all rights and interests in the other party's Assets, except the right to use the Assets to perform the obligations as set forth in the SoW; (c) none of the parties shall pledge, encumber or grant a security interest in, disclose, rent or provide the Assets of another party to any third party under any circumstances, and hereby agrees to execute such additional agreements, instruments, registrations or other documents reasonably requested by the party owning the Asset to confirm such ownership, provided that, we are allowed to use the Asset in performing demonstrations or in providing CDMO services to our customers upon satisfying certain conditions; (d) to the extent specified in a SoW and/or reasonably necessary to allow the other party to perform obligations pursuant to a SoW, the party owning an Asset grants the other parties the right to use such Assets, subject to the terms and conditions of the collaboration agreement; (e) the party owning the Asset remains responsible and assumes all risks of damage, theft, or other losses associated with the use thereof pursuant to a SoW; (f) the party owning the Asset shall maintain and preserve the Assets in good working condition at its cost, including (if applicable) performing routine equipment inspection and maintenance and replacement of wearable parts, so that the Assets remain in good condition and repair and in good and efficient working order, ordinary wear and tear excepted; and (g) upon the termination or expiration of this agreement, or upon written request from the party owning the Asset, the other party shall at their sole cost and expense return such Assets in good working condition, ordinary wear and tear excepted.

Each Party shall at all times retain sole and exclusive ownership of all intellectual property rights in its technology and products (the "Background Intellectual Property Rights"). The parties grant to each other a limited, non-exclusive, royalty-free, non-sublicensable license to use in China all such Background Intellectual Property Rights and such other technology or materials necessary to allow the other party to perform its obligations pursuant to the collaboration agreement and the SoW. The license granted shall remain in effect for whole duration of the exclusivity period, which starts from June 29, 2020 and ends on June 30, 2022 but may be extended for a period of nine months or 12 months.

The parties also agree that any intellectual property rights that are made, conceived or reduced to practice pursuant to the collaboration agreement or a SoW solely by Merck ("Merck Intellectual Property Rights") will be owned by Merck, except those relating uniquely or solely and directly to processes independently developed by us or our molecules shall be owned by us ("Transcenta Intellectual Property Rights"). Similarly, the parties agree that that any intellectual property rights that are made, conceived or reduced to practice by us pursuant to the collaboration agreement or a SoW will be owned by us, except those relating uniquely or solely and directly to the Equipment and/or the components thereof, which will be owned by Merck. The parties also agree that any intellectual property rights that are made, conceived or reduced to practice pursuant to the collaboration agreement or a SoW by agents of more than one party shall be jointly owned by such parties ("Joint Intellectual Property Rights"). With respect to any potentially patentable Joint Intellectual Property Rights in the Equipment and generic process(es) related to the Equipment, Merck shall have the exclusive right, on a worldwide basis to prepare patent applications based on such Joint Intellectual Property Rights, to file and prosecute and maintain such patent applications, and any patents issuing therefrom. With respect to any potentially patentable Joint Intellectual Property Rights solely and directly related to our molecule(s) and specific process(es) related to the molecule(s), we shall have the exclusive right, on a worldwide basis to prepare patent applications based on such Joint Intellectual Property Rights, to file and prosecute and maintain such patent applications, and any patents issuing therefrom. Neither party shall license the Joint Intellectual Property Rights without express written consent of the other party. So long as we use Merck's consumables products with the Equipment on a continuous basis Merck grants to us a royalty free non-sublicensable license to use in China the Merck Intellectual Property Rights and any improvements made by Merck to the Equipment until there is a lag in the placement of orders for such products lasting more than three (3) months.

The collaboration agreement and/or any SoW can be terminated (i) by any party at any time, upon thirty (30) days' prior written notice to the other party. In the event of the exercise of this right by us, milestone payments discussed above, if not already made, shall be immediately due and payable to Merck; (ii) upon written notice to the other party if the non-terminating party becomes insolvent, files a petition under any bankruptcy or insolvency act, or has any such petition filed against it that is not dismissed within sixty (60) days; and (iii) immediately upon written notice if the other party has materially breached the collaboration agreement or any SoW and such breach has not been cured within thirty (30) days of receipt of written notice thereof from the non-breaching party. In the event of the exercise of this right by a party, Merck shall be entitled to payment on a pro-rata basis equal to the percentage of completion of the work undertaken in the performance of the collaboration agreement and the respective SoW including if such work is completed between the due dates of any applicable milestone payments. Unless otherwise terminated, the collaboration agreement shall be effective for three years starting from June 29, 2020 and renewable upon mutual written agreement.

OUR PLATFORM

Our fully-integrated biological therapeutic platform encompasses all the key biologic drug development functionalities, and enables us to identify and address potential clinical and manufacturing issues early in the development process so we can direct our efforts towards molecules with the best potential to become clinically active, cost-effective and commercially viable drugs.

We have successfully built up the necessary capabilities of a fully-integrated biologic platform company. These capabilities are currently housed in four main functional platforms: discovery, clinical development, CMC and business development. These individual functional platforms have been optimized and great attention has been given to building cross-function integration at key points in the lifecycle of a drug candidate. In addition, an efficient operating system for these individual functional platforms has been built, laying a solid foundation for bringing our strong drug pipeline from inception through manufacturing and commercialization in the future.

Specifically, in Suzhou, we have a Discovery, Clinical and Translational Research Center covering approximately 3,000 square meters, which is primarily used for early research and development, clinical drug evaluation, engineering optimization, R&D regulatory filings and medical conversion research. Our manufacturing facility in Hangzhou primarily produces drugs used in clinical trials. We have also set up offices in Shanghai, Beijing, the United States and other locations.

Discovery

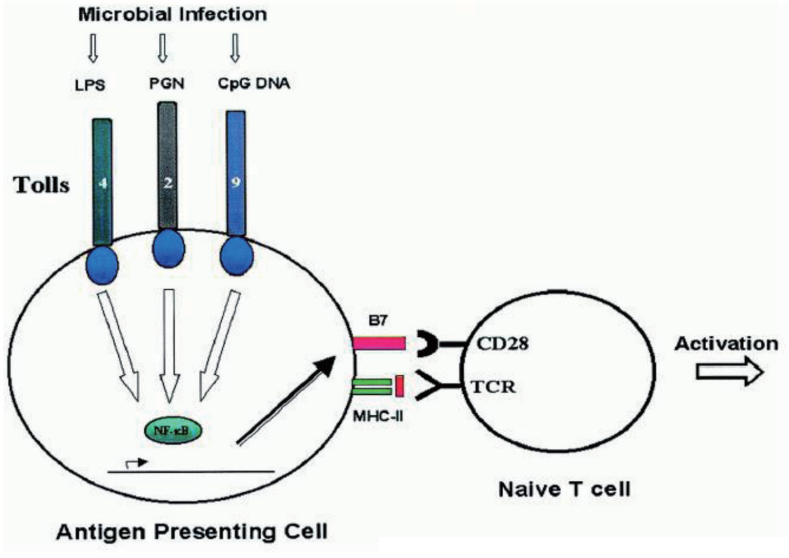
The R&D process of our fully-integrated platform starts with target identification, selection and validation. Led by our highly experienced research review committee, we focus on identifying molecules with high potential in terms of efficacy and safety as well as meaningful market opportunities with high unmet medical needs. Thereafter, our discovery and research force is capable of leading the discovery and pre-clinical development of new drug candidates. We have developed in-house eight out of nine drug candidates in our pipeline. Our drug discovery and R&D activities aim at developing both innovative products based on novel or differentiated mechanism of action and products based on well-established mechanism of action.

We use various antibody discovery and engineering technologies, either independently or in collaboration with third parties, to generate novel mAbs or bi-functional antibodies, to evaluate their potential efficacy and eventually to determine whether the antibodies can be further developed as therapeutics. In particular, we generate mAbs through our unique discovery platform based on our proprietary Immune Tolerance Breaking (IMTB) technology, which enlarges the candidate pool for screening compared with conventional platforms and enables our discovery team with extensive global experience in biologic discovery to generate antibodies with diverse epitopes.

Immune Tolerance Breaking Technology

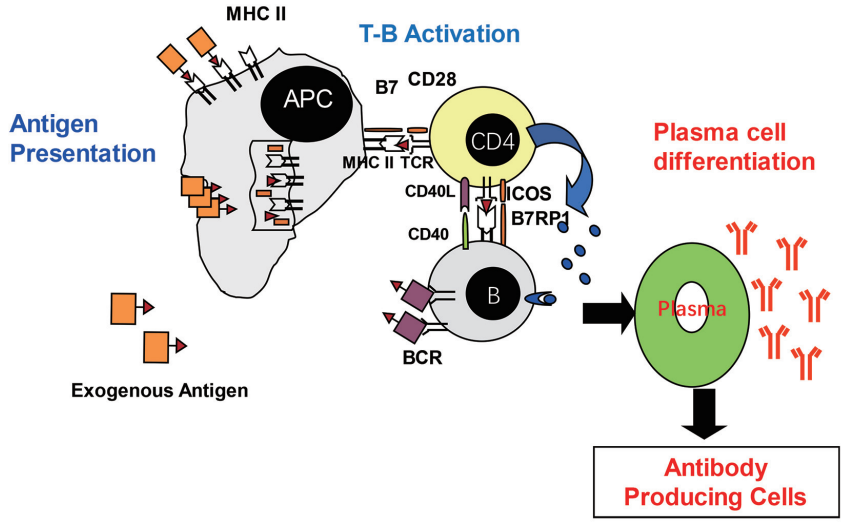
IMTB technology is an antibody generation technology. There are several approaches for antibody generation, including hybridoma, phage or yeast display and single B-cell cloning. We prefer to use hybridoma approach for lead antibody generation as the antibodies generated by using this technology usually have high developability relative to those generated through phage or yeast display. The antibodies generated through hybridoma approach also usually have high affinity and do not require affinity maturation in most cases, which is not the case for antibodies obtained using phage or yeast display or single B-cell cloning.

IMTB is based on the principle of two signal models of T-cell activation, which was proposed by Dr. Charles Janeway of Yale University and states that the activation of naive T-cells requires the presence of MHC-II-antigen peptide complex presented to the T-cell receptor and the expression of co-stimulation molecule. The expression of co-stimulation molecules can be provided by using adjuvant containing either lipopolysaccharide (LPS) or 5'-Cytosine-phosphate-Guanine-3' (CpG, a DNA sequence), which is commonly used during immunization. The human protein antigen is usually processed into small peptides in the antigen presenting cells, complexed with MHC-II inside the cell and presented to the cell surface. However, for antigen peptides that are identical to the mouse sequence of the same antigen (self-antigen or conserved epitope), T-cell receptors that bind to those self-antigens are usually eliminated during the development of the mouse immune system. Otherwise, they will trigger autoimmune destruction of the body and the mice will not be able to survive. This phenomena is called immune tolerance.



Source: Janeway C. PNAS 198: 7461-7468

In order to generate immune response, naive T-cells must be activated before B-cells can be activated and differentiated into plasma cells for antibody production. Most of the human antigens from human genome have average degrees of proteins sequence conservation from 70% to 95%. Once processed, these proteins will have both peptides in sequence different and identical to the counterpart of the mouse protein. Those peptides with sequence different from the corresponding mouse protein are able to find a T-cell receptor to bind when presented as MHC-II-peptide complex and activate T-cells subsequently, and thus induce antibody production. Those peptides with sequence identical to the counterpart mouse protein are unable to bind to available T-cell receptor, and thus no B-cell activation and antibody production.



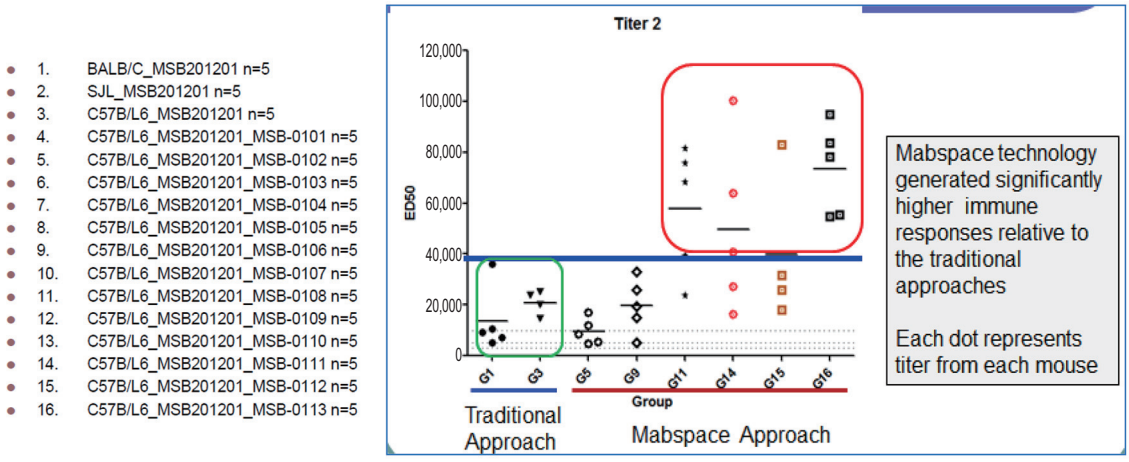
Source: Company in-house data

To break this immune tolerance to self-antigens, we have designed and tested a series of proprietary peptides that can bind to mouse MHC-II and form peptide-MHC-II complex. These MHC-II-peptide complex can bind to specific mouse T-cell receptors. In the presence of adjuvant with LPS or CpG, the complex can induce T-cell activation, subsequent B-cell activation and antibody production. We conjugate these peptides to the target protein of interest via certain amino acid residue in the protein. After the antigen is processed into multiple peptides, these peptides can bind to the T-cell receptor and enable the T-cell activation and antibody generation even if the antigen is highly conserved.

In the application of this technology, the process flow involves the following steps: (1) the conjugation of the peptides to the protein via chemical reaction, (2) removal of the unconjugated peptides, followed by (3) immunization with either standard adjuvant in either wild type mouse strain or human antibody transgenic mice although modified to preserve the native antigen confirmation, (4) screen of the titer for the antigen using mouse serum, (5) boost of the mice before fusion followed by (6) fusion using mouse spleen with high titer, (7) hybridoma cloning and enzyme-linked immunosorbent assay (ELISA) or fluorescence-activated cell sorting (FACS) based screen with the hybridoma supernatant. Once the hybridoma clone expressing the desired antibody has been found, the hybridoma will go through subcloning and single clone of the hybridoma secreting the antibody will be obtained The gene sequence of the antibody can be obtained using standard molecular biology tools.

Therefore, the whole process can be plugged into traditional hybridoma based antibody discovery process easily and only involves the special antigen modification and immunization steps, which are proprietary technologies. The whole process does not require special equipment.

The below is some of the experiment data regarding the testing of the peptides for breaking immune tolerance in mice for an antigen with more than 95% human mouse identity (TST003). The graph showed the mouse titers against MSB003 from groups 1-3 mice immunized without applying IMTB technology and group 4-16 mice immunized applying IMTB technology and conjugated antigen with our different proprietary peptides. Significant improvement is demonstrated in the immune response and antibody titers in IMTB technology applied groups versus the groups that did not apply IMTB technology.



Source: Company in-house data

With the IMTB, we are able to increase the probability of producing mAbs, including mAbs that cannot be produced by other platforms. For example, our in-house discovery capabilities have enabled us to develop MSB2311, a second-generation PD-L1 antibody characterized by its unique pH-dependent antigen binding and recycling properties. Also, we have discovered TST001, a high affinity Claudin 18.2 specific antibody with significantly improved biological activities leveraging NK cell mediated antibody dependent tumor cell killing, and a potentially first-in-class antigen antibody, TST003. We have been able to obtain antibodies that bind to multiple different epitopes including conserved or non-conserved epitopes, therapeutic candidate antibodies with differentiated profiles and select antibody with desired CMC developability profile. To bring more life-saving and affordable antibody therapies, multiple partnerships on discovery and co-development have been established based on this technology. We decided to keep this technology as know-how and did not apply for any patent because the IMTB technology is used during the antibody generation process, and it is difficult to protect our interest if any other parties use this technology. Instead of filing patent applications for the IMTB technology, we file patent applications over antibodies obtained using this IMTB technology, as such patent protection can be enforced more efficiently.

Our research function is led by a key management team experienced with drug discovery and development and consists of 35 employees. Members of our research team generally have biology, antibody immunization and screening, protein expression and purification, genetic engineering, pathology, immunology and *in vivo* pharmacology backgrounds. Our typical drug discovery and development project team brings together relevant specialists from across our Company, as needed, throughout the development of a drug candidate. This includes ongoing involvement of our CMC function to producing stable cell lines, produce and purify the candidate antibody molecules at mid-level scale and to conduct developability profiling extensively in order to identify, at an early stage, characteristics of a drug candidate that could hamper clinical trials or impede efficient manufacturing of a drug candidate so these issues can be addressed efficiently before the drug candidate progresses to the next stage of development. These CMC team members have over 15-20 years of experiences in antibody based therapeutic development and include those experienced in cell line establishment and development, upstream cell culture, downstream purification, formulation screening and analytical science.

Translational Research

We have established a translational research team that is capable of (i) conducting an IHC-based protein expression analysis of the drug target protein in both human and animal tissue samples of various disease models or cell lines; (ii) conducting studies to evaluate the *in vivo* disease intervention activities of the investigational agents using tumor models grown in mouse or models of bone and kidney diseases; and (iii) analyzing the pharmacokinetics and pharmacodynamics profile of the investigational agents. Our translational research team enables us to model tumor responses to our investigational agents and to better understand PK/PD profiles, which guides design and conduct of clinical study and evaluates the options of combination therapy with agents targeting different signaling disease pathways. We also have a platform that allows us to screen antibodies for target-detection using immunohistochemistry and to develop immunohistochemistry detection assays for patient selection in clinical trials, which enables us to maximize potential trial success by enrolling patients with a high probability of responding to the drug treatment in selected indications. We also collaborate with key opinion leaders to gain access to a broad array of primary patient biopsies and tissue samples, which allows us to better understand the biomarker profiles of the target tumors and build tumor models that we believe more accurately represent patients' responses to therapeutic agents.

Clinical Development

The clinical development function of our platform manages clinical development of our pipeline product candidates, including clinical trial design, trial management and implementation, the collection and analysis of trial data, safety management during clinical trials, interaction with regulatory agencies for investigational drug application for initiating clinical trial and biological license application. We strategically design the clinical trials of our drug candidates, critically select the registration pathways, diligently conduct our clinical trials to ensure speed of execution and data quality, and maintain constructive dialogues with the regulatory authorities to achieve optimal clinical efficacy and accelerate the approval process of our drug candidates. As of March 31, 2021, our clinical development team had seven clinical physicians, two members in translational science, two members in pharmacovigilance, nine members in clinical trial management, five members in regulatory affairs, two members in biometry and data management and two members in clinical quality assurance.

Clinical physicians

Our clinical physicians provide clinical leadership and are responsible for formulating clinical protocol concept and protocol development that are consistent with our clinical development strategies and plans, monitoring clinical trials, developing components of regulatory documents/registration dossier and brand related medical information, and clinical communication and publications. Our clinical physicians also interact with external stakeholders, such as regulatory authorities, key opinion leaders, advisory boards, and patient advocacy groups, and internal stakeholders, such as research and business development teams and internal decision boards. In addition, they work closely with internal teams to oversee publication and conference planning, clinical data review and analysis for publication and/or conference presentations.

Clinical pharmacology and biomarker development

Our translational scientists are responsible for overall translational medicine, clinical pharmacology and biomarker strategy to support clinical development and supervise CROs to execute our clinical pharmacokinetics and pharmacodynamics data analyses and modelling, biomarker development and CDx plan.

Pharmacovigilance

Our pharmacovigilance team ensures that our compliance with applicable regulations or standard operating procedures in drug safety management and clinical trials. They are responsible for conducting, monitoring or reporting routine pharmacovigilance and supervising CROs and internal processes related to ensuring safety of investigational medical products in clinical trials. Our pharmacovigilance team is actively involved in CRO management related to serious adverse events reporting, assessing adverse event narratives and reports, updating reports on safety, conducting quality and conveying related case reports to appropriate authorities.

Clinical trial management (clinical operations)

Our clinical development function has entered into long-term partnerships with numerous hospitals and principal investigators located in different regions of China and the United States that offer us readily available clinical trial facilities and services. We believe the size and geographic diversity of these facilities provide us a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently.

We use contract research organizations, or CROs, and consultants that manage, conduct and support our clinical trials and/or pre-clinical studies in China and the United States. We selected our CROs weighing various factors, such as their qualifications, track records for their performance, professional experience and industry reputation. Generally, we enter into a research and development contract with a CRO for an individual project. We supervise these third-party service providers to ensure that they perform their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

Key terms of an agreement we typically enter into with our CROs are summarized as below:

- *Services*. The CRO provides us with services related to a pre-clinical or clinical research project as specified in the agreement or a work order.

- *Term*. The CRO is required to complete the pre-clinical or clinical research project within the prescribed time limit.

- *Payments*. We are required to make payments to the CRO in accordance with the payment schedule agreed by the parties.

- *Intellectual property rights*. We own all intellectual property rights arising from the pre-clinical or clinical research project.

Regulatory affairs

The clinical development function also manages the regulatory submission process for our drug candidates, which require filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. The clinical development function prepares and manages regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting CMC and GMP readiness assessments for our drug candidates. We possess extensive knowledge and experience with regard to regulatory filings in China and the United States. With our presence and expertise in both the United States and China, we are able to design our clinical trials in a way to maximize operation efficiency. Concurrently, we leverage the efficient regulatory approval pathway to accelerate IND applications and early-phase clinical trials in the United States and to advance clinical trials in the indications with significant unmet medical needs from the large patient population in China. We design the trials that allow clinical data from each trial to be used for pooled analysis and for supporting registration, including China, the United States and countries in Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated in the countries and regions where we plan for.

Clinical quality assurance

Our clinical quality assurance team provides quality assurance to support clinical development in compliance with the applicable regulatory requirements and guidelines concerning the clinical quality system. They make sure that our clinical development team follow internal standard of procedures and provide quality review and improvement. Our clinical quality assurance team also performs internal and external audits such as audit for trial master files, investigational sites, pre-selection or routine/risk-based audits of vendors for our key studies. Our clinical quality assurance team reviews and approves clinical documents such as study protocol in accordance with the Good Clinical Practice (GCP) and all applicable regulatory requirements. They provide support during the validation process of the computer systems utilized for the management of clinical data and technical documentation.

Biometry and data management

Our biostatisticians are mainly responsible for statistical related activities in support of clinical development program in accordance with the GCP requirement. They work closely with internal teams including clinical development, clinical operations, pharmacovigilance, data management, and external vendors, including trial management, clinical trial managers, programmers, data managers, and biostatisticians from CRO. They participate in our study designs and electronic data capture development at the study start-up, develops statistical analysis plans (SAPs) for clinical trials, compile statistical analysis and reports, and participate in authoring clinical study reports. Our clinical data management function is in charge of data management related activities in a clinical development program. Clinical data management employees design case report form by working with clinical study team and ensure case report form complies with protocol guidelines. They supervise CRO activities regarding the quality of data collection and deliverables and ensure high quality database design and lock.

CMC

CMC function in our platform plays a critical role in drug development and commercialization. It is responsible for developing robust production processes, formulations and analytics, manufacturing drug products and ensuring products meet regulatory requirements and are safe, efficacious and consistent from batch to batch, throughout product life cycle. In addition, to address challenges of increasing drug-pricing pressure, fierce competition and product demand uncertainty, our CMC function is also responsible for technology and platform development and implementation of a highly productive manufacturing platform to support fast to clinic timeline whereas facilitate future optimization to ensure process robustness and low cost of goods. Our CMC function also plays an important role in supporting our discovery team to select drug candidate molecule for pre-clinical development by conducting developability assessment to ensure the chosen candidate has the appropriate drug-like properties and biological activities, CMC platform-fit, manufacturability and safety profile.

Within our CMC organization, we have well-equipped development labs and a pilot plant designed for technology development/assessment, scale up studies (up to 200L scale) and toxicology material production (total 2,400 m^2). To ensure an optimal balance of development speed, cost and quality, our process and product development team follows a phase-appropriate development strategy, through which well developed process and analytical platforms are fully leveraged for the DP production in support of first in human (FIH) clinical studies to ensure speed from candidate selection to IND filing. Subsequently, with positive clinical data, FIH process is optimized prior to manufacturing of DP in support of pivotal clinical studies, followed by process characterization and validation in preparation of registration filing and commercial production. Analytical methods are also appropriately qualified or validated during development.

In terms of drug manufacturing, GMP drug substance (DS) production takes place in our modular T-BLOC facility in Hangzhou, where we have two 500L, with third one arriving in the near future, and one 2,000L single use bioreactor (SUB) (expandable to three SUBs) and two downstream purification trains. This highly flexible facility supports both fed-batch and continuous perfusion processes with an overall projected capacity of over one metric ton (1,000 Kg). DP production takes place in the same site and our DP production facility is capable of doing GMP fill and finish for all internal and external projects. Environmental monitoring, drug product manufacturing and formal stability studies are supported by our internal quality control function with well-equipped labs. Our quality management system is designed to meet the global standards and to ensure efficient procedures. Business processes and appropriate risk management functions are also in place to ensure high quality products for our customers. The entire site is also supported by our GMP warehouse with a total floor area of over 3,200 m^2.

To maximize our competitiveness, we have continued to invest in development of highly productive biomanufacturing platforms as well as other promising technologies to improve our CMC capability and capacity. For instance, to increase productivity of conventional fed-batch processes, we have implemented intensified fed-batch processes (high seeding cell density using perfusion seed bioreactor), in which we have demonstrated increases in process output by greater than 100% over conventional fed-batch processes. To maximize facility output with significant lower cost of goods, improve process robustness and minimize operational risks, we are developing and implementing a continuous manufacturing platform called Integrated Continuous Bioprocessing (ICB), where a proprietary and highly productive continuous upstream perfusion process will be integrated with an automated and continuous downstream process. While continuous upstream perfusion is a key component of our ICB technology, to address downstream and future facility bottlenecks, we have also entered into a multi-year strategic technology collaboration with Merck in June 2020 to develop automated continuous downstream equipment and other key enabling technologies to accelerate ICB implementation. Once fully implemented, our ICB will enable us to provide "economies of scale" output in a relatively small and low cost modular facility and provide low cost of goods, high flexibility and expandability. Thus far, by applying our proprietary cell culture media in our continuous perfusion platform, we have demonstrated productivity increases up to 10 to 20-fold when compared to conventional fed-batch processes and have successfully implemented continuous perfusion process in our GMP manufacturing. According to the CIC Report, we are the one of the only three companies in China that has implemented continuous perfusion process for GMP clinical supply. Since 2020, continuous perfusion has been our default production platform for our pipeline molecules.

We engaged a reputable third-party manufacturer for early CMC development and manufacturing of MSB2311 and MSB0254 for purposes of IND filings. We have transfer the manufacturing of MSB2311 from the third-party manufacturer to our Hangzhou facility and are in the process of transferring the manufacturing of MSB0254 to our Hangzhou facility. Going forward, we intend to continue the CMC development of, including commercial manufacturing process, MSB2311 and MSB0254 in our own facility. We plan to manufacture all of our pipeline products in-house, either at Hangzhou facility or future Suzhou facility, both of which are capable of commercial manufacturing.

Business Development

To support our long-term strategy and to maximize pipeline assets value, our business development team encompasses the exploration of cooperation opportunities with global and domestic industry players. These opportunities may include research collaboration, technology platform in-licensing, co-development, co-promotion, product in-licensing and out-licensing. We have a proven track record of collaborating with biopharmaceutical and biotechnology companies across the globe, including Eli Lilly, which underscores our credibility with global biopharmaceutical and biotechnology companies and paves the way for long-term collaborations. We are exploring opportunities to capitalize our strong R&D capabilities and to maximize the value of our pipeline assets by in-licensing high potential drug candidates to enrich to supplement our existing drug pipeline and bring first-in-class or best-in-class therapies to the China market. We plan to discuss with global pharmaceutical companies with strong commercial and distribution capabilities outside of China to develop strategic partnership for promoting and distributing our products, such as MSB2311 (PD-L1) and TST001 (Claudin 18.2), in the ex-China market. In addition, we are taking advantage of the global network and industry resources of our shareholders, including world-class strategic investors with profound life science expertise.

Commercialization

We currently have no product approved or in commercial stage yet. However, we have been building up our commercial planning and portfolio management capability since pipeline products have gotten into clinical trials. Our commercial planning team has established product commercial planning process and worked closely with cross functional teams, especially clinical development team, to conduct commercial assessment and formulate commercial strategy for our development plan and product strategy such as indication prioritization, patient population targeting, and product differentiation. When the drug candidates are in late-stage development and getting closer to BLA filing, we will build our sales and marketing capabilities in China to prepare for product launch and maximize product sales. We plan to build a dedicated commercial team for oncology franchise in China with anticipated regulatory approval and 12 – 18 months prior to launch, which will include sales, marketing, market access and medical affairs. Our marketing team will be responsible for market strategy, product positioning, market access, promotion activities, and patient support. Our sales team will cover key hospitals in all major cities in China. They will develop relationships with oncologists to help them understand the MOA, clinical data and differentiation of our products and to help them find appropriate patients. Our medical affair team will include medical directors and medical science liaisons, who will be responsible for KOL engagement, medical education, medical conference management, investigator-initiated study support, and advocacy group engagement. We will also build an in-house commercialization team for our bone health franchise, in collaboration with our strategic partners in China. Specific roles and responsibilities will be discussed and determined between the partners. We will engage with global pharmaceutical companies with strong commercial and distribution capabilities outside of China to develop strategic partnership for promoting and distributing our products in the ex-China market.

CUSTOMER

During the Track Record Period, we derived substantially all of our revenues primarily from providing process development and manufacturing services to customers, primarily biotechnology companies, under CDMO contracts.

In 2019 and 2020 and the three months ended March 31, 2021, revenue generated from our five largest customers in the aggregate accounted for 89.6%, 83.0% and 88.7% of our total revenue in each respective period, and revenue generated from our largest customer alone accounted for 33.2%, 31.6% and 63.7% of our total revenue in each respective period.

The following tables set forth a summary of our top five customers during the Track Record Period.

For the Year Ended December 31, 2019

No.	Customer	Details of our services provided	Principal business activities	Number of years of cooperation	% total sales	Sales amount
						(RMB'000)
1	A biomedical and medical device technology company in Taizhou	Drug production and storage	Biomedicine, medical devices in the field of technology development, technology consulting, technology promotion services (Projects subject to approval in accordance with the law, approved by the relevant departments before operating activities)	2	33.2%	14,659
2	CSPC Dophen Corporation Limited, a biopharmaceutical research company in the United States established in 2012 with business both in China and other countries	Drug testing, development and production	Research and development of protein and antibody therapeutics	2	30.6%	13,496

For the Year Ended December 31, 2019						
No.	**Customer**	**Details of our services provided**	**Principal business activities**	**Number of years of cooperation**	**% total sales**	**Sales amount**
						(RMB'000)
3	A biotechnology companies in Shanghai established in January 2014 with business both inside and outside China	Original liquid production	Research and development of anti-tumor drugs, proprietary technology transfer, technical consultation, technical services	1	15.0%	6,624
4	Hangzhou Gaotian Biopharmaceutical Co., Ltd., a biopharmaceutical company in Hangzhou established in April 2013	Cell line development	Technology development, technology consulting: biomedical products, biological reagents.	1	5.7%	2,496
5	Hongyun Huaning (Hangzhou) Biopharmaceutical Co., Ltd., a biopharmaceutical company in Hangzhou established in September 2010 with business both inside and outside China	GMA 102 GMP production services	Research, development and industrialization of novel antibody drugs for major chronic cardiovascular, cerebrovascular and metabolic system diseases and cancer	2	5.2%	2,278

For the Year Ended December 31, 2020

No.	Customer	Details of our services provided	Principal business activities	Number of years of cooperation	% total sales	Sales amount
						(RMB'000)
1	Beijing Kanova Biopharmaceutical Co., Ltd., a biopharmaceutical technology company in Beijing established in April 2019	CDMO	Technology development, technology transfer, technology promotion, technology services, technology consulting	1	31.6%	25,573
2	A biomedical company in Beijing	CDMO	Biopharmaceutical technology research and development, technology transfer, technology services, technology consulting; import and export of goods, technology import and export, agent for import and export	1	15.7%	12,738
3	Elpiscience Biopharmaceuticals (Suzhou) Co., Limited, a biopharmaceutical technology company in Jiangsu established in March 2018 with business both inside and outside China	CDMO	Research and development, production, and sales of biological products, drugs, and provision of related technical testing, technical services, technology transfer; wholesale, import and export, commission agent (except auction) of machinery and equipment, electronic products, instruments and meters, plastics and the provision of related services	1	12.8%	10,361
4	CSPC Dophen Corporation Limited, a biopharmaceutical research corporation in the United States established in 2012 with business both in China and other countries	CDMO	Research and development of protein and antibody therapeutics	3	12.7%	10,274

For the Year Ended December 31, 2020

No.	Customer	Details of our services provided	Principal business activities	Number of years of cooperation	% total sales	Sales amount
						(RMB'000)
5	Hongyun Huaning (Hangzhou) Biopharmaceutical Co., Ltd., a biopharmaceutical company in Hangzhou established in September 2010 with business both inside and outside China	CDMO	Research, development and industrialization of novel antibody drugs for major chronic cardiovascular, cerebrovascular and metabolic system diseases and cancer	3	10.3%	8,300

For the Three Months Ended March 31, 2021

No.	Customer	Details of our services provided	Principal business activities	Number of years of cooperation	% total sales	Sales amount
						(RMB'000)
1	Elpiscience Biopharmaceuticals (Suzhou) Co., Limited, a biopharmaceutical technology company in Jiangsu established in March 2018 with business both inside and outside China	CDMO	Research and development, production, and sales of biological products, drugs, and provision of related technical testing, technical services, technology transfer; wholesale, import and export, commission agent (except auction) of machinery and equipment, electronic products, instruments and meters, plastics and the provision of related services	2	63.7%	5,025
2	Beijing Kanova Biopharmaceutical Co., Ltd., a biopharmaceutical technology company in Beijing established in April 2019	CDMO	Technology development, technology transfer, technology promotion, technology services, technology consulting	2	9.8%	775

For the Three Months Ended March 31, 2021						
No.	Customer	Details of our services provided	Principal business activities	Number of years of cooperation	% total sales	Sales amount
						(RMB'000)
3	A biopharmaceutical technology company in Hangzhou established in January 2019	CDMO	Scientific research, technical development, technical services, technical consulting, and licencing biotechnology and medical technology; non-medical health management consulting; wholesale and retail: medical devices (limited to category one); import and export of goods and technologies	2	7.7%	610
4	BiOneCure Therapeutics, Inc. (杭州百凱生物醫藥有限公司), a biopharmaceutical technology company in Hangzhou established in September 2017	CDMO	Technology development, technical services, technical consultation, transfer of results: biomedical technology, pharmaceutical intermediates	2	3.8%	300
5	A biomedical and medical device technology company in Taizhou	CDMO	Biomedicine, medical devices in the field of technology development, technology consulting, technology promotion services (Projects subject to approval in accordance with the law, approved by the relevant departments before operating activities)	4	3.6%	283

All of our five largest customers during the Track Record Period are Independent Third Parties. 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, has any interest in any of our five largest customers during the Track Record Period.

RAW MATERIALS AND SUPPLIERS

We procure raw materials and equipment for the development and manufacturing of our drug candidates from industry-leading, highly reputable manufacturers and suppliers around the world. We also procure properties and construction related services for the construction of our manufacturing facilities. In addition, we use contract research organizations, or CROs, and consultants to manage, conduct and support our clinical trials and pre-clinical studies in China and the United States. For further details, see "– Our Platform – Clinical Development and Regulatory Affairs."

In 2019, 2020 and the three months ended March 31, 2021, our purchases from our five largest suppliers in the aggregate accounted for 68.3%, 39.9% and 34.8% of our total purchases in each respective period and purchases from our largest supplier alone accounted for 26.2%, 17.3% and 8.6% of our total purchases, respectively, during the same periods. Purchases included property for development as manufacturing facility and construction related services, raw materials and equipment, and third-party contracting services for research and development purposes.

The following tables set forth a summary of our top five suppliers during the Track Record Period.

For the Year Ended December 31, 2019

No.	Supplier	Details of our purchases	Principal business activities	Number of years of cooperation	% total purchases	Purchase amount
						(RMB'000)
1	Eli Lilly and Company, a pharmaceutical company in the United States (NYSE: LLY)	In-licensing drug candidate	Research and development and manufacturing of drugs, sale and marketing of drugs	1	26.2%	95,433
2	Hangzhou Wanhai Investment Management Co., Ltd., an investment management company in Hangzhou established in November 2010	Purchase of property and plants	Investment management and consulting, industrial investment	1	24.6%	89,405
3	Just Biotherapeutics, Inc., a biotherapeutic company in the United States established in February 2016 with business both in China and other countries	Technical consulting and designing services for the construction of our manufacturing facility	Technical consultation and designing services	4	9.4%	34,261

For the Year Ended December 31, 2019

No.	Supplier	Details of our purchases	Principal business activities	Number of years of cooperation	% total purchases	Purchase amount
						(RMB'000)
4	WuXi Biologics (Shanghai) Co., Ltd., a subsidiary of Wuxi Biologics (Cayman) Inc., a company listed on Hong Kong Stock Exchange (Stock Code: 2269)	Clinical trials	Comprehensive, integrated and highly customizable biologics discovery, development and manufacturing services	4	5.5%	19,829
5	Syneos Health, LLC, a pharmaceutical R&D consulting company (NASDAQ: SYNH)	R&D related testing and assay	Pharmaceutical consulting, medical information consulting, marketing consulting; medical technology development; proprietary technology transfer; technical consulting, technical services, technical training; sales of self-developed products; import and export of goods; technology import and export; agent for import and export	4	2.6%	9,332

For the Year Ended December 31, 2020

No.	Supplier	Details of our purchases	Principal business activities	Number of years of cooperation	% total purchases	Purchase amount
						(RMB'000)
1	A packaging technology company in Zhejiang	Construction in progress – production line	Development, design, production a variety of packaging machinery; sales of self-developed products; wholesale and import and export of goods similar to the above-mentioned products; provide related supporting services; machinery and equipment leasing services	2	17.3%	30,538
2	GE Medical Systems Trade & Development (Shanghai) Co., Ltd., an electrical and medical company in Shanghai established in January 1995	Material/ equipment	Wholesale, leasing, import and export, online retail and commission agents of electrical, electronic and industrial equipment, medical equipment, laboratory instruments, biological reagents, chemical reagents and related ancillary services	4	8.4%	14,814
3	A comprehensive innovative drug research institute in Shanghai	Preclinical services	Pharmaceutical researches and promotion of scientific and technological development, pharmaceutical research and related academic education	3	5.2%	9,198
4	A clinical development services company in the United Sates	Clinical development services	Biomedical technology, technical consulting, and technical services, with extensive experience in various scientific fields, especially protein research, to provide a variety of independent or integrated services	3	5.0%	8,735
5	Shanghai Huijia Investment Advisor Co., Ltd., an investment advisory company in Shanghai established in May 2008	Financial advisory services for a private placement transaction	Investment consulting, business management consulting, business information consulting, market information consulting and research, economic information consulting, environmental protection information technology consulting, conference and exhibition services, financial consulting	1	4.0%	7,070

For the Three Months Ended March 31, 2021

No.	Supplier	Details of our purchases	Principal business activities	Number of years of cooperation	% total purchases	Purchase amount
						(RMB'000)
1	A construction company in Jiangsu established in February 1989	Construction/ Equipment	Mechanical and electrical engineering, construction engineering, construction mechanical and electrical installation engineering, construction project management, design, technical consulting and cost consulting services, construction machinery and equipment leasing; building materials, mechanical and electrical equipment and spare parts sales	5	8.6%	4,174
2	WuXi AppTec (Suzhou) Co., Ltd., a pharmaceutical technology company in Suzhou focusing on preclinical stage	Preclinical stage	Inspection and testing services, goods import and export, technology import and export, medical research and experimental development	4	8.2%	3,973
3	Global Life Sciences Technology (Shanghai) Co., Ltd., a material company in Shanghai established in October 2019	Material/Equipment	Life sciences, biomedicine (except for the development and application of human stem cells, gene diagnosis and treatment technology), technology development, technology transfer, technical consulting, and technical services in the electrical and electronic fields; medical equipment operation, electromechanical equipment, laboratory instruments and their zero Wholesale, online retail, commission agency of parts, biological reagents (except drugs), chemical reagents (except auctions)	2	6.6%	3,175

For the Three Months Ended March 31, 2021

No.	Supplier	Details of our purchases	Principal business activities	Number of years of cooperation	% total purchases	Purchase amount
						(RMB'000)
4	Invitrogen Trading (Shanghai) Co., Ltd., a raw material company in Shanghai established in April 2006	Raw Material	Biochemical products and reagents for molecular biology, pathology, and immunology, as well as supporting research tools and related supporting test equipment used in biotechnology and biomedical research, experiments and testing, and Class I, Class II, and Class III medical devices As well as the wholesale and commission agency of life science equipment, instruments and their spare parts, related consumables and chemical reagents (except auctions)	4	6.1%	2,955
5	Kindos Pharmaceuticals Co., Ltd.	Preclinical stage	Drug research and development; production of freeze-dried powder injections (anti-tumor drugs), small-volume injections (anti-tumor drugs), and large-volume injections (anti-tumor drugs); sales of the company's own products; drug-related technical services and consulting. Import and export of industrial heparin sodium	4	5.3%	2,545

Shanghai Huijia Investment Advisor Co., Ltd. ("Shanghai Huijia"), our fifth largest supplier in 2020, is a subsidiary of China Renaissance. Since we have not generated any revenue from the commercialization of any of our drug candidates, we primarily rely on private placement transactions to fund our business operations. However, we do not have sufficient internal expertise for private placement transactions. We therefore engaged Shanghai Huijia for its financing advisory services in connection with our private placement transactions.

We engaged Shanghai Huijia in March 2019 as an exclusive placement agent in connection with a proposed private placement or sale of our shares. In its capacity as placement agent, Shanghai Huijia was obligated to (i) assist us in analyzing the value of our shares; (ii) assist us in preparing materials describing our shares for distribution; (iii) assist us in identifying and contacting potential purchasers of our shares; (iv) assist and advise us with respect to the financial form and structure of the transaction; and (v) render such other financial advisory and investment banking services as may from time to time. The engagement had a term of twelve (12) months from the date of the engagement, unless extended in writing. Either Shanghai Huijia or us could terminate the agreement at any time on thirty (30) days' prior written notice. We agreed to pay Shanghai Huijia a placement fee, which was determined based on the amount of proceeds we received from the transaction, subject to certain limitations. In June 2020, we entered into a supplemental agreement with Shanghai Huijia to reflect parties' agreement on the amount of service fees and payment arrangement.

All of our five largest suppliers during the Track Record Period are Independent Third Parties, and none of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

We have established relationships with preferred suppliers of raw materials for our manufacturing activities who we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these raw materials. We will establish necessary relationships with these alternative sources based on supply continuity risk assessment.

AWARDS AND RECOGNITION

We have received numerous awards and recognition since our establishment in recognition of the outstanding achievements we have accomplished. The following table sets forth some of the significant awards and recognition we have received since 2019.

Year	Award/Recognition	Awarding Organization	Awarded Entity
2017-2020	MSB2311 was awarded as a sub-project in the National Major Scientific and Technological Special Project for "Significant New Drugs Development" (MSB2311入選"重大新藥創製"國家科技重大專項)	Development Center for Medical Science & Technology of National Health and Family Planning Commission of the People's Republic of China	Suzhou Subsidiary
2019	National Platform for Mass Entrepreneurship and Innovation (國家雙創支撐平臺)	National Development and Reform Commission of the People's Republic of China	HJB Hangzhou
2019	Hangzhou Leading Innovation Team (杭州市領軍型創新創業團隊)	Bureau of Science and Technology of Hangzhou Municipality & Organization Department of the CPC Hangzhou Municipal Committee	HJB Hangzhou
2020	Hangzhou Qiantang New Area "ONE ENTERPRISE ONE POLICY" (錢塘新區"一企一策")	Hangzhou Qiantang New Area Administration Committee	HJB Hangzhou
2020	The Great Innovative Team in Suzhou (姑蘇重大創新團隊)	The People's Government of Suzhou Municipality	Suzhou Subsidiary
2020	Suzhou High-growth Innovative Cultivation Enterprise (蘇州市高成長創新型培育企業)	General Office of Suzhou Municipal People's Government	Suzhou Subsidiary
2020	Suzhou Unicorn Cultivation Enterprise (蘇州市獨角獸培育企業)	Bureau of Science and Technology of Suzhou Municipality	Suzhou Subsidiary

COMPETITION

Our industry is highly competitive and subject to rapid and significant change. While we believe that our fully-integrated research and development platform, our pipeline of drug candidates in clinical and pre-clinical trials and our experienced and global leadership team provide us with competitive advantages, we face potential competition from many different sources working to develop therapies targeting the same indications against which we develop our drug candidates. These include major pharmaceutical companies, such as Merck, Bristol-Myers Squibb, Roche, Jiangsu Hengrui, Qilu Pharmaceutical and Hisun Pharmaceutical, specialty pharmaceutical and biotechnology companies, such as BeiGene, Innovent, Junshi and Henlius, and academic institutions, government agencies and research institutions. Any drug candidates that we successfully develop and commercialize will compete both with existing drugs and with any new drugs that may become available in the future.

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover adverse events in clinical trials. We currently do not maintain product liability insurance or key-man insurance.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of March 31, 2021:

Function	Number	% of Total
Research and development	149	51
Manufacturing	89	31
General and administrative	52	18
Total	290	100

As of March 31, 2021, we had 9 employees in Shanghai, 188 employees in Hangzhou, 63 employees in Suzhou, 12 employees in Beijing, 1 employee in Guangzhou and 17 employees in the United States. Among our 149 research and development and clinical development employees, a vast majority of them hold master's degrees and above.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff, as well as with all other employees. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, please refer to the section headed "Directors and Senior Management" in this document.

None of our Company or any of our subsidiaries have any labor union. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Training and Development

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures and to maintain certain requisite qualifications, such as GMP. Given our emphasis on operating a fully-integrated platform for our drug development processes, some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

Employee Benefits

Our employee remuneration comprises salaries, bonuses, social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. Certain of our practices is not in full compliance with relevant statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws. See "Risk Factors – Risks Related to Doing Business in China – Any failure to comply with PRC regulations regarding our employee equity incentive plans, housing provident fund or the mandatory social insurance may subject the PRC plan participants or us to fines and other legal or administrative sanctions" for more information.

LAND AND PROPERTIES

We currently lease approximately 3,000 m^2 of land in Suzhou where our Discovery, Clinical and Translational Sciences Center is based, which we use for early research and development, clinical drug evaluation, engineering and optimization, R&D regulatory filings and medical translational research functions. We entered into three lease agreements for our properties in Suzhou. Subject to renewal, one of the three agreements will expire in November of 2021. Pursuant the lease agreement, renewal process should be initiated three months before the expiration of the lease. We plan to renew the lease pursuant to the provisions of the lease agreement. Pursuant to the lease agreement, with other terms being equal, we have the priority over other potential tenants to lease the property when the current lease term expires. We have maintained a good relationship with the landlord in the past years and all previous renewals of lease agreement were successfully done. In addition, no circumstances exist that would cause our Directors to believe that the lease agreement is unable to be renewed. As a result, our Directors believe that the lease agreement will be renewed pursuant to the lease agreement. Even if the lease agreement is unable to be renewed, it will not result in material adverse effects on our business operations because we have space in our other properties to accommodate our office staff and lab scientists. In the meanwhile, we can also search for other alternative properties. The other two lease agreements expire in 2023.

We own our manufacturing facility in Hangzhou with a site area of more than 10,800 m^2, including 2,000 m^2 of laboratory space for process development labs and a quality control lab and 2,700 m^2 of production area for producing drugs used in clinical trials. Our Hangzhou facility also has a warehouse for storing products and raw materials. We have obtained the land use right and building ownership certificates for our Hangzhou facility.

We also lease office space in Shanghai, Beijing and the United States, which serve functions such as clinical development and business development. The rental terms provided by the rental agreements expire between 2021 and 2023.

As of March 31, 2021, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INTELLECTUAL PROPERTY

We own all key intellectual property rights of our innovative drugs. Intellectual property rights are important to the success of our business. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, our owned patent portfolio consisted of 18 patents and 35 patent applications relating to certain of our drug candidates and technologies, including 8 Patent Cooperation Treaty (PCT) patent applications, 18 PRC patent applications and nine patent applications in other jurisdictions. We also co-owned 2 PCT patent applications with our collaborators. In addition, as of the Latest Practicable Date, we in-licensed the exclusive Greater China rights relating to one issued patent and four pending patent applications. We are also pursuing additional patent protection for these drug candidates and technologies, as well as for other of our drug candidates and technologies.

As of the Latest Practicable Date, in relation to our core product, we owned one issued patent in each of China, the United States, Macau, Russia and Hong Kong, one pending patent application in each of China and the United States and six pending patent applications in other jurisdictions. As of the Latest Practicable Date, in relation to our key products, we owned three PCT priority applications, two pending PCT applications and two pending patent applications in Taiwan, and co-owned one PCT priority application with our collaborator, Beijing Cancer Hospital. In addition, we also in-licensed one issued Chinese patent in relation to TST002.

The following table summarizes the details of the granted patents and the filed patent applications owned by or licensed to us or shared with our collaborators on our core product and key products:

Product	Scope of Patent Protection	Jurisdiction	Status	Patent Expiration*	Ownership
MSB2311	Composition of matter of MSB2311, method of use in treating diseases including cancer, and methods of production	Canada, Europe, Japan, Korea, Russia, Hong Kong, Mainland China, United States	Pending	February 10, 2037	MabSpace BioSciences (Suzhou) Co., Ltd.
	Composition of matter of MSB2311, method of use in treating diseases including cancer, and methods of production	United States	Granted	June 2, 2037[1]	MabSpace BioSciences (Suzhou) Co., Ltd.
	Composition of matter of MSB2311, method of use in treating diseases including cancer, and methods of production	Mainland China, Macau, Hong Kong, Russia	Granted	February 10, 2037	MabSpace BioSciences (Suzhou) Co., Ltd.
TST001	Composition of matter of therapeutic antibody of TST001, methods of use in treating diseases including cancer, and methods of production	PCT, Taiwan	Pending	August 20, 2040	MabSpace BioSciences (Suzhou) Co., Ltd.
	Composition of matter of derivative of therapeutic antibody of TST001, methods of use in treating diseases including cancer, and methods of production	PCT provisional	Priority to be claimed	Not yet known[4]	Co-owned by MabSpace BioSciences (Suzhou) Co., Ltd. and a collaborator
	Composition of matter of diagnostic antibody for Claudin 18.2, methods of use in diagnosis, and methods of production	PCT, Taiwan	Pending	May 24, 2041	MabSpace BioSciences (Suzhou) Co., Ltd.
TST005	Composition of matter of TST005, method of use in treating diseases including cancer, and methods of production	PCT provisional	Priority to be claimed	Not yet known[2]	MabSpace BioSciences (Suzhou) Co., Ltd.
	Composition of matter of TST005, method of use in treating diseases including cancer, and methods of production	PCT provisional	Priority to be claimed	Not yet known[5]	MabSpace BioSciences (Suzhou) Co., Ltd.
TST002	Composition of matter of TST002, and method of use in treating diseases including osteoporosis	Mainland China[3]	Granted	March 11, 2028	In-licensed from Eli Lilly
TST004	Composition of matter of TST004, and method of use in treating diseases including MASP-2 dependent complement activation related disease, and method of production	PCT provisional	Priority to be claimed	Not yet known[6]	MabSpace Biosciences (Suzhou) Co., Ltd.

* Patent expiration dates are assumed to be the 20th anniversary for countries and regions other than United States and China.

(1) Included 112 days of patent term adjustment.

(2) Expiration date will be the 20th anniversary from the filing date of the formal PCT application, which is expected to happen by November 18, 2021.

(3) In-licensed from Eli Lilly.

(4) Expiration date will be the 20th anniversary from the filing date of the formal PCT application, which is expected to happen by February 19, 2022.

(5) Expiration date will be the 20th anniversary from the filing date of the formal PCT application, which is expected to happen by January 22, 2022.

(6) Expiration date will be the 20th anniversary from the filing date of the formal PCT application, which is expected to happen by June 30, 2022.

We have filed one PCT patent application for MSB0254, one PCT patent application for TST003 and co-filed together with a collaborator one PCT patent application for TST003. We expect to be granted with patents in 2024. We plan to file patent applications for TST006 and TST008 in the second half of 2021.

The terms of individual patents may vary based on the countries in which they are obtained. In most countries in which we file patent applications, including China and the United States, the term of an issued patent is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. In the United States, an issued patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office, or USPTO, in excess of a patent applicant's own delays during the prosecution process. Alternatively, the term of a US patent may be shortened if the patent is terminally disclaimed over, and will expire on the same day as, a commonly-owned patent having an earlier expiration date. The legal framework of patent term adjustment has been legislated in the recently amended Patent Law of the People's Republic of China, which became effective on June 1, 2021.

In addition, with respect to any issued patents in the United States and European Union, we may be entitled to obtain an extension of the patent's term from the respective government agencies that review and approve NDAs provided we meet the applicable requirements for obtaining such patent term extensions. For example, in the United States, we may apply for a patent term extension of up to five years as compensation for the patent term lost during clinical trials and the FDA regulatory review process under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The exact duration of the extension depends on the time we spend in clinical studies, as well as getting an NDA approval from the FDA. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. Japan is another country where similar patent term extension is currently available, and Japan appears to have harmonized the major components of its patent term extensions with those of the U.S. and European Union, with the extension to be least two years. Similarly, the recently amended Patent Law of the People's Republic of China introduces patent term extension of up to five years as compensation for the lost of patent term for invention during evaluation and approval for a new drug to be marketed.

Further, both the United States and European Union provide regulatory marketing exclusions that can be added on to existing exclusivity already available to an approved drug, when such a drug is developed for treating an orphan disease or a pediatric disease.

The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secret and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisers and contractors, and invention assignment agreements with our employees. We have entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we used to employ each of our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secret and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secret and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secret and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors – Risk Related to Our Intellectual Property" for a description of risks related to our intellectual property.

We conduct our business under the brand name of "Transcenta." As of the Latest Practicable Date, we had registered 19 trademarks in mainland China and one trademark in the Hong Kong, and filed 15 trademark applications in China and filed eight trademark applications in the United States. In addition, we were the registered owner of 29 domain names and three copyright in mainland China as of the Latest Practicable Date.

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights" to this document for further information.

ENVIRONMENTAL MATTERS AND WORKPLACE SAFETY

We strive to operate our facilities in a manner that protects the environment and the health and safety (EHS) of our employees, patients and communities. We are committed to corporate responsibility and long-term sustainability that are reflected in our EHS policies. Our board of directors is overall responsible for EHS related matters including formulating EHS strategies and policies. We have also established a corporate compliance committee under the board to supervise the execution of our EHS strategies and policies. On the execution level, our EHS department, human resources department, legal and compliance department and management personnel of plant are responsible for daily execution and management in relation to EHS matters. The responsibilities are executed through training; formulation and implementation of strategies, policies, standards and metrics; communication of environmental, health and safety policies and procedures; environmental, health and safety audits; and incident response planning and implementation.

We have set up goals and strategies for EHS matters. In terms of environmental sustainability, we strive to continuously reduce production-related waste by leveraging ICB platform and enhancing manufacturing efficiency; design future research building and manufacturing facility located in Suzhou with Leadership in Energy and Environmental Design standards (LEED standards, a certification program devised in 1994 by the U.S. Green Building Council); and minimize future facility footprint and consequently reduce utility consumption by the benefit of process intensification technology. Regarding social responsibility, we are committed to develop next-generation scientist who will fulfil our mission of discovering, developing and delivering innovative medicines to patients in need; build a diverse workforce with inclusion of different age, cultural background, physical abilities and disabilities, race, religion, gender, and sexual orientation; and participate in industry trade association to promote mission of biotechnology. With respect to safety and control, we will further improve our internal control infrastructure; continuously enhance existing system and process to ensure business ethics, prevent, detect and report corruption activities; set annual goal of zero safety incidence; improve board composition and diversity and evaluate and adjust executive compensation. In order to realize these goals, we have implemented company-wide policies, standards and procedures to ensure that we meet the

environmental, health and safety protection requirements in relation to emissions of air, water and other media; waste water generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response; and product stewardship.

Our manufacturing facilities produce certain production-generated wastes. We have formulated waste disposal procedures for the disposal of waste water, solid waste, waste air emission and noise emission. We categorize waste into different types and put in place the corresponding procedures for the disposal of each category of waste. For example, we transfer water exiting our bioreactors and purification systems to waste water treatment center for processing before being discharged into the city sewer system. We have also contracted a licensed hazardous material handling company for production related solid waste such as single-use bag and tubing. With respect to safety, we have established safety incentive program to encourage our employees to report safety hazards. Safety hazards are categorized into different types. Employees reporting a specific type of safety hazards will be rewarded accordingly pursuant to the incentive program. In addition, we have also formulated emergency chemical spill response plan, emergency rescue plan for pressure vessel of special equipment and emergency rescue management system to guide us in response to potential emergencies. We have also formulated safety management system for our engagement with contractors. Furthermore, we have also established general EHS systems such as safety production, occupational disease prevention, environment and fire control accountability system, EHS training and education system, and EHS hazards and incidents management system as well as a general risk management system.

In light of the comprehensive EHS measures we put in place and our strict enforcement of these measures, we believe we are not subject to significant EHS related risks. To ensure compliance with applicable laws and regulations, from time to time, we would, if necessary and after consultation with our legal advisors, adjust our policies to reflect the latest EHS related laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with EHS laws or regulations, nor did we have any material workplace accidents.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or, to our best knowledge, threatened material legal or administrative proceedings. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

PERMITS, LICENSES AND OTHER APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. Set forth below is a list of material permits, licenses and other approvals held by us as of the Latest Practicable Date:

License/Certificate	Holder	Expiration date
Business license	Suzhou subsidiary	Effective until October 16, 2062
Business license	HJB Hangzhou	Effective until February 17, 2046
Drug manufacturing certificate	HJB Hangzhou	Effective until May 7, 2023
Business license	Suzhou Mabspace Diagnostics Co., Ltd.	Effective until September 17, 2063
Business license	YJ Biosciences Co., Ltd.	Effective until February 2, 2046
Business license	Transcenta Therapeutics (Shanghai) Co., Ltd.	Effective until May 21, 2049
Business license	Transcenta Therapeutics (Guangzhou) Co., Ltd.	Long-term effective
Business license	Mabspace Biotechnology (Beijing) Co., Ltd.	Effective until September 20, 2050

The Drug manufacturing certificate is subject to renewal upon its expiration on May 7, 2023. As of the Latest Practicable Date, we do not expect any impediments to the renewal of the Drug Manufacturing Certificate in 2023. The certificate was initially issued by Zhejiang branch of the NMPA on May 8, 2018 after our Hangzhou facility completed the work of commissioning, qualification and validation. Since then, we have been operating the facility under strict GMP requirements and have also been continuously enhancing our quality management system. We have completed multiple rounds of external third-party audits and inspections and there have been no critical findings of GMP compliance. Therefore, we do not expect any impediments to the renewal. Our PRC legal adviser also confirms that there are no legal impediments for us to renew such certificate if we are able to meet the requirements for renewing the certificate.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global biologic markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information – Quantitative and Qualitative Disclosure about Market Risk" for a discussion of these market risks.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Directors supervise the implementation of our risk management policies.

The following key principles outline our Group's approach to risk management:

- Our audit committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy; (ii) discussing with senior management to ensure that effective risk management system is in place; and (iii) evaluating any major investigation findings on risk management and internal control and our senior management's responses to these findings.

- Our audit department is responsible for establishing our risk management system and supervising and evaluating its operations.

- The relevant departments in our Company, including but not limited to the finance department, the marketing department and the legal department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks; (iii) regularly prepare risk management reports for the audit department's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

In preparation for the Listing, we engaged an independent third party consultant (the "Internal Control Consultant") to perform a review of selected areas of our internal control over financial reporting in December 2020 (the "Internal Control Review"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Joint Sponsors and the Internal Control Consultant. The selected areas of our internal control over financial reporting that have been reviewed by the Internal Control Consultant included both entity level controls and business process level controls, which included control environment, risk assessment, internal monitoring, financial reporting and disclosure controls, sales, receivable and collection, procurement, accounts payable and payment, production and

costing, inventory management, construction management, human resources management, cash and treasury management, IT general controls, contract management, insurance, research and development, clinical trial management, and intellectual property management. During the course of the Internal Control Review, the Internal Control Consultant provided their findings and recommendations. We have accordingly taken the enhanced internal control measures. The Internal Control Consultant performed follow-up reviews in March 2021 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "Follow-up Review"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by us, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Given our implementation of enhanced measures and the results of the Follow-up Review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety, patient data protection, privacy and anti-corruption. For more information, see "– Intellectual Property" and "– Environmental Matters and Workplace Safety." We provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors; and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

- We have engaged Anglo Chinese Corporate Finance, Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

- We have established privacy and information security measures regarding cooperating hospitals, privacy and information security measures for patients, customer intellectual property rights protection measures, which strictly require and put in place accountability mechanism for our employees to protect the personal information of patients participating in our clinical trials and private and confidential information relating to cooperating hospitals, patients and customers. If any third parties need to access such information or data, our IT department, after consulting our internal legal staff, enter into a confidentiality agreement with the third parties. We have adopted the Patient Privacy and Information Security Rules that provides three basic principles: (i) principle of restriction: patient information should be used within the limited scope; (ii) principle of authorization: generally, patient information can only be used or obtained in accordance with employee's duties, with patient's special authorization requested under certain circumstances; (iii) principle of control: patient information should be under valid protection at all times. These Rules apply to all clinical trials, including the multi-regional clinical trials.

  In particular, we endeavor to comply with relevant laws and regulations, including the Scientific Data Measures, and follow Good Clinical Practice (GCP, an international quality standard) for our clinical trials. We formulated internal policies for collecting, storage and use of data, such as Data Management Plan and User Management Plan to ensure the integrity and security of the data we collected and stored. Specifically, (i) we have implemented a strict data separation system for data collected from different jurisdictions in order to ensure full compliance with data security laws and regulations of the various jurisdictions involved. The experimental data from different jurisdictions are stored in different servers that are isolated from each other. During the Track Record Period and up to the Latest Practicable Date, all clinical trials were separately run in China and the United States, and the data were stored in separate servers located in China or the United States, respectively. The R&D team in charge of the Chinese projects does not have the authority to access the data of the U.S. projects, and vice versa. All parties cooperating with us, including research institutions and CROs, also follow the same principle to achieve data isolation; (ii) we set forth data requirements according to GCP in each study plan, and provide training and learning sessions to personnel related to each project to ensure that they understand the data-related requirements of the projects, such as only collecting the information necessary for the trials, using anonymized codes for patient identification, and using relevant data only for intended purposes as agreed by patients and in a manner consistent with consent form; (iii) we strictly limit the access to clinical trial data and the information about the participants enrolled to

authorized personnel only and delegate authority to relevant employees based on their job responsibilities so as to limit non-essential exposures to relevant data; (iv) we hold general training sessions on GCP content every year for our employees to deepen their awareness of data safety in storage, protection and use of relevant data; and (v) we have built an information technology system consisting of reliable hardware and software facilities, funds and qualified personnel to help us realize compliance with relevant laws, regulations and GCP guidelines. As of the Latest Practicable Date, we were not aware of any concerns or issues raised by relevant authorities regarding our management of scientific data or any claim alleging that we were in violation of the Scientific Data Measures.

In terms of file management, all documents relating to the clinical trials, including the test plan, informed consent form, case report form and other original documents should be kept in a locked file cabinet and kept by designated personnel only. The documents cannot be accessed by unrelated personnel, and cannot be copied or transcribed by any employees. Our clinical experiment data is stored in the external clinical experiment data collection system (EDC) that is commonly used in the industry, and the clinical data is kept by a qualified database management service provider that provides high level of security in storage of data and user access. We enter into cooperation agreement with the database management service provider to clarify the rights and obligations, confidentiality agreements and other terms and conditions. Clinical data access are strictly limited to hospital institutions we are in collaboration with, medical regulatory authorities and our trial team. See "Risk Factors – Risks Related to Our Industry, Business and Operations – Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, could limit their use or adoption, and could otherwise negatively affect our operating results and business." In addition, we require our employees to enter into a confidentiality agreement with us when we hire them. The confidentiality agreement provides detailed obligations for various aspects of our business operations. We plan to continue to strictly enforce these internal rules and supplement or amend these rules to ensure that these rules can cover relevant risks as our business evolves.

- We have established anti-bribery and anti-corruption measures, which set forth procedures for identifying potential frauds and corruption, implementing relevant anti-corruption procedures and setting out anti-corruption responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations. This prohibition applies to all business activities, whether involving government officials, influential personnel or private or public payors. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect

transactions and asset dispositions in reasonable detail. We provide employees with adequate communication channels. If employees have any questions about anti-corruption compliance principles, they should promptly contact their supervisor or company compliance officer. We encourage employees to take the initiative to seek guidance from us regarding anti-corruption policy principles. We have also put in place whistleblower mechanism so that employees can timely report relevant incidents in time to our chief executive officer and human resources department according to our anti-corruption measures.

- We plan to maintain strict anti-corruption policies among our employees in our sales and marketing activities and we believe we will therefore be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry. We have not had any corruption incidents in our history.

- We have established a set of rules for environment health and safety related matters. See "– Environmental Matters and Workplace Safety" for more details.

Regulations on Company Establishment and Foreign Investment in the PRC

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC (《中華人民共和國公司法》, the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**NPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)(2020年版)》, the "**Negative List**"), which was promulgated by the Ministry of Commerce (the "**MOFCOM**") and National Development and Reform Commission (the "**NDRC**") in June 2020 and came into effect in July 2020. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the NPC in March 2019 and came into effect in January 2020. After the Foreign Investment Law came into effect, the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as "foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law, including: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect in January 2020. After the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) have been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

Regulations on Pharmaceutical Product Development, Approval and Registration in the PRC

Drug Regulatory Regime

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") was promulgated by the Standing Committee of the NPC, in September 1984. The last two amendments to the Drug Administration Law were the amendment promulgated in April 2015 and in August 2019. The Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》) was promulgated by the State Council in August 2002, and was last amended in March 2019. The Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, which regulates and provides for a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Office of the Central Committee of the Communist Party of China jointly issued an Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the "**Innovation Opinions**") in October 2017. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first in order to develop drugs in highly prioritized therapeutical areas, such as oncology or rare disease areas.

To implement the regulatory reform introduced by Innovation Opinions, the Standing Committee of the NPC, the National Medical Products Administration (the "**NMPA**"), a newly formed government authority as well as other authorities, are currently responsible for revising the laws, regulations and rules regulating the pharmaceutical products and the industry.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law (the "**2019 Amendment**"), which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the marketing authorization holder system (the "**MAH System**"), conditional approvals of drugs, traceability system of drugs, and the cancelation of relevant certification according to the Good Manufacturing Practice and the Good Supply Practice.

Regulatory Authorities

Pharmaceutical products, medical devices and equipment in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was newly formed under the SAMR. The NMPA's predecessor, the State Drug Administration (the "**SDA**"), was replaced by the State Food and Drug Administration (the "**SFDA**"), which was later reorganized into the China Food and Drug Administration (the "**CFDA**") as part of the institutional reforms implemented by the State Council.

The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of the pharmaceutical, medical devices and cosmetics industry;
- evaluating, registering and approving of traditional Chinese medicine, chemical drugs and biological products;

- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment;

- approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products;

- examining and evaluating the safety of pharmaceutical products, medical devices and cosmetics; and

- managing the significant accidents involving the pharmaceutical products, medical devices and cosmetics.

In 2013, the Ministry of Health (the "**MOH**") and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC (the "**NHFPC**"). In March 2018, the First Session of the Thirteenth NPC approved the State Council Institutional Reform Proposal (《國務院機構改革方案》), according to which, the responsibilities of NHFPC and certain other governmental authorities are consolidated into the National Health Commission (the "**NHC**"), and the NHFPC shall no longer be reserved. The responsibilities of the NHC include organizing the formulation of national drug policies, the national essential drug system and the National Essential Drug List and drafting the administrative rules for the procurement, distribution and use of national essential drugs.

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 by the CFDA in March 2017 and came into effect in May 2017, the approval of clinical trial application should be issued by the Center for Drug Evaluation (the "**CDE**") in the name of the CFDA.

Regulations on the Clinical Trials and Registration of Drugs

Administrative Measures for Drug Registration

The Administrative Measures for Drug Registration (《藥品註冊管理辦法》) ("**Registration Measures**") was promulgated by SFDA in July 2007 and then amended by the SAMR in January 2020, which became effective in July 2020. The Registration Measures mainly cover: (1) definitions of drug marketing registration applications and regulatory responsibilities of the drug administration; (2) general requirements for drug marketing registration; (3) clinical trials; (4) application, examination and approval of drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) associated review of drugs, excipients and packaging materials; (10) expedited registration of drugs; and (11) liabilities and other supplementary provisions.

According to the Registration Measures, drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. Among them, the registration applications of chemical drugs shall be categorized by innovative chemical drugs, improved new chemical drugs, generic chemical drugs, etc.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which aims to reclass the registration application of chemical drugs stipulated by the Registration Measures promulgated in 2007. According to the Reform Plan for Registration Category of Chemical Medicine, Category 1 drugs refer to innovative chemical drugs that have not been marketed anywhere in the world. Improved new chemical drugs that are not marketed anywhere in the world fall into Category 2 drugs. Generic chemical drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4 drugs. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China.

As a support policy and implementing rule of the Registration Measures newly amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) in June 2020, effective in July 2020, which reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such regulation, Category 5.1 are innovative chemical drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

Accelerated Approval for Clinical Trial and Registration

The CFDA released 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》) in November 2015, which clarified the measures and policies regarding simplifying and accelerating the approval process of clinical trials, including but not limited to an one-time umbrella approval procedure allowing the overall approval of all phases of a drug's clinical trials, replacing the phase-by-phase application and approval procedure, will be adopted for drugs' clinical trial applications.

The Innovation Opinions established a framework for reforming the evaluation and approval system for drugs, medical devices and equipment. The Innovation Opinions indicated enhancing the standard of approval for drug marketing registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

The CFDA promulgated the Opinions on Encouraging the Priority Review and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》) in December 2017, which further clarified that a fast track clinical trial approval or drug marketing registration pathway will be available to innovative drugs. Particularly, concurrent applications for new drug clinical trials which are already approved in the United States or the European Union are also eligible for fast track clinical trial approval.

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

The Registration Measures has incorporated the previous reform in respect of the accelerated approval for clinical trial and drug marketing registration and introduces four procedures for expedited marketing registration of drugs, which are procedures for ground-breaking therapeutic drugs, procedures for conditional approval, procedures for prioritized reviews and approval, and procedures for special examination and approval:

- Procedures for ground-breaking therapeutic drugs: during the drug clinical trials, for an innovative drug or improved new drug used for prevention and treatment of life-threatening illnesses or illnesses which have a serious impact on quality of life and for which there is no other effective prevention and treatment method or there is adequate evidence to prove that the said innovative drug or improved new drug has obvious clinical advantages over existing treatment approach, the applicant may request for application of procedures for ground-breaking therapeutic drugs.

- Procedures for conditional approval: during the drug clinical trials, for drugs which fall under the following circumstances, an application for conditional approval of marketing registration may be submitted (i) for drugs for treatment of life-threatening illnesses for which there is no effective treatment approach, the clinical trial of drugs already has data to prove efficacy and is able to forecast the clinical value; (ii) for drugs urgently needed for public health, the clinical trial of drugs already has data to prove efficacy and is able to forecast the clinical value; and (iii) for other vaccines urgently needed for major public health emergencies or deemed by the NHC to be urgently needed, its benefits outweigh the risks according to the evaluation.

- Procedures for prioritized reviews and approval: at the time of the drug marketing registration, drugs have obvious clinical value may apply for application of procedures for prioritized review and approval, including (i) clinically and urgently needed but insufficient drug, innovative drugs and improved new drugs for prevention and treatment of major contagious diseases and rare diseases; (ii) new pharmaceutical product types, dosage form and specifications of pediatric drugs which comply with pediatric physiological characteristics; (iii) vaccines and innovative vaccines urgently needed for prevention and control of diseases; (iv) drug included in the procedures for ground-breaking therapeutic drug; (v) drug which comply with conditional approval criteria; and (vi) other circumstances of prioritized review stipulated by the NMPA.

- Procedures for special examination and approval: at the time of a threat or occurrence of public health emergency, the NMPA may, in accordance with law, decide to implement special examination and approval for urgently needed drug required for the prevention and treatment during the public health emergency. Drug included in the special examination and approval procedures may, based on special needs of disease prevention and control, be restricted for use within a certain period and scope.

Trial Exemptions and Acceptance of Foreign Data

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data (《接受藥品境外臨床試驗數據的技術指導原則》) in July 2018, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical data can be submitted for the drug marketing registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct drug marketing registration. According to the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, sponsors may use the data of foreign clinical trials to support drug marketing registration in China, provided that sponsors must ensure the authenticity, integrity, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Trial Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the "**ICH**"). Moreover, sponsors shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system requirements, and the accuracy and integrity of statistical analysis of data. To ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the sponsors may, prior to implementing pivotal clinical trials, contact the CDE to ensure the compliance of pivotal clinical trials' design with the essential technical requirements for drug registration in China. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug marketing registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs (《關於臨床急需境外新藥審評審批相關事宜的公告》) in October 2018, permitting drugs that have been approved within the last ten years in the United States, the European Union or Japan and that prevent or treat orphan diseases or prevent, or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug has been marketed. The CDE has developed a list of qualifying drugs that meet the foregoing criteria.

Drug Clinical Trial Application

According to the Registration Measures, after the completion of the pharmaceutical, pharmacological and toxicological research of the drug clinical trial, the applicant may submit relevant research materials to CDE for applying for the approval to conduct drug clinical trial. The CDE will organize pharmaceutical, medical and other technicians to review the application and to decide whether to approve the drug clinical trial within 60 days of the date of acceptance of the application. Once the decision is made, the result will be notified to the applicant through the website of the CDE and if no notice of decision is issued within the aforementioned time limit, the application of clinical trial shall be deemed as approval. The Registration Measures further requires that the applicant shall, prior to conducting the drug clinical trial, register the information of the drug clinical trial plan, etc. on the Drug Clinical Trial Information Platform. During the drug clinical trials, the applicant shall update registration information continuously, and register information of the outcome of the drug clinical trial upon completion. The applicant shall be responsible for the authenticity of the drug clinical trial information published on the platform. Pursuant to the Notice on the Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) promulgated by SFDA in September 2013, the applicant shall complete the trial pre-registration within one month after obtaining the approval of the clinical trial application in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the clinical trial application shall automatically expire.

Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, a clinical trial consists of Phases I, II, III and IV clinical trial as well as bioequivalence trial. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research.

However, according to the Technical Guiding Principles for Clinical Trials of Anti-tumor Drugs (《抗腫瘤藥物臨床試驗技術指導原則》) issued by the SFDA in May 2012, the clinical study staging of anti-tumor drugs is not a fixed developmental sequence. The rapid development of anti-tumor drug research theories and technologies is likely to have an impact on future anti-tumor drug development models. Therefore, applicants can actively explore more scientific and rational research methods and promptly seek advice from the drug registration department under the SFDA.

To improve the quality of clinical trials, the SFDA promulgated the Good Clinical Trial Practice for Drugs (《藥物臨床試驗質量管理規範》) (the "**GCP Rules**") in August 2003 which was further amended in April 2020 and came into effect in July 2020. According to the GCP Rules, clinical trial means systematical investigation of drugs conducted on human subjects (patients or healthy volunteers) to prove or reveal the clinical, pharmacological and other pharmacodynamic effects, adverse reactions or absorption, distribution, metabolism and excretion of the drug being investigated. In order to ensure the quality of clinical trials and the safety of human subjects, the GCP Rules provides comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the GCP Rules enhances the protection for study subjects and tightens the control over bio-samples collected under clinical trials.

The GCP Rules stipulated that the sponsor shall bear the expenses for medical treatment and the corresponding compensation for any human subject who is harmed or dies due to reasons connected with the clinical trial. The sponsor and investigator shall pay the human subject the compensation or indemnification in a timely manner. However, the GCP Rules promulgated in 2020 abolishes the compulsory insurance the sponsor provides to human subjects participating in a clinical trial compared with the GCP Rules promulgated in 2003.

The GCP Rules also set out the qualifications and requirements for the investigators and centers participating in clinical trial, including: (i) professional certification at a clinical trial center, professional knowledge, training experience and capability of clinical trial, and being able to provide the latest resume and relevant qualification documents per request; (ii) being familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) being familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keeping a copy of the authorization form on work allocation signed by investigators; (v) investigators and clinical trial centers shall accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial centers authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

The GCP Rules also summarizes the role of ethics committee in clinical trial process. An ethics committee shall consist of experts working in the medical, pharmaceutical and other fields. The clinical trial protocol may not be executed unless approved by the ethic committee. In November 2019, the NMPA and the NHC jointly promulgated the Notice on Issuing the Administration of Drug Clinical Trial Institution (《關於發佈藥物臨床試驗機構管理規定的公告》), which stipulates that each clinical trial institution shall maintain an ethic committee responsible for the ethical review of drug clinical trial.

Communication with the CDE

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) promulgated by the NMPA in July 2018, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol. Within 60 days after the acceptance of and the fees paid for the clinical trial applications, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

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》) in September 2018, during the research and development periods and in the registration applications of, among others, the innovative drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I 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 meetings are held during the key research and development periods of drugs, mainly including meetings before the clinical trial application, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a drug marketing application, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Drug Marketing Registration

According to the Registration Measures, the applicant may submit an application for drug marketing registration to CDE upon completion of relevant research on pharmacy, pharmacology, toxicology and drug clinical trials, determination the quality standards of the drug, validation of commercial-scale production processes and preparation for acceptance of verification and inspection conducted by professional technical institution designated by competent NMPA. The CDE will organize pharmaceutical, medical and other technicians to conduct comprehensive review of the safety, efficacy and quality controllability, among others, of the drug according to the application materials submitted by the applicant, the results of the verification and inspection conducted by professional technical institution, etc. If the comprehensive review conclusion is affirmative, the drug shall be approved for marketing and a drug registration certificate will be issued containing the information of the drug approval number, the marketing authorization holders (the "**MAH**") and the manufacturer.

Pilot Plan for the MAH System

The MAH System was formally established by the 2019 Amendment and symbolized the general application of the MAH System throughout the country. According to which: (i) an MAH refers to enterprise or drug research and development institute which has obtained a drug registration certificate; (ii) an MAH shall be 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 study, clinical trial, manufacturing and operation, post-market launch study, monitoring, reporting and handling of adverse reactions of the drugs; (iii) the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the quality of drugs; (iv) an MAH may either engage in drug manufacturing on its own or may engage licensed contract manufacturers for manufacturing; (v) an MAH may either engage in drug sales on its own or may engage licensed contract distributor for drug sales; (vi) upon approval by the drug administrative department of the State Council, an MAH may transfer the drug registration certificate for a certain drug obtained by it to a qualified transferee and upon the completion of the transfer, such transferee will be the new MAH for that drug.

Multi-Regional Clinical Trials

The International Multi-Regional Clinical Trial Guidelines (Trial) (《國際多中心藥物臨床試驗指南(試行)》) (the "**Multi-Regional Clinical Trial Guidelines**"), promulgated by the CFDA in January 2015 and came into effect in March 2015, provided guidance on the implementation of international multi-regional clinical trials (the "**MRCT**") in China. According to the Multi-Regional Clinical Trial Guidelines, international MRCT applicants may simultaneously perform clinical trials in different regions using the same clinical trial protocol. Where the applicants plan to implement the international MRCTs in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementing Regulations of the Drug Administration Law and the Registration Measures, execute the GCP Rules, make reference to universal international principles such as the ICH-GCP (International Conference on Harmonization-Good Clinical Practice), and comply with the laws and regulations of the countries involved in the international MRCT. Where the applicants plan to use the data derived from the international MRCT for approval of a drug marketing registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Regional Clinical Trial Guidelines, Registration Measures and other related laws and regulations.

The GCP Rules summarizes the requirements for initiating a MRCT, that is, before initiating a MRCT: (i) the applicant shall ensure that all the centers participating in the clinical trial will comply with the trial protocol; (ii) the applicant shall provide each center with the same trial protocol, and each center shall comply with the same unified evaluation criterion for clinical trial and laboratory data and the same guidance for case report form; (iii) each center shall use the same case report form to record the data of each human subject obtained during the trial; (iv) before the initiating of a clinical trial, a written document is required to specify the responsibilities of the investigators of each center; and (v) the applicant shall ensure the communication among the investigators of each center.

Data derived from international MRCTs can be used for the drug marketing registration with the NMPA. When using international MRCT data to support the drug marketing registration in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with ICH-CTD (International Conference on Harmonization-Common Technical Document) content and format requirements; subgroup research results summary and comparative analysis shall also be conducted concurrently. Leveraging the clinical trial data derived from international MRCTs conducted by our partners, we may avoid unnecessary repetitive clinical trials and thus further accelerate the drug marketing registration process in China.

Approval or Filing of Human Genetic Resources

The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), promulgated by the Ministry of Science and Technology and the MOH in June 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated 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》) in July 2015, according to which, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. The Ministry of Science and Technology further promulgated the Circular on Optimizing 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》) in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》) (the "**HGR Regulation**"), promulgated by the State Council in May 2019 and came into effect in July 2019, further stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity and usage of the human genetic resource to be used shall be filed with the administrative department of science and technology under the State Council before clinical trials.

In October 2020, the Standing Committee of the NPC promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), which became effective in April 2021. The Biosecurity Law of the PRC reaffirms the regulatory requirements stipulated by the HGR Regulation while potentially increasing the administrative fines significantly in cases where foreign entities are alleged to have collected, preserved or exported Chinese human genetic resources in violation of applicable laws.

Regulations on Drug Manufacturing and Distribution in the PRC

Drug Manufacturing

According to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Regulations of Implementation of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) (the "**GMP Rules**"), promulgated in August 2004 and amended in November 2017 and January 2020, respectively, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and unified social credit code

specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department. According to such measures, to the extent the MAH does not manufacture the drug but through contract manufacturing organization, the MAH shall apply for drug manufacturing license with the provincial counterpart of the NMPA, subject itself to inspections and other regulatory oversight by the agency.

The Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) was promulgated in March 1988 and was amended in June 1999 and January 2011. The Good Manufacturing Practice for Drugs comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and management of customer complaints and adverse event reports.

Drug Distribution

According to the Drug Administration Law and its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), which was promulgated by the SFDA in January 2007 and came into effect in May 2007, pharmaceutical enterprise shall be responsible for the quality of pharmaceuticals they manufacture, operate or use, purchase, sale, transportation, storage.

According to the Measures for the Administration of Pharmaceutical Operation Certificate (《藥品經營許可證管理辦法》) which was promulgated in February 2004 and amended in November 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration. The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store.

Regulations on Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. In March 2009, the Central Committee of the Communist Party of China and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (《關於深化醫藥衛生體制改革的意見》). In December 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《關於印發"十三五"深化醫藥衛生體制改革規劃的通知》). In April 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (《深化醫藥衛生體制改革2017年重點工作任務》). In August 2018, the General Office

of the State Council issued the Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2018 (《關於印發深化醫藥衛生體制改革2018年下半年重點工作任務的通知》). Highlights of these healthcare reform policies and regulations include (1) establishing a basic healthcare system to cover both urban and rural residents and providing the Chinese people with safe, effective, convenient and affordable healthcare services, (2) improving the healthcare system through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision, and (3) improving the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population.

In May 2019, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2019 (《深化醫藥衛生體制改革2019年重點工作任務》), highlighting the following policies and regulations (1) reinforcing the degree of cancer prevention and treatment, accelerating the registration and approval of anti-cancer new drugs at home and abroad and remaining the temporary channel of imperative anti-cancer drugs importation open, (2) consolidating and improving the basic medicine system and establishing an inventive and restrictive mechanism for preferential use. Improving the dynamic adjusting mechanism of the National Reimbursement Drug List (the "**NRDL**") and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure.

In December 2019, the Standing Committee of the NPC promulgated the Law of the People's Republic of China on Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》), which came into effect in June 2020. Such law established the legal framework for the administration of basic medical and health services for citizens in China, including the administration of basic medical care services, medical care institutions, medical staff, guarantee of drug supply, health promotion and guarantee of medical funds.

In February 2020, the Central Committee of the Communist Party of China and the State Council jointly promulgated the Opinions on Deepening the Reform of the Healthcare Security System (《中共中央、國務院關於深化醫療保障制度改革的意見》), which envisages that a higher level healthcare system should be established by 2030, which centers on basic medical insurance, is underpinned by medical aid and pursues the common development of supplementary medical insurance, commercial health insurance, charitable donations and medial mutual assistance. To this end, such opinions map out tasks in several respects, including making the mechanism of medical insurance benefits guarantee more impartial and appropriate, improving the robust and sustainable operating mechanism for funds raised, establishing more effective and efficient healthcare payment mechanism and enhancing the supervision and administration on medical security fund and etc.

Regulations on Coverage and Reimbursement in the PRC

Reimbursement under the National Medical Insurance Program

The State Council promulgated the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) in December 1998, according to which, all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) in July 2007, according to which, urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. According to the Social Insurance Law of People's Republic of China (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the NPC in October 2010 and amended in December 2018, all employees are required to enroll in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees as required by the state.

Several authorities including the Ministry of Labor and Social Security and the Ministry of Finance of the PRC, among others, jointly promulgated the Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知》) in May 1999, which provides that a pharmaceutical product listed in the Medical Insurance Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements:

- it is set forth in the Pharmacopeia (the prevailing version) of the PRC;
- it meets the standards promulgated by the NMPA; and
- if imported, it is approved by the NMPA for import.

Medical Insurance Catalog

According to the Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee issued by the PRC Ministry of Labor and Social Security, together with other government authorities, a drug product listed in the medical insurance catalog must be clinically necessary, safe, effective, reasonably priced, easy to use and available in sufficient quantity. Besides, the above mentioned authorities have the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B. Patients purchasing medicines included in Part A of the Medical Insurance Catalog are entitled to reimbursement in accordance with the regulations in respect of basic medical insurance. Patients purchasing medicines included in Part B of the Medical Insurance Catalog are required to pay a certain percentage of the purchase price and the remainder of the purchase price shall be reimbursed in accordance with the regulations in respect of basic medical insurance.

According to the Notice of the Ministry of Human Resources and Social Security on Issuing the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (《關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄(2017年版)的通知》) (the "**2017 NRDL**") which was promulgated in February 2017, the competent social insurance departments of the provinces (autonomous regions and municipalities directly under the Central Government) shall make adjustments to the drugs of Part B in strict accordance with the current laws, regulations, and documents. The quantity adjusted by each province (autonomous region or municipality directly under the Central Government) (including those drugs to be included in or removed from the NRDL and those within the scope of limited payment) shall not exceed 15% of the quantity of national drugs of Part B.

According to the Notice of the National Healthcare Security Administration and Ministry of Human Resources and Social Security on Issuing the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (《關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄的通知》) (the "**2019 NRDL**") which was promulgated in August 2019 and came into effect in January 2020, all places shall implement the 2019 NRDL in a strict manner, and shall not have the discretion to formulate the catalog or increase the drugs of Part B in any form, or adjust the scope of limited payment. For those drugs that were already added to Part B of the provincial catalog in accordance with the 2017 NRDL, the drugs shall be gradually removed within 3 years.

The Notice of the National Healthcare Security Administration and Ministry of Human Resources and Social Security on Issuing the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (《關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄(2020年)的通知》) (the "**2020 NRDL**") was promulgated in December 2020 and came into effect in March 2021, which contains a total of 2,800 western medicines and traditional Chinese medicines and will replace the 2019 NRDL.

Medical Insurance Reimbursement Standards

The State Council promulgated the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) in January 2016, which required the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

The General Office of the State Council further released the Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. These new reimbursement methods will be rolled out nationwide by 2020 to replace the current reimbursement method that is based on service category and product price. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

Commercial Insurance

The State Council and the Central Committee of the Communist Party of China jointly issued the Plan for Healthy China 2030 (《"健康中國2030"規劃綱要》) (the "**2030 Plan**") in October 2016, according to which, the country would establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementing the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the 2030 Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance. The evolving medical insurance system makes innovative drugs more affordable and universally available to the Chinese population, which renders greater opportunities to drug manufacturers that focus on the research and development of innovative drugs, such as high-cost cancer therapeutics.

Price Controls

Instead of direct price controls which were historically used in the PRC, the government regulates prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralized Tender Procurement of Drug by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated in July 2000 and the Notice of the State Drug Administration on Further Improvement on the Implementation of Centralized Tender Procurement of Drugs by Medical Institutions (《國家藥品監督管理局關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated in August 2001, non-profit medical institutions established by county or higher level government are required to implement centralized tender procurement of drugs. The Working Regulations of Medical Institutions for Procurement of Drugs by Centralized Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範(試行)》), promulgated in March 2002, provides rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. The Notice of the Financial Planning Department of Ministry of Health on Issue of Opinions on Further Regulating Centralized Procurement of Drugs by Medical Institutions (《衛生部財務規劃司關於印發<進一步規範醫療機構藥品集中採購工作的意見>的通知》) was promulgated in January 2009, according to which, non-profit medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralized procurement. Each provincial government shall formulate its catalog of drugs subject to centralized procurement. Except for drugs in the National Essential Drug List (the procurement of which shall comply with the relevant rules on National Essential Drug List), certain pharmaceutical products which are under the national government's special control, such as toxic, radioactive and narcotic drugs and traditional Chinese medicines, in principle, all drugs used by non-profit medical institutions shall be covered by the catalog of drugs

subject to centralized procurement. The Notice on Printing and Distributing the Working Regulations of Medical Institutions for Centralized Procurement of Drugs (《關於印發醫療機構藥品集中採購工作規範的通知》) promulgated in July 2010 further regulated the centralized procurement of drugs and clarified the code of conduct of the parties in centralized drug procurement. The Instructions on Improvement of Centralized Procurement of Drugs of Public Hospitals (《關於完善公立醫院藥品集中採購工作的指導意見》) promulgated in February 2015 clarified seven specific instructions on the centralized procurement of drugs. The Notice on Centralized Procurement of Drugs Negotiated (《關於做好國家談判藥品集中採購的通知》) promulgated in April 2016 further improved the mechanism of price negotiation of drugs. In January 2017, Opinions on Improvement of the Policy of Production, Circulation and Use of Drugs (《關於進一步改革完善藥品生產流通使用政策的若干意見》) was promulgated to deepen the reform of the medicine health system, improve the quality of the drug and regulate the circulation and use of drugs. In January 2019, the promulgated Pilot Plan of Centralized Procurement and Use of the Drug Organized by the State (《關於印發國家組織藥品集中採購和使用試點方案的通知》) improved the pricing mechanism of drugs, which also further regulates the scope and mode of centralized procurement.

The centralized tender process takes the form of public tender operated and organized by provincial or municipal government agencies. The centralized tender process is in principle conducted once every year in the relevant province or city in PRC. The bids are assessed by a committee composed of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation of the manufacturer, after-sale services and innovation. Only pharmaceuticals that have won in the centralized tender process may be purchased by public medical institutions funded by the governmental or state-owned enterprise (including state-controlled enterprises) in the relevant region.

Regulations on Intellectual Property Rights in the PRC

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協定》), 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定》) and the Patent Cooperation Treaty (《專利合作條約》).

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC in March 1984, as amended in September 1992, August 2000, December 2008 and October 2020, and came into effect in June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council in June 2001 and as amended in December 2002 and 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, 10 years for a utility model patent and 15 years for a design patent (10 years for a design patent filed on or before May 31, 2021), commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patent holder could be ordered by the courts to cease such infringement immediately and pay compensation. Activity of passing off for patents may be further subject to a fine imposed by relevant administrative authorities and may, constitute a crime, and shall be held criminally liable in accordance with the law. According to the Patent Law of the PRC, for public health purposes, the China National Intellectual Property Administration 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, according to the Patent Law of the PRC, any organization 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 China National Intellectual Property Administration for confidentiality examination. The recent amendment of the Patent Law of the PRC also sets up the framework and sets forth the provisions for patent linkage and patent term extension.

Patent Enforcement

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offenses such as forgery of patents may be subject to criminal penalties.

A patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. In addition, the newly amended Patent Law of the PRC promulgated in October 2020 further provides that if a deliberate patent infringement is found with serious circumstances, the damages may be increased to an amount between one and five times the amount determined as per the aforesaid calculation methods. The damage calculation methods shall be applied in the aforementioned order.

Statutory damages may be awarded in the circumstances where the damages cannot be determined by the above-mentioned calculation methods.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the Standing Committee of the NPC in September 1993, and amended in November 2017 and April 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, 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, individuals and entities 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, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (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 any contractual agreements 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 to violate a rights holder's requirements on keeping confidentiality of trade secrets, disclosing, using or permitting others to use the trade secrets of the rights holder. 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. Further, the misappropriation of the others' trade secrets with serious circumstances may constitute a crime and shall be held criminally liable.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC in August 1982, and amended in February 1993, October 2001, August 2013 and April 2019 respectively, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten 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 the law.

Domain Names

Domain names are mainly protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology in August 2017. The Ministry of Industry and Information Technology 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.

OTHER SIGNIFICANT REGULATIONS OF THE PRC AFFECTING OUR BUSINESS

Product Liability

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated in May 2020 and became effective in January 2021, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury.

In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") was promulgated aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was last revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated in October 1993 and amended in October 2013 to protect consumers' rights when they purchase or use goods and accept services. According to which, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Tort Law

According to the Civil Code of the PRC, if damages to other persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers and the sellers shall take remedial measures such as stopping of sales, issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Commercial Briberies in Pharmaceutical Industry

According to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), promulgated in January 2007 and amended in December 2013, where a manufacturer of drugs, medical devices and medical disposables, an enterprise, an agency or an individual offers staff of a medical institution any items of value or other benefits, the enterprise should be listed in the adverse records with respect to commercial bribery in the event of the following circumstances: (1) where the act has constituted a crime of bribery as determined by the ruling of a people's court, or where the circumstance of crime is not serious enough for the imposition of criminal punishment and criminal punishment is exempted as decided by the people's court in accordance with the Criminal Law; (2) where the circumstance of the crime of bribery is minor and the relevant people's procuratorate has decided not to lodge a prosecution; (3) where a discipline inspection and supervision authority has initiated a case of bribery and conducted investigation, and punishment has been imposed in accordance with the law; (4) where administrative penalties against the act of bribery have been imposed by, inter alia, the finance administration, the SAMR, the NMPA; (5) any other circumstances specified by laws, regulations and rules. If medical production and operation enterprises be listed into the Adverse Records of Commercial Briberies for the first time, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies in local province for two years since publication of the record, and public medical institution, and medical and health institutions receiving financial subsidies in other province shall lower their rating in bidding or purchasing process. If medical production and operation enterprises be listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

Foreign Exchange Control

According to the PRC Regulation for the Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated by the State Council in January 1996, which was amended in January 1997 and August 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China in June 1996, 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 authorizing distribution of profits or payment of dividends.

According to the Circular of State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the State Administration of Foreign Exchange (the "**SAFE**"), (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-invested enterprises is improved. Later, the SAFE promulgated 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》) in February 2015, which was further amended in December 2019 and prescribed 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.

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》), which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to 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》) promulgated by the SAFE in Mach 2015 and amended in December 2019, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE in June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, 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. In October 2019, SAFE promulgated the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), pursuant to which, foreign-invested enterprise engaged in non-investment business are further permitted to use RMB converted from foreign currency-denominated capital for equity investments in China on the condition that the domestic investment is genuine, does not violate applicable laws and complies with the negative list on foreign investment.

Dividend Distribution

The SAFE promulgated 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》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

The 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 (《國家外匯管理局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》) (the "**SAFE Circular 37**") in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "**SPV**") directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV.

In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), which came into effect in June 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed by and handled by the relevant local branches of SAFE.

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Employee Stock Incentive Plan

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the PRC subsidiary of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas

institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

Labor Law and Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect in 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 in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor 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.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and 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 in January 1999 and amended in 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 in April 1999 and amended in March 2002 and 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. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the NPC in March 2007 and amended in February 2017 and December 2018, and 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》) promulgated by the State Council in December 2007 and amended in April 2019, other than a few exceptions, the income tax rate for both domestic

enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". 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. 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. 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.

According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated and came into effect in August 2006, 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 (《關於執行税收協定股息條款有關問題的通知》) which was promulgated by the State Taxation Administration in February 2009, 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》) which was promulgated by the State Taxation Administration in February 2018 and came into effect in 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 the Double Tax Avoidance Arrangement.

LAWS AND REGULATIONS IN THE UNITED STATES

U.S. Government Regulation of Drug and Biological Products

In the United States, the FDA regulates drugs under the FDCA, and its implementing regulations and biologics under the FDCA and the Public Health Service Act, or PHSA, and their implementing regulations. Both drugs and biologics also are subject to other federal, state and local statutes and regulations, such as those related to competition. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, and local statutes and regulations requires the expenditure of substantial time and financial

resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or following approval may subject an applicant to administrative actions or judicial sanctions. These actions and sanctions could include, among other actions, the FDA's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, untitled or warning letters, voluntary or mandatory product recalls or market withdrawals, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement and civil or criminal fines or penalties. Any agency or judicial enforcement action could have a material adverse effect on our business, the market acceptance of our products and our reputation.

Once a product candidate is identified for development, it enters pre-clinical testing, which includes laboratory evaluations of product chemistry, toxicity, formulation and stability, as well as animal studies. Pre-clinical testing is conducted in accordance with FDA's Good Laboratory Practice, or GLP, regulations. A sponsor of an IND must submit the results of the pre-clinical tests, manufacturing information, analytical data, the clinical trial protocol, and any available clinical data or literature to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions and places the trial on a clinical hold within that 30-day time period. FDA may also impose clinical holds or partial clinical holds at any time during clinical trials due to safety concerns or noncompliance.

All clinical trials, which involve the administration of the investigational product to humans, must be conducted under the supervision of one or more qualified investigators in accordance with Good Clinical Practice, or GCP, regulations, including the requirement that all research subjects provide informed consent in writing before their participation in any clinical trial. Further, an Institutional Review Board, or IRB, must review and approve the plan for any clinical trial before it commences at any institution, and the IRB must conduct continuing review and reapprove the study at least annually. Each new clinical protocol and any amendments to the protocol must be submitted for FDA review, and to the IRBs for approval. An IRB can suspend or terminate approval of a clinical trial at its institution if the trial is not being conducted in accordance with the IRB's requirements or if the product has been associated with unexpected serious harm to subjects.

Clinical trials generally are conducted in three sequential phases, known as Phase I, Phase II and Phase III, and may overlap.

- Phase I clinical trials generally involve a small number of healthy volunteers or disease-affected patients who are initially exposed to a single dose and then multiple doses of the product candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacological action, side effect, tolerability and safety of the product candidate.

- Phase II clinical trials involve studies in disease-affected patients to evaluate proof of concept and/or determine the dose required to produce the desired benefits. At the same time, safety and further PK and PD information is collected, possible adverse effects and safety risks are identified and a preliminary evaluation of efficacy is conducted.

- Phase III clinical trials generally involve a large number of patients at multiple sites and are designed to provide the data necessary to demonstrate the effectiveness of the product for its intended use, its safety in use and to establish the overall benefit/risk relationship of the product and provide an adequate basis for product labeling.

The above traditional Phase I-III trials are usually in reference to drug development trials for non-oncology products.

In oncology trials, Phase Ia/Ib study are usually defined as a dose escalation and expansion study as a single agent or in combination with other anti-cancer agents or treatment in cancer patients. Phase Ia will involve dose escalation to determine the maximum tolerated dose and recommended phase 2 dose in many cases. The maximum tolerated dose will be determined on the basis of the results from the safety evaluation. Phase Ib will involve cohort expansion at one or more dose levels/schedules in one or multiple tumor types to further determine the recommended Phase 2 dose and evaluate preliminary efficacies. These expansion cohorts are intended to identify early anti-cancer effective signals, and to increase efficiency and expedite the clinical trial development of oncology drugs, and are based on the FDA guidance "Expansion Cohorts: Use in First-In-Human Clinical Trials to Expedite Development of Oncology Drugs and Biologics". The recommended Phase 2 dose, which may differ from the maximum tolerated dose, will be determined on the basis of results from safety, activity, and pharmacologic and correlative studies.

Phase IIa oncology clinical trials are studies conducted on a relatively smaller number of patients to further evaluate the efficacy and safety of the investigational drug in one or multiple tumor types. In some cases, Phase I dose expansion and Phase II can be combined to shorten the time of drug development. Whereas Phase IIb oncology clinical trials sometimes can be considered as pivotal studies with registration potential. The previous study data, proposed design and endpoints will need to be consulted and agreed upon with the health authorities to establish they are sufficient and meet the requirements for inclusion in a marketing application. This is usually done with well-established endpoints/methodologies on a larger number of patients in order to demonstrate the efficacy and safety of the investigational drug.

The Phase III trials in oncology are similar to non-oncology trials, where a randomized controlled trial with sufficiently power from biostatistics perspective to be conducted with an active comparator or placebo and is dependent on the indication to be studied.

Most of our pipeline drugs are oncology drugs, which will allow enrolling cancer patients who progressed on currently available standard therapies in Phase I trial, instead of healthy volunteers in non-oncology indications. The subsequent clinical trials design for our oncology drug candidates also follow the phases discussed above, which represents the common industry practice.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA. Safety reports must be submitted to the FDA and the investigators 15 calendar days after the trial sponsor determines that the information qualifies for reporting. The sponsor also must notify FDA of any unexpected fatal or life-threatening suspected adverse reaction as soon as possible but in no case later than 7 calendar days after the sponsor's initial receipt of the information. Sponsors of clinical trials of FDA-regulated products, including drugs, are required to register and disclose certain clinical trial information, which is publicly available at www.clinicaltrials.gov.

Concurrent with clinical trials, companies usually complete additional animal studies and must also finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The process of obtaining regulatory approvals and compliance with appropriate federal, state, local and foreign statutes and regulations require the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements may subject an applicant to administrative or judicial sanctions.

U.S. Review and Approval Processes

The results of product development, pre-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the product, proposed labeling and other relevant information, are submitted to the FDA as part of a BLA. Unless deferred or waived, BLAs, or supplements must contain data adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The submission of a BLA is subject to the payment of a substantial user fee and an annual prescription drug product program fee.

Within 60 days of its receipt, the FDA reviews the BLA to ensure that it is sufficiently complete for substantive review before it accepts the BLA for filing. After accepting the BLA filing, the FDA begins an in-depth substantive review to determine, among other things, whether a product is safe and effective for its intended use. The FDA also evaluates whether the product's manufacturing is cGMP-compliant to assure the product's identity, strength, quality and purity. Before approving the BLA, the FDA typically will inspect whether the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. The FDA may refer the BLA to an advisory committee, a panel of experts, for review whether the application should be approved and under what conditions and considers such recommendations when making decisions.

The FDA may refuse to approve the BLA if the applicable regulatory criteria are not satisfied or may require additional clinical data or other data and information. The FDA will issue a complete response letter describing all of the specific deficiencies that the FDA identified in the BLA that must be satisfactorily addressed before it can be approved. The deficiencies identified may be minor, for example, requiring labeling changes, or major, for example, requiring additional clinical trials. Additionally, the complete response letter may include recommended actions that the applicant might take to place the application in a condition for approval. The applicant may either resubmit the BLA, addressing all of the deficiencies identified in the letter, or withdraw the application or request an opportunity for a hearing.

The regulatory approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling. In addition, the FDA may require post-approval studies, including phase IV clinical trials, to further assess a product's safety and effectiveness after BLA approval and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized.

Expedited Development and Review Programs

Accelerated Approval

Under FDA's accelerated approval regulations, the FDA may approve a drug or biologic candidate for a serious or life-threatening illness that provides meaningful therapeutic benefit to patients over existing treatments and demonstrates an effect on either a surrogate endpoint that is reasonably likely to predict clinical benefit or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, or IMM, that is reasonably likely to predict an effect on IMM or other clinical benefit, taking into account the severity, rarity, or prevalence of the disease or condition and the availability or lack of alternative treatments. A product candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of post-approval clinical trial to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or to confirm a clinical benefit during post-marketing studies, will allow the FDA to withdraw the product from the market on an expedited basis. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the FDA.

Breakthrough Designation

Another program available for sponsors is the breakthrough therapy designation. A drug or biologic may be eligible for designation as a breakthrough therapy if the product is intended, alone or in combination with one or more other drugs or biologics, to treat a serious or life-threatening condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over currently approved therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical

development. A sponsor may request that a product be designated as a breakthrough therapy concurrently with, or at any time after, the submission of an IND, and the FDA must determine if the candidate qualifies for such designation within 60 days of receipt of the request. If so designated, the FDA shall act to expedite the development and review of the product's marketing application, including by meeting with the sponsor throughout the product's development, providing timely advice to the sponsor to ensure that the development program to gather pre-clinical and clinical data is as efficient as practicable.

Orphan Drugs

Under the Orphan Drug Act, the FDA may grant orphan drug designation to drugs or biologic candidates intended to treat a rare disease or condition generally affecting fewer than 200,000 individuals in the U.S. The first applicant to receive FDA approval for the disease or indication for which it has orphan drug designation is entitled to a seven-year exclusive marketing period. During the exclusivity period, the FDA may not approve any other applications to market the same product for the same disease or condition except in limited circumstance.

Post-Marketing Requirements

Following approval of a new product, the manufacturer and the approved product are subject to continuing regulation by the FDA, including, among other things, monitoring and record-keeping activities, reporting of adverse experiences, complying with promotion and advertising requirements, which include restrictions on promoting products for unapproved uses or patient populations (known as "off-label use") and limitations on industry-sponsored scientific and educational activities. Although physicians may prescribe legally available products for off-label uses, manufacturers may not market or promote such uses. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including investigation by federal and state authorities. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use or first publication. Further, if there are any modifications to the drug or biologic, including changes in indications, labeling or manufacturing processes or facilities, the applicant may be required to submit and obtain FDA approval of a new BLA or BLA supplement, which may require the development of additional data or pre-clinical studies and clinical trials.

The FDA may also place other conditions on approvals including the requirement for a REMS, to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the BLA must submit a proposed REMS. The FDA will not approve the BLA without an approved REMS, if required. A REMS could include medication guides, physician communication plans or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

FDA regulations require that products be manufactured in specific approved facilities and in accordance with cGMP regulations. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products in accordance with cGMP regulations. These manufacturers must comply with cGMP regulations that require, among other things, quality control and quality assurance, the maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP.

Manufacturers and other entities involved in the manufacture and distribution of approved drugs or biologics are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP requirements and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance. The discovery of violative conditions, including failure to conform to cGMP regulations, could result in enforcement actions, and the discovery of problems with a product after approval may result in restrictions on a product, manufacturer or holder of an approved BLA, including recall.

Once an approval is granted, the FDA may issue enforcement letters or withdraw the approval of the product if compliance with regulatory requirements and standards is not maintained or if problems occur after the drug or biologic reaches the market. Corrective action could delay drug or biologic distribution and require significant time and financial expenditures. Later discovery of previously unknown problems with a drug or biologic, including AEs of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the drug or biologic, suspension of the approval, complete withdrawal of the drug from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve applications or supplements to approved applications, or suspension or revocation of drug or biologic approvals;
- drug or biologic seizure or detention, or refusal to permit the import or export of drugs; or
- injunctions or the imposition of civil or criminal penalties.

Overview of the ICH E17 Guideline

The General Principles for Planning and Design of Multi-regional Clinical Trials, or the ICH E17 Guideline, provides some general recommendations in the planning and design of Multi-Center Clinical Trials ("**MRCTs**"). Some of those recommendations are as follows.

Subject Selection

In MRCTs, subject selection should be carefully considered to better understand and possibly mitigate potential sources of regional variability and their impact on trial results. Clear and specific inclusion and exclusion criteria, that are acceptable and can be applied across regions, should be included in the protocol.

To harmonize subject selection, uniform classification and criteria for diagnosis of the disease or definition of the at-risk population should be implemented, such as the use of relevant guidelines for disease definitions. When diagnostic tools are needed for the selection of subjects, these should be clearly specified including the degree to which local validated tools and qualified laboratories may be used. In particular, when subject selection is based on subjective criteria, the same methods should be used uniformly across regions. Even so, reporting of symptoms may vary by region and may lead to differences in the types of subjects included in the studies. This aspect should be considered in the planning stage, in order to implement training requirements and other strategies for potential mitigation of the impact.

Sample Size Planning

The key consideration for sample size planning, is ensuring sufficient sample size to be able to evaluate the overall treatment effect, under the assumption that the treatment effect applies to the entire target population, particularly to the regions included in the trial. MRCTs are usually stratified by region for both randomization and analysis. Consistency of treatment effects across regions is evaluated, and if clinically relevant differences are observed, there should be further exploration to determine if these differences can be attributed to differences in intrinsic or extrinsic factors. These considerations should be reflected in the overall design of the MRCT and will influence the sample size planning and allocation to regions.

- Overall Sample Size: The primary objective of an MRCT generally corresponds to an evaluation (estimation and testing) of the treatment effect averaged across all subjects in all regions of the MRCT. The overall sample-size is determined to ensure that this objective can be met. Examples of commonly defined treatment effects also used in MRCTs, are hazard ratios for morbidity or mortality, differences between treatment groups in average blood pressure levels (adjusted for baseline) and relative risks of either favorable or adverse events. The same general principles provided in ICH E9 for determining sample sizes of clinical trials apply to MRCTs. Two additional factors are particularly important in the MRCT setting; (i) the size of the treatment effect that is considered clinically relevant to all regions in the trial, and (ii) the expected variability of the primary outcome variables based on combining data across regions.

- Sample Size Allocation to Regions: The MRCT should be planned to include an evaluation of the consistency of treatment effects among regions, where consistency is defined as a lack of clinically relevant differences. Regional allocation should have a scientific basis (rather than arbitrary targets), should support the evaluation of consistency and should provide the information needed to support regulatory decisions. Sample size allocation to regions should take into consideration patterns of disease prevalence across regions, the size and expected accrual rate of each region, the intrinsic and extrinsic factors understood (or hypothesized) to influence treatment effects, the prevalence of those factors in each region and other logistical considerations thought to impact accrual. There is no uniformly acceptable or optimal approach to sample size allocation in an MRCT. Some approaches currently in use include:

  (i) Proportional Allocation: Allocation of subjects to regions in proportion to size of region and disease prevalence.

  (ii) Equal Allocation: Allocation of equal numbers of subjects to each region.

  (iii) Preservation of Effect: Allocation of subjects to one or more regions based on preserving some specified proportion of the overall treatment effect.

  (iv) Local Significance: Allocation of a sufficient number of subjects to be able to achieve significant results within each region.

  (v) Fixed Minimum Number: Allocation of a fixed minimum number of subjects to a region.

- Pooled Regions and Pooled Subpopulations: Pre-specified pooling of regions or subpopulations may help provide flexibility in sample size allocation to regions, facilitate the assessment of consistency in treatment effects across regions, and support regulatory decision-making. The pooling strategy should be justified based on the distribution of the intrinsic and extrinsic factors known to affect the treatment response, and the disease under investigation and similarity of those factors across regions.

- Other Sample Size Consideration: The factors that influence sample size and sample size allocation should be agreed upon in advance with the different regulatory agencies governing the regions represented in the trial. There are some situations that do not fit into the framework for sample size allocation described above and where more flexibility will be required.

Choice of Endpoints

The Aspects of particular importance principles for endpoints selection to MRCTs are as follows.

- Primary Endpoint: The primary endpoint should be relevant to the target population. In MRCTs, this relevance needs to be considered for all regions in the trial and with respect to the various drug, disease and population characteristics represented in those regions. An ideal clinical trial endpoint is one that is clinically relevant, accepted in medical practice and sufficiently sensitive and specific to detect the anticipated effect of the treatment. For MRCTs, the primary endpoint, whether efficacy or safety, should satisfy these criteria as well as being acceptable to all concerned regulatory authorities, to ensure that interpretation of the success or failure of the MRCT is consistent across regions and among regulatory authorities. The primary endpoint of MRCTs should be one for which experience is already available in the participating regions. In cases where prior experience with an endpoint only exists in one or a subset of regions involved in the MRCT, its adoption as primary endpoint will require discussion and agreement with regulatory authorities regarding the basis for the evidence.

- Secondary Endpoints: Where possible, harmonization of secondary endpoints is encouraged to maintain the feasibility and improve the quality of trial conduct. However, in some cases, individual regulatory authorities may propose different secondary endpoints relevant to their interests and experience. Even in such cases, all secondary endpoints, including those selected only for a particular local stakeholder (e.g., regulatory authority), should be described in the protocol. It is in the interest of the sponsor to describe the specific advantages of the investigational drug, in terms of secondary endpoints as precisely as possible during the planning stage of MRCTs, to reduce the need for (and impact of) multiplicity adjustments for multiple endpoints, thereby improving the chance for successfully demonstrating the intended effect.

- Other Consideration: Although endpoints may not require formal validation, some endpoints may be subject to subtle differences in understanding, when used in different cultural settings. Approaches to minimize the impact of this variation in data collection and interpretation of the trial results should be described and justified in the study protocol. Endpoints that are only of interest to one or a few regions could be considered for a regional sub-trial of the MRCT. However, care should be taken to ensure that ascertainment of regional sub-trial endpoints do not hamper the conduct of the main trial. In particular, consideration should be given to the impact of additional burden to study subjects and study personnel, and the potential to induce reporting bias with respect to other endpoints, in determining whether regional sub-trials can be conducted or whether a separate trial is needed.

Privacy Rules and Safety Reporting

All sites participating in MRCTs should meet applicable quality, ethical and regulatory standards. Specifically, MRCTs should be conducted in compliance with ICH E6 GCP standards in all regions and sites, including making sites available for GCP inspections by regulatory authorities. The ICH E6 provides that the confidentiality of records that could identify subjects should be protected, respecting the privacy and confidentiality rules in accordance with the applicable regulatory requirement(s).

Safety reporting should be conducted in accordance with ICH E2. When local regulations specify different requirements, such as timelines and criteria for expedited reporting, these should also be adhered to locally. The specific timeframe for safety reporting should be described in the protocol, and the investigators should receive sufficient training in accordance with ICH E6 and other relevant guidelines. In the case of MRCTs, important safety information should be handled both with adherence to any local regulations and in adherence to ICH E2A. Important safety information should always be provided to the relevant stakeholders (e.g., investigators, ethics committees) in a timely manner.

DIRECTORS

Upon Listing, our Board will consist of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors, namely:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Dr. Xueming Qian (錢雪明)	53	Executive director, chief executive officer	Overall strategic planning and management, member of the nomination committee	October 2012[(1)]	October 18, 2012[(1)]
Dr. Michael Ming Shi (石明)	55	Executive director, executive vice president, head of R&D and chief medical officer	Oversees global research and development	October 2020	March 31, 2021
Mr. Albert Da Zhu (朱達)	40	Executive director, senior vice president of finance and business operations	Oversees day-to-day operations, financial strategy, financial management and investor relations	May 2016	March 31, 2021
Dr. Yining (Jonathan) Zhao (趙奕寧)	49	Non-executive Director, chairman	Overall strategic planning, member of the audit committee	January 2016	December 2018
Mr. Jiasong Tang (唐稼松)	47	Independent non-executive Director	Supervising and providing independent judgment to our Board, chairperson of the audit committee and member of the remuneration committee	Prospectus Date	Prospectus Date
Dr. Jun Bao (包駿)	54	Independent non-executive Director	Supervising and providing independent judgment to our Board, chairperson of the remuneration committee and member of the nomination committee	Prospectus Date	Prospectus Date
Mr. Zhihua Zhang (張志華)	39	Independent non-executive Director	Supervising and providing independent judgment to our Board, chairperson of the nomination committee, member of the audit and remuneration committees	Prospectus Date	Prospectus Date

Note:

(1) While the Company had incorporated in the BVI in August 2010, it initially served as a personal investment holding vehicle of Dr. Qian until the Suzhou Subsidiary was incorporated in the PRC in October 2012.

None of our Directors are related to other Directors or members of senior management.

Executive Directors

Dr. Xueming Qian (錢雪明), Ph.D., aged 53, is an executive Director, our chief executive officer and a member of the nomination committee. He is also a director of Mabspace Biosciences (Suzhou) Co., Ltd., and HJB (Hangzhou) Co., Ltd.

Dr. Qian served as senior vice president, head of R&D at Shenogen Pharma Group from June 2010 to September 2012. Dr. Qian also successively worked as postdoctoral fellow, senior scientist, principal scientist and team leader at Amgen Inc. (NASDAQ: AMGN) from September 1997 to June 2010.

Dr. Qian received his bachelor of science in biophysics from Fudan University (復旦大學) in July 1990 and a master of arts in biophysics and physiology from Columbia University in October 1992. He received Ph.D. in neurosciences and pharmacology from Albany Medical Center in May 1998. He is a member of the American Association of Cancer Research, American Society of Clinical Oncology, the European Society of Medical Oncology, the International Association for the Study of Lung Cancer, the Clinical Research of Oncology Medicine Sub-Committee of the Chinese Anti-Cancer Association and the International Society of Nephrology.

During the past three years, Dr. Qian has not been a director of any listed companies.

Dr. Michael Ming Shi (石明), M.D., Ph.D., aged 55, is an executive Director and our executive vice president, global head of R&D and chief medical officer.

Before joining our Group, Dr. Shi served as global clinical program head at Novartis Pharmaceuticals Corporation from April 2005 to October 2020, responsible for overseeing their clinical development programs. He worked as medical officer at the National Institute of Health from April 2004 to April 2005. He was a Director of Clinical Research at MSD from February 2003 to April 2004. He worked as a senior director of applied genomics at Genometrix, Inc from October 2000 to May 2001. Prior to Genometrix, he served as a director of clinical and molecular pathology at Warner-Lambert (later acquired by Pfizer) and an Adjunct Assistant Professor at the University of Michigan from May 1997 to September 2000. He also worked at Harvard University from May 1994 to May 1997 as a postdoctoral fellow.

Dr. Shi received his certificate in pre-medicine from Peking University in January 1986, and later received a bachelor of medicine from Peking Union Medical College in July 1989. Dr. Shi received a Ph.D. in toxicology from University of Southern California in May 1994. He is a member of the American Society of Clinical Oncology, the American Society of Hematology and the European Society of Medical Oncology; he is also a member of Executive Committee of US China Anti-Cancer Association.

During the past three years, Dr. Shi has not been a director of any listed companies.

Mr. Albert Da Zhu (朱達), aged 40, is an executive Director and our senior vice president of finance and business operations.

Mr. Zhu has been a director and legal representative of Lisheng Biotech (Shanghai) Co., Ltd. (禮勝生物醫藥(上海)有限公司), a joint venture established by a subsidiary of our Company and Shanghai Alebund Pharmaceuticals Limited (上海禮邦醫藥科技有限公司) since December 2020. He served as the general manager and sole director at Shanghai Elite Business Consulting Co., Ltd. from November 2018 to July 2019. Mr. Zhu worked at Veritas Genetics Biotechnology (Shanghai) Co., Ltd. as the finance controller from May 2016 to October 2018. He served as senior manager of the consulting team at PricewaterhouseCoopers Business Consulting Co., Ltd. in Shanghai from June 2013 to June 2016. He was a manager of the assurance team at PricewaterhouseCoopers LLP in Michigan from September 2011 to May 2013. He worked successively as an associate, senior associate, manager and senior manager of the audit team at PricewaterhouseCoopers Zhongtian CPA LLP, Guangzhou Branch from August 2002 to August 2011.

Mr. Zhu received his bachelor's degree with a double major in accounting and information & computer science from Sun Yat-Sen University (中山大學) in June 2002. He is a member of The Chinese Institute of Certified Public Accountants and Association of Chartered Certified Accountants.

During the past three years, Mr. Zhu has not been a director of any listed companies.

Non-executive Director

Dr. Yining (Jonathan) Zhao (趙奕寧), Ph.D., aged 49, is the non-executive Director of our Company, chairman of the Board and a member of the audit committee.

Dr. Zhao has been President and Chief Operating Officer at Ansun Biopharma since July 2020. He is the co-founder and has served as a director and the board chairman at Intuition Biosciences Inc. since August 2017 and March 2020, respectively. Dr. Zhao was the venture partner of Lilly Asia Ventures from 2015 to 2018. Dr. Zhao served as an executive director of Global Commercial Operations at Amgen Inc. from 2012 to 2015. He worked successively as an associate research fellow and team leader, associate director, director and leader of biosimilar strategy and the leader of Asia strategy and portfolio solutions at Pfizer from 2004 to 2012. Dr. Zhao served as the research scientist III at the R&D department at Amgen Inc. from 1999 to 2004. He worked as the assistant manager of supply chain management at Shanghai Johnson & Johnson from 1994 to 1995.

Dr. Zhao received his bachelor of science in medicinal chemistry from Shanghai Medical College of Fudan University (復旦大學上海醫學院), formerly Shanghai Medical University (上海醫科大學), in July 1994 and Ph.D. in analytical chemistry from Ghent University in November 1999. He received a MBA from the MIT Sloan School of Management in June 2008. He has been a member of the executive board of the MIT Sloan School of Management since 2017, and a member of BayHelix Group since 2011.

During the past three years, Dr. Zhao has not been a director of any listed companies.

Independent non-executive Directors

Mr. Jiasong Tang (唐稼松), aged 47, is an independent non-executive Director, chairperson of the audit committee and a member of the remuneration committee of our Company.

Mr. Tang has more than 20 years of experience in accounting and auditing. Mr. Tang previously worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP from September 1995 to August 2015, and was partner from June 2007 to August 2015.

Mr. Tang has been an independent non-executive Director, Chairman of the audit committee and a member of the remuneration committee of Sichuan Zigong Conveying Machine Group Co., Ltd. (四川自貢運輸機械集團股份有限公司) since November 2017.

Mr. Tang has been an independent non-executive Director, Chairman of the audit committee and a member of the remuneration committee of ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司 and formerly named ENN Ecological Holdings Co., Ltd. 新奧生態控股股份有限公司), a publicly listed company on the Shanghai Stock Exchange (SHA: 600803), since November 2019.

Mr. Tang is a member of the Chinese Institute of Certified Public Accountants. He graduated from Shanghai University International Trading Institute (presently known as Shanghai University of International Business and Economics), major in Accounting and Finance in June 1995.

Save as disclosed above, Mr. Tang has not been a director of any listed companies during the past three years.

Dr. Jun Bao (包駿), Ph.D., aged 54, is an independent non-executive Director, chairperson of the remuneration committee and a member of the nomination committee of our Company.

He has served as president and CEO of Impact Therapeutics since September 2018. He served as director of Shenogen Pharma Group from July 2017 to October 2019, and as senior vice president and chief business officer at Shenogen Pharma Group from May 2013 to September 2018. Dr. Bao was director of worldwide business development and head of China at GlaxoSmithKline from October 2010 to May 2013. Before GlaxoSmithKline, he worked at ICOS Corporation as an associates director of business development from 2005 before joining Onyx Pharmaceuticals, Inc. as a director of corporate development and financial planning in 2006. He worked at Cell Therapeutics as a senior manager of business development with progressive responsibilities from October 2001 to February 2005. Dr. Bao also worked as a finance manager in Procter & Gamble in Cincinnati from July 1999 to September 2001.

Dr. Bao received a bachelor of science in microbiology from Shandong University in July 1986 and a Ph.D. in neuroscience from University of Kansas in August 1994. Dr. Bao completed his postdoctoral fellowship in neuroscience at Johns Hopkins University in September 1997. Dr. Bao has also received an MBA in finance and strategy from University of Chicago in June 1999.

During the past three years, Dr. Bao has not been a director of any listed companies.

Mr. Zhihua Zhang (張志華), aged 39, is an independent non-executive Director, chairperson of the nomination committee and a member of the audit committee and remuneration committee of our Company.

Mr. Zhang has served as an executive director and the president of Shanghai Jizi Investment Management Co., Ltd (上海季子投資管理有限公司) since December 2014. Mr. Zhang served as the deputy general manager of Shanghai Wangshi Industry Co., Ltd. (上海王獅實業有限公司), where he was responsible for corporate investment, from August 2009 to November 2014. Mr. Zhang worked at JunHe LLP in Shanghai as securities lawyer, where he worked on matters relating to corporate listing, investment and financing and mergers and acquisition from August 2007 to July 2009. Mr. Zhang worked at the office of the principal of Fudan University (復旦大學) as the director of the legal affairs office from July 2006 to August 2007.

Mr. Zhang received a bachelor of laws from Fudan University (復旦大學) in July 2004 and a master of laws majoring in civil and commercial law from Fudan University (復旦大學) in July 2006. Mr. Zhang holds a Chinese Legal Professional Qualification Certificate awarded in 2005.

During the past three years, Mr. Zhang has not been a director of any listed companies.

Save as disclosed in this document, there is no material matter relating to our Directors that needs to be brought to the attention of our Shareholders and the information of our Directors disclosed in this document comply with the requirements under Rule 13.51(2) in all material respects, and none of the Directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and has any other conflicts of interest, as required to be disclosed under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

Dr. Qian, Dr. Michael Ming Shi and Mr. Albert Da Zhu are each an executive Director of our Company and also a member of our senior management team. See their biographies in the part headed "– Director – Executive Directors". The senior management team of our Group comprises, in addition to our executive Directors, the following persons listed below:

Name	Age	Position	Roles and Responsibilities	Date of joining our Group	Date of appointment as senior management
Dr. Frank Feng Ye	53	Chief operating officer and executive vice president	Day-to-day operations, biological quality and manufacturing management	January 2016	January 2016
Dr. Christopher Hwang (黃光誠)	57	Chief technology officer and executive vice president	Process development and scale up, technology transfer, manufacturing and regulatory support	October 2016	October 2016
Dr. Jerry Xiaoming Yang (楊曉明)	58	Executive vice president & general manager of CDMO	Process and product development	October 2016	October 2016
Dr. Yi Gu (顧怡)	52	Senior vice president	Research & development	February 2019	February 2019
Ms. Jane Qin Xia (夏勤)	52	Vice president	Commercial planning and business development	February 2020	February 2020

None of the members of senior management are related to Directors or other members of senior management.

Dr. Frank Feng Ye, Ph.D., aged 53, has served as our chief operating officer and executive vice president since February 2020. Mr. Ye joined our Group in January 2016 as vice president for quality of a subsidiary of Just Biotherapeutics Asia Inc., and became senior vice president of technical operations of our Company following our acquisition of Just Biotherapeutics Asia Inc., further details of which are set out under "History, development, corporate structure – Acquisition of Just Biotherapeutics Asia Inc.".

Dr. Ye served as Director of Quality at Amgen Inc. from 2004 to 2016. From 2000 to 2001, Dr. Ye worked as a research statistician at Schering-Plough Corporation before working as a principal statistician at GlaxoSmithKline from 2001 to 2004.

Dr. Ye received a bachelor of science majoring in computer science from the University of Oregon in May 1993 and a master of science from the University of Oregon in May 1995. Dr. Ye received his Ph.D. in biostatistics from the University of North Carolina in December 2000.

During the past three years, Dr. Ye has not been a director of any listed companies.

Dr. Christopher Hwang (黃光誠), Ph.D., aged 57, has served as our chief technology officer and executive vice president responsible for technology and platform development and CMC support since February 2019. Dr. Hwang joined our Group in October 2016 as executive vice president of process and product development of a subsidiary of Just Biotherapeutics Asia Inc., and became executive vice president of process and product development of our Company following our acquisition of Just Biotherapeutics Asia Inc., further details of which are set out under "History, development, corporate structure – Acquisition of Just Biotherapeutics Asia Inc.".

Dr. Hwang was an employee at Sanofi Genzyme from February 1992 to September 2016. Dr. Hwang was promoted to senior director in 2005 and served in multiple functions within Operations and R&D until his departure.

Dr. Hwang received his bachelor of science majoring in chemical engineering from the Massachusetts Institute of Technology in June 1985 and his Ph.D. in biochemical engineering from the Massachusetts Institute of Technology in February 1992. Dr. Hwang is a member of the Parenteral Drug Association's Biotechnology Advisory Board.

During the past three years, Dr. Hwang has not been a director of any listed companies.

Dr. Jerry Xiaoming Yang (楊曉明), Ph.D., aged 58, has served as our executive vice president, global process & product development and general manager of CDMO since February 2021. Dr. Yang joined Just Biotherapeutics Asia Inc. as senior vice president of process and product development since October 2016, and has also served as the general manager of our CDMO business since October 2018.

Prior to joining our Group, Dr. Yang was the general manager of DZM Biotech Ltd., where he was responsible for biological development and operations, from May 2013 to October 2016. From June 2003 to June 2013, Dr. Yang served as a scientific director and senior member of biological process development at Amgen Inc.

Dr. Yang received his bachelor of science from Chengdu University of Science and Technology (成都科技大學), which later merged into Sichuan University (四川大學), in July 1984. He received his master of engineering from the Chinese Academy of Sciences' Institute of Process Engineering (中國科學院過程工程研究所), formerly named Chinese Academy of Sciences' Institute of Chemical Metallurgy (中國科學院化工冶金研究所) in August 1987, and a Doctor of Philosophy from Rutgers University in January 2001. Dr. Yang has been a fellow of the Society for Industrial Microbiology and Biotechnology, USA since 2009.

During the past three years, Dr. Yang has not been a director of any listed companies.

Dr. Yi Gu (顧怡), Ph.D., aged 52, has served as our senior vice president and head of research since February 2019.

Prior to joining our Group, Dr. Gu served as the vice president of research & development at Ambrx Inc. from January 2016 to December 2018. Dr. Gu has previously worked at AstraZeneca plc as director of translational sciences from December 2006 to December 2015.

Dr. Gu received her bachelor of science majoring in genetics from Fudan University (復旦大學) in July 1990, and her Ph.D. in cell and molecular biology from the University of Rochester in February 1998. Dr. Gu has been an active member of the American Association for Cancer Research since 2009.

During the past three years, Dr. Gu has not been a director of any listed companies.

Ms. Jane Qin Xia (夏勤), aged 52, has served as our vice president of commercial planning and business development since February 2020.

Prior to joining our Group, Ms. Xia served as the director of commercial strategy and analysis engagement lead at Amgen from August 2005 to September 2019. Ms. Xia served as an associate director for worldwide business intelligence in oncology at Bristol-Myers Squibb from June 2004 to July 2005. She also previously worked as manager of market planning and research at Baxter BioScience from September 2000 to May 2004, and as a research lab technician III at the University of Southern California's Gene Therapy Lab from April 1996 to June 2000.

Ms. Xia received her bachelor of science majoring in biology from East China Normal University (華東師範大學) in July 1990. She received a master of science majoring in molecular biology from the University of Prince Edward Island in May 1995, and a master of business administration majoring in finance and marketing from the University of Southern California in May 2001.

During the past three years, Ms. Xia has not been a director of any listed companies.

JOINT COMPANY SECRETARY

Mr. Albert Da Zhu (朱達) is a joint company secretary of the Company. He is also an executive Director of our Company and our senior vice president of finance and business operations. See the section headed "– Directors – Executive Directors" in this section for details of his background.

Ms. Leung Kwan Wai (梁君慧) is a joint company secretary of the Company. Ms. Leung is a manager of Corporate Services of Tricor Services Limited ("**Tricor**"). Tricor is a global professional services provider specializing in business, corporate and investor services. Ms. Leung has over 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently the joint company secretary of China XLX Fertiliser Ltd. 中國心連心化肥有限公司 (stock code: 1866) and Qeeka Home (Cayman) Inc. 齊屹科技(開曼)有限公司 (stock code: 1739) and the company secretary of Modern Chinese Medicine Group Co., Ltd. 現代中藥集團有限公司 (stock code: 1643), all of which are listed on The Stock Exchange of Hong Kong Limited. Ms. Leung obtained her master's degree of Corporate Governance from The Open University of Hong Kong in November 2013. Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly 'The Hong Kong Institute of Chartered Secretaries') and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a confidentiality, invention, non-competition and non-solicitation agreement with our key management and key technical staff. Set out below are details of the key terms of these contracts.

- Term: We normally enter into three-year employment contracts with our key management and key technical staff.

- Scope of confidential information: The employee shall keep confidential inventions, trade secrets, confidential information, knowledge or data of our Group, or any of our clients, customers, consultants, shareholders, licensees, licensors, vendors or affiliates, that the employee may produce, obtain or otherwise acquire or have access to during the course of their employment by us.

- Confidentiality obligation and duration: The employee, during the term of their employment with our Group and thereafter, (i) shall not directly or indirectly use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of confidential information without our prior written consent, (ii) shall refrain from any action or conduct which might compromise the confidentiality or proprietary nature of the confidential information, and (iii) shall follow recommendations made by our Group or its officers from time to time. In the event of the employee's termination of employment, the employee shall promptly surrender and deliver to our Group any confidential information, and will not retain or take with them anything containing or pertaining to any confidential information.

- Assignment of intellectual property rights: The employee gives us a complete, absolute and exclusive right, title, and interest in and for any and all intellectual property rights made or conceived by them (a) during their employment (i) that

relate in any manner to the actual or demonstrably anticipated business, work, or research and development of our Group, or (ii) that are developed in whole or in part on our time or using our equipment, supplies, facilities or confidential information, or (iii) that result from or are suggested by any task assigned to them or any work performed by them for or on behalf of us, or within the scope of their duties and responsibilities with us, and (b) within one year after termination of their employment that are related to any of their activities during their term of employment with our Group.

- Assistance with acquiring intellectual property rights: The employee agrees to assist us in acquiring the aforementioned intellectual property rights, including by (i) assigning their right, title or interest to us, (ii) granting us an exclusive, royalty-free, assignable, irrevocable and worldwide license to exercise such right, title and interest, (iii) waiving their right to assert and agreeing never to assert any claims against us with respect to such right, title or interest.

- Non-competition: While employed by our Group, the employee will not work as an employee or consultant of any other organisation or engage in any other activities which conflict with the obligations to our Group, without the express prior written approval of our Group.

- Non-solicitation: During, and for two years following, their employment, the employee will not either for themselves or for any other person or entity attempt to solicit, induce, recruit or encourage any of our employees to leave their employment, or take away such employees.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transaction (if any) and provide advice and comments to the Board. The audit committee comprises three members, namely Mr. Jiasong Tang (唐稼松), Mr. Zhihua Zhang (張志華) and Dr. Yining (Jonathan) Zhao (趙奕寧), with Mr. Jiasong Tang (唐稼松) (being our independent non-executive Director with the appropriate professional qualifications) as chair of the audit committee.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Dr. Jun Bao (包駿), Mr. Jiasong Tang (唐稼松) and Mr. Zhihua Zhang (張志華), with Dr. Jun Bao (包駿) as chair of the remuneration committee.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Zhihua Zhang (張志華), Dr. Jun Bao (包駿) and Dr. Xueming Qian (錢雪明), with Mr. Zhihua Zhang (張志華) as chair of the nomination committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

Going forward, we will continue to work to enhance gender diversity of the Board. Our nomination committee will use its best endeavours and on suitable basis to, within one year after Listing, identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director. In addition, it is noted that two members of the Group's senior management are female and are included as potential candidates to our Board. We will also ensure that there is gender diversity when recruiting staff at mid to senior level (with reference to our board diversity policy) so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for further details.

REMUNERATION

Our Directors and members of our senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2019 and 2020 was approximately RMB37,765,000 and RMB79,499,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group for the year ended December 31, 2019 and 2020 included two Directors and three Directors, respectively. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining highest paid individuals for the years ended December 31, 2019 and 2020 was approximately RMB19,113,000 and RMB14,235,000, respectively.

Save as disclosed above and in Note 13 to the Account's Report in Appendix I, no other payments have been paid or are payable, in respect of the years ended 31 December 2019 and 2020 by our Group to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group during the Track Record Period. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived or agreed to waive any emoluments during the same period.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme) the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares and underlying Shares[(1)]	Approximate percentage of interest in our Company as of the date of this document[(2)]	Approximate percentage of interest in our Company after the Global Offering[(2)]
Dr. Xueming Qian[(3)]	Beneficial owner; founder and beneficiary of discretionary trust; interest in controlled corporation	57,177,906	14.12%	12.84%
HSBC Trust Company (Delaware) National Association[(3)]	Trustee of discretionary trust	45,653,530	11.27%	10.25%
Qian Dynasty Irrevocable Trust[(3)]	Beneficial owner	23,242,154	5.74%	5.22%
Shi Dynasty Irrevocable Trust[(3)]	Beneficial owner	22,411,376	5.53%	5.03%
Cloudbay Capitals LLC[(3)]	Beneficial owner	830,778	0.21%	0.19%
Yi Shi[(4)]	Interest in controlled corporation	67,233,203	16.60%	15.10%
Lilly Asia Ventures Fund III, L.P.[(4)(5)]	Beneficial owner; interest in controlled corporation	16,855,173	4.16%	3.78%
LAV Biosciences Fund III, L.P.[(4)(6)]	Beneficial owner; interest in controlled corporation	33,710,963	8.32%	7.57%
LAV Biosciences Fund V, L.P.[(4)]	Beneficial owner	16,667,067	4.12%	3.74%
LAV Verdure Limited[(4)(5)]	Beneficial owner	11,194,116	2.76%	2.51%
LAV Acuity Limited[(4)(5)]	Beneficial owner	5,138,010	1.27%	1.15%
LAV Vitality Limited[(4)(6)]	Beneficial owner	22,388,232	5.53%	5.03%
LAV Altitude Limited[(4)(6)]	Beneficial owner	10,276,020	2.54%	2.31%
TLS Beta Pte. Ltd.[(7)]	Beneficial owner	26,021,880	6.43%	5.84%
China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司)[(8)]	Interest in controlled corporation	27,031,012	6.67%	6.07%
Success Link International L.P.[(9)]	Beneficial owner	37,340,878	9.22%	8.38%

Notes:

(1) The number of Shares held following conversion of Preferred Shares.

(2) It is assumed that the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

(3) Dr. Xueming Qian is an executive Director and chief executive officer of our Company.

Qian Dynasty Irrevocable Trust is a trust established by Dr. Xueming Qian for the benefit of himself and his children and their descendants. Shi Dynasty Irrevocable Trust is a trust established by Dr. Xueming Qian for the benefit of Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants. The trustee of both Qian Dynasty Irrevocable Trust and Shi Dynasty Irrevocable Trust is HSBC Trust Company (Delaware) National Association, while the investment advisor of both Qian Dynasty Irrevocable Trust and Shi Dynasty Irrevocable Trust is Dr. Xueming Qian.

Cloudbay Capitals LLC is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian.

Dr. Qian also holds 2,970,000 Shares in his name and is entitled to receive up to 8,554,376 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan. These options have been early-exercised by Dr. Qian and are held by Success Link International L.P. to hold on trust. Success Link International L.P. is an exempted limited partnership and established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document.

(4) Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P. and LAV Biosciences Fund V, L.P. are Cayman Islands exempted partnership funds. The general partner of LAV Biosciences Fund V, L.P. is LAV GP V, L.P., whose general partner is LAV Corporate V GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. The general partner of Lilly Asia Ventures Fund III, L.P. is LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi. The general partner of LAV Biosciences Fund III, L.P. is LAV GP III, L.P., whose general partner is LAV Corporate GP, Ltd., a Cayman exempted company wholly owned by Yi Shi.

Both LAV Verdure Limited and LAV Acuity Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Both LAV Vitality Limited and LAV Altitude Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P. Therefore, Yi Shi is deemed to be interested in the Shares held by Lilly Asia Ventures Fund III, L.P., LAV Biosciences Fund III, L.P., LAV Biosciences Fund V, L.P., LAV Verdure Limited, LAV Acuity Limited, LAV Vitality Limited and LAV Altitude Limited.

(5) Both LAV Verdure Limited and LAV Acuity Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by Lilly Asia Ventures Fund III, L.P.. Lilly Asia Ventures Fund III, L.P. also holds 523,047 Shares in its own name.

(6) Both LAV Vitality Limited and LAV Altitude Limited are limited companies incorporated in the British Virgin Islands and are wholly-owned by LAV Biosciences Fund III, L.P.. LAV Biosciences Fund III, L.P. also holds 1,046,711 Shares in its own name.

(7) TLS Beta Pte. Ltd. is a company incorporated in Singapore in 2005 and an indirectly wholly owned subsidiary of Temasek Holdings (Private) Limited.

(8) China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) is a company incorporated in the PRC and (i) wholly-owns EverestLu Holding Limited (永祿控股有限公司), which is a limited company incorporated in Hong Kong and the beneficial owner of 16,076,988 Shares, and (ii) is interested in approximately 75.8% of China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)) in its capacity as a limited partner, which is the beneficial owner of 10,954,024 Shares.

(9) Success Link International L.P. is an exempted limited partnership and established for the benefit of selected participants of the Pre-IPO Equity Incentive Plan. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. The current directors of Success Link GP Inc. are Albert Da Zhu (朱達), an executive Director and Weikang Zhu (朱衛康), an employee of our Group. For details of the Pre-IPO Equity Incentive Plan, please see the section headed "Statutory and General Information – Pre-IPO Equity Incentive Plan" in Appendix IV in this document.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased at the Offer Price with an aggregate amount of approximately US$68 million (approximately HK$528 million) (calculated based on the conversion rate of US$1.00 to HK$7.77090) (exclusive of the brokerage, the SFC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules (save for the Offer Shares to be acquired by LAV).

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become substantial shareholders of our Company (save for LAV which is a substantial shareholder of our Company) and the Cornerstone Investors will not have any Board representation in our Company. To the best knowledge of our Company, each of the Cornerstone Investors: (i) is an Independent Third Party (save for LAV which is a substantial shareholder of our Company), (ii) is independent of other Cornerstone Investors, (iii) is not financed by us, our Directors, chief executive, controlling shareholders, existing Shareholders (save that LAV Amber Limited, Aranda Investments Pte. Ltd., QIA, China Structural Reform Fund are, or are affiliated to, existing Shareholders) or any of its subsidiaries or their respective close associates, (iv) is not accustomed to take instructions from us, our Directors, chief executive, controlling shareholders, existing Shareholders (save that LAV Amber Limited, Aranda Investments Pte. Ltd., QIA, China Structural Reform Fund (each term as defined below) are, or are affiliated to, existing Shareholders) or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (v) are not listed on any stock exchange; and (vi) invested in our Company as a Cornerstone Investor as they have confidence in our Company's business and prospects. There are no side arrangements between us and the Cornerstone Investors nor is there any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. We became acquainted with each of the Cornerstone Investors as they (or their respective affiliates) are existing Shareholders. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and/or the financial resources of their shareholders.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and the consideration will be settled by the Cornerstone Investors on or before the Listing Date. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering. Each of the Cornerstone Investors has agreed that if the total demand for Shares in the Hong Kong Public Offering falls within the circumstances as set out in the section headed "Structure of the Global Offering – Allocation – Reallocation" in this prospectus, the number of Offer Shares to be acquired by each Cornerstone Investor shall be reduced on a pro rata basis to satisfy the shortfall, after taking into account the requirements under Appendix 6 to the Listing Rules as well as the discretion of the Stabilisation Manager (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option. 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 issued by us on or around September 28, 2021.

LAV, Temasek, QIA and China Structural Reform Fund are existing Shareholders of our Company or their close associates, and have been permitted to participate in the Cornerstone Placing by a waiver from strict compliance with Rule 10.04 of and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules, and also a waiver from strict compliance with Rule 9.09 of the Listing Rules with respect to LAV's participation in the Cornerstone Placing. For details of the waiver application, please refer to the section headed "Waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and consent in relation to cornerstone investments by an existing Shareholder, certain close associates of existing Shareholders and a core connected person".

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. LAV

LAV Amber Limited is wholly owned by LAV Biosciences Fund V, L.P. (the "**LAV Fund V**"), a Cayman exempted limited partnership and an existing Shareholder of the Company, which is ultimately controlled by Dr. Yi Shi. LAV Fund V is an investment arm of LAV Group ("**LAV**"). LAV is an Asia-based life science investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. LAV is managed by a team of professionals with substantial biomedical domain expertise, as well as extensive investing experiences.

2. Temasek

Aranda Investments Pte. Ltd. ("**Aranda**") is a company incorporated in Singapore and its principal activity is investment trading and investment holding. Aranda is an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited ("**Temasek**"). Temasek is an investment company with a net portfolio value of S$306 billion as at 31 March 2020. Its three roles as an Investor, Institution and Steward, as defined in the Temasek Charter, shape Temasek's ethos to do well, do right and do good. Temasek actively seeks sustainable solutions to address present and future challenges, through investment and other opportunities that help to bring about a better, smarter and more sustainable world.

3. QIA

QH Oil Investments LLC ("**QIA**") is an investment holding company established in the Qatar Financial Centre (QFC) and registered with the QFC Authority in the State of Qatar and is 100% owned by Qatar Holding LLC. Qatar Holding LLC, which is also established in the QFC, is 100% owned by and serves as a principal investment arm of the Qatar Investment Authority, which is a governmental entity of the State of Qatar.

In addition to the conditions precedent as set out in "– Closing Conditions" of this section below, the subscription obligation of QIA is subject to the respective representations, warranties, acknowledgements, undertakings and confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate and true and not misleading in all material respects and there being no material breach of such Cornerstone Investment Agreement on the part of our Company.

4. China Structural Reform Fund

China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**China Structural Reform Fund**") is a company incorporated in the PRC which is indirectly controlled by State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) ("**SASAC**"). It is mainly engaged in businesses including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of this cornerstone investment, China Structural Reform Fund has engaged ICBC Credit Suisse Asset Management Co., Ltd., an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

The table below sets forth details of the Cornerstone Placing:

		Assuming a final Offer Price of HK$15.80 per Share (being the low-end of the indicative Offer Price range)				Assuming a final Offer Price of HK$15.90 per Share (being the mid-point of the indicative Offer Price range)				Assuming a final Offer Price of HK$16.00 per Share (being the high-end of the indicative Offer Price range)				
		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	Total investment amount[1]	Number of Offer Shares to be acquired[2]	Approximate % of the Offer Shares	Approximate % of ownership[3]	Approximate % of the Offer Shares	Approximate % of ownership[3]	Number of Offer Shares to be acquired[2]	Approximate % of the Offer Shares	Approximate % of ownership[3]	Approximate % of the Offer Shares	Approximate % of ownership[3]	Number of Offer Shares to be acquired[2]	Approximate % of the Offer Shares	Approximate % of ownership[3]	Approximate % of the Offer Shares	Approximate % of ownership[3]
LAV	US$8 million	3,934,500	9.76%	0.88%	8.48%	0.87%	3,909,500	9.69%	0.88%	8.43%	0.87%	3,885,000	9.63%	0.87%	8.38%	0.86%
Temasek	US$5 million	2,459,000	6.10%	0.55%	5.30%	0.54%	2,443,500	6.06%	0.55%	5.27%	0.54%	2,428,000	6.02%	0.55%	5.24%	0.54%
QIA	US$25 million	12,295,500	30.49%	2.76%	26.51%	2.72%	12,218,000	30.30%	2.74%	26.34%	2.71%	12,142,000	30.11%	2.73%	26.18%	2.69%
China Structural Reform Fund	US$30 million	14,754,500	36.58%	3.31%	31.81%	3.27%	14,662,000	36.36%	3.29%	31.61%	3.25%	14,570,000	36.13%	3.27%	31.41%	3.23%
Total	US$68 million	**33,443,500**	**82.92%**	**7.51%**	**72.11%**	**7.41%**	**33,233,000**	**82.40%**	**7.46%**	**71.65%**	**7.36%**	**33,025,000**	**81.89%**	**7.42%**	**71.21%**	**7.32%**

Notes:

(1) Calculated based on an exchange rate of US$1.00 to HK$7.77090 as described in the section headed "Information about this document and the Global Offering – Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(2) Subject to rounding down to the nearest whole board lot of 500 Shares.

(3) Immediately upon the completion of the Global Offering and excluding Shares to be issued pursuant to the Pre-IPO Equity Incentive Plan and the Post-IPO Share Award Scheme.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the representatives of the Joint Representatives (for themselves and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings and confirmations of such Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investor Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering assuming that (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised, (iii) shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme are not issued and (iv) each Preferred Share is converted into one Share:

Authorized share capital

Number of shares	Description of shares	Approximate aggregate nominal value of shares
		(US$)
879,375,218	Authorized share capital as of the date of this document	87,937.5218
10,000,000,000	Authorized share capital immediately following the completion of the Global Offering	1,000,000.0000

Issued Share Capital

The issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

Number of shares	Description of Shares	Approximate aggregate nominal value of Shares	Approximate % of the issued share capital
		(US$)	
405,001,917	Shares in issue as of the date of this document	40,500.19	90.9%
40,330,000	Shares to be issued under the Global Offering	4,033.00	9.1%
445,331,917	Shares in total	44,533.19	100%

The table above does not take into account any Shares that may be issued or cancelled or any other potential change to the share capital as described in "– Potential changes to share capital" below.

Ranking

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue 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 after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

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; (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 Act; and sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association.

See "Summary of the constitution of our Company and Cayman Islands company law – Articles of Association – Alteration of capital" in Appendix III for further details.

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 Act, 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.

See "Summary of the constitution of our Company and Cayman Islands company law – Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and excluding shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme); and

- the total number of Shares repurchased by our Company pursuant to the authority referred to in "– General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and excluding shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme).

This mandate only relates to repurchases on the 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 Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and general information – Further information about our Group – Explanatory statement on repurchase of our own securities" in Appendix IV for further details of this general mandate to repurchase Shares.

Share schemes

We adopted the Pre-IPO Equity Incentive Plan. See "Statutory and general information – Share schemes" in Appendix IV for further details.

We adopted the Post-IPO Share Award Scheme on June 18, 2021. See "Statutory and General Information – Share schemes" in Appendix IV to this document for further details.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2021 included in the Accountants' Report set out in Appendix I to this document, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a clinical stage biopharmaceutical company that integrates the capacities of discovery, research, development, manufacturing and business development. Our management team and the key operations, including clinical development, regulatory access and business development are based both in China and the United States, whereas our discovery, research and development, process development and manufacturing teams are based in China. We adopt a global approach to maximize operational efficiency. Concurrently, we leverage the efficient regulatory approval pathway to accelerate the Investigational New Drug (IND) applications and early-phase clinical trials in the United States and to advance clinical trials in the indications with significant unmet medical needs from the large patient population in China. We design trials that allow clinical data from each trial to be used for pooled analysis and for supporting registration, including China, the United States and countries in Europe. In addition, clinical data from multi-regional clinical trials will enable future indication expansion for the drug(s) investigated in the countries and regions where we plan for.

We have developed a unique antibody discovery platform, the Immune Tolerance Breaking (IMTB) technology platform, which enables us to generate antibodies to both non-conserved and conserved proteins that are difficult to generate in rodents and to discover hidden epitopes that are challenging to discover by using conventional platforms. Our IMTB technology platform allows us to obtain lead candidate antibodies with expanded epitope diversity, differentiated biological properties (specificity, affinity and pharmacokinetics) and desirable CMC (chemistry, manufacturing and controls) profiles, resulting in selecting candidate molecules with enhanced druggability attributes and intellectual property position. Leveraging this IMTB technology platform, we have generated TST001, which targets a conserved epitope on Claudin 18.2, and MSB2311, a PD-L1 targeting antibody binding to an epitope that conferred MSB2311 with pH-dependent antigen binding property. Furthermore, our translational research team enables us to model tumor responses to our investigational

agents and to better understand pharmacokinetics/pharmacodynamics (PK/PD) profiles, which guides design and conduct of clinical study and evaluates the options of combination therapy with agents targeting different signaling disease pathways. We also have a platform that allows us to screen antibodies for target-detection using immunohistochemistry and to develop immunohistochemistry detection assay for patient selection in clinical trials, which allows us to maximize potential trial success by enrolling patients with a high probability of responding to the drug treatment in selected indications.

Our discovery and global development capabilities have enabled us to build diversified pipeline of innovative and promising antibodies in therapeutic areas with unmet medical needs including oncology, nephrology and bone diseases. As of the Latest Practicable Date, we have discovered and developed eight of nine drug candidates in-house, covering both validated, partially validated and novel biological pathways. In particular, we have one core product: MSB2311, a humanized PD-L1 monoclonal antibody (mAb) candidate for solid tumors; and four key drug candidates: TST001, a humanized Claudin 18.2 mAb candidate for solid tumors; TST005, a PD-L1/TGF-β bi-functional antibody candidate for solid tumors; TST002 (Blosozumab), a humanized sclerostin mAb candidate for osteoporosis; and TST004, a humanized MASP-2 mAb candidate for kidney diseases. In addition to the above drug candidates, we are also developing a number of early-stage innovative biotherapeutic candidates. For example, we are developing TST003, a potentially the first therapeutic antibody candidate around the world targeting a novel immune regulatory protein produced by tumor-associated fibroblasts or tumor cells with mesenchymal phenotype. In addition, we have developed TST008, a tri-functional antibody combining a MASP2 antibody fused with a truncated transmembrane activator and CAML interactor (TACI) protein, which has the potential for the treatment of autoimmune disease such as systemic lupus erythematosus (SLE).

During the Track Record Period, we derived substantially all of our revenues from providing CDMO services to customers, primarily pharmaceutical and biotechnology companies, under CDMO contracts. We currently have no product approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses during the Track Record Period. Our total comprehensive expenses for the year were RMB437.6 million and RMB319.5 million for the years ended December 31, 2019 and 2020, respectively. Our total comprehensive expenses for the period were RMB25.6 million and RMB70.6 million for the three months ended March 31, 2020 and 2021, respectively. Substantially all of our operating losses resulted from research and development expenses and administrative expenses.

We expect to incur significant expenses and operating losses for at least the next several years as we further our research and development efforts, continue the clinical development of, and seek regulatory approval for, our drug candidates, launch commercialization of our pipeline products, and add personnel necessary to operate the integrated platform with an advanced clinical candidate pipeline of products. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our drug candidates, our efforts to obtain regulatory approval and commercialize our drug candidates.

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by International Accounting Standards Board ("**IASB**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial instruments issued to investors which are carried at fair value.

Adoption of New and Amendments to IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, we have consistently applied the IFRSs, which are effective for the accounting period beginning on January 1, 2021 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 which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[5]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

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1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for annual periods beginning on or after 1 April 2021

We anticipate that the application of these new and amendments to IFRSs will have no material impact on our consolidated financial statements in the foreseeable future.

The historical financial information has been prepared on a going concern basis. As we are in the development phase and have not generated revenue from sales of our products, we have been incurring losses from operations since incorporation. We have obtained financing from the issuance of preferred shares. Our Directors believe we have sufficient working capital for at least the next 12 months from the expected date of this document.

The Company was incorporated in the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021 under the Cayman Companies Act. In December 2018, Transcenta Biotherapeutics Inc. (a wholly-owned subsidiary of our Company) and Just Biotherapeutics Asia Inc. (among others) entered into an agreement and plan of merger (the "**Acquisition**") (which was accounted for as an acquisition of business for financing reporting purpose based on the assessment made by the Company with reference to the criteria set out in IFRS 3 Business Combinations), and our Company was renamed as Transcenta Holding Limited. See "History, Development, and Corporate Structure" for more details of our history. The Company's re-domiciliation from British Virgin Islands to Cayman Islands was merely a corporate restructuring of our business with no change in the management of our business. Accordingly, our Group resulting from the re-domiciliation is regarded as a continuation of our business under Transcenta Holding Limited and the financial information has been prepared and presented as a continuation of the consolidated.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the year-to-year comparability of our financial results are principally affected by the following factors:

Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates. As of the Latest Practicable Date, we have a pipeline of drug candidates including four drug candidates in clinical development, one in IND stage and four in pre-clinical development. Although we currently have no products approved for commercial sale and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development. MSB2311, second-generation PD-L1 inhibitor with unique differentiation from other PD-(L)1 antibodies, and TST001, a high-affinity antibody specifically targeting and binding to Claudin 18.2, are our drug candidates closest to commercialization. See the section headed "Business" for more information on the development status of our various drug candidates.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses, administrative expenses, selling expenses and finance costs.

Research and development activities are central to our business model. In 2019, 2020, and the three months ended March 31, 2021 our research and development expenses accounted for 49.0%, 62.7% and 66.6% of our total comprehensive expenses for the year, respectively. Our research and development expenses primarily consist of:

- third-party contracting costs incurred under agreements with consultants, contract research organizations, or CROs, and clinical trial sites that conduct research and development activities on our behalf;

- costs associated with purchasing raw material for research and development of our drug candidates;

- employee salaries and related benefit costs, including share-based compensation expenses, for research and development personnel; and

- expenses associated with inspection and maintenance of facilities, depreciation and amortization expenses, travel expenses, insurance, utilities and other supplies used in research and development activities.

Our current research and development activities mainly relate to pre-clinical and clinical development, CMC process and manufacturing of our drug candidates. We expect our research and development expenses to increase significantly for the foreseeable future, as we move these drug candidates into additional clinical trials, including potential registration trials, and as we continue to support the clinical trials of our drug candidates as treatments for additional indications.

Our administrative expenses consist primarily of salaries and employee benefit expenses, including share-based compensation expenses, for administrative personnel. Other administrative expenses include professional fees for legal, consulting, auditing and tax services as well as other direct and allocated expenses for rent and maintenance of facilities, travel costs, insurance and other supplies used in administrative activities. We also expect our administrative expenses to increase in future periods to support our drug and development efforts and support any commercialization 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. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

In 2019 and 2020, we funded our operations primarily through equity financing and bank loans. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sale of our commercialized drug products. However, with the continuing expansion of our business we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in our ability to fund our operations will impact our cash flow plan and our results of operations.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with IFRSs issued by the IASB. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies and estimates are summarized below. See Note 4 and Note 5 to the Accountants' Report set out in Appendix I for a description of our significant accounting policies.

Significant accounting policies

Revenue from contracts with customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods of services underlying the particular performance obligation is transferred to customer. A performance obligation represents a good or 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 revenue is recognized 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 our performance as we perform;

- Our performance creates or enhances an asset that the customer controls as we perform; or

- Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. on the passage of time is required before payment of that consideration is due. A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. A contact asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, we allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which we would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, we estimate it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which we expect to be entitled in exchange for transferring the promised goods or services to the customer.

Contract costs

We incur costs to fulfil a contract in our service contracts. We first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that we can specifically identify;

- The costs generate or enhance resources of us that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- The costs are expected to be recovered.

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Research and development expenses

Development expenses incurred on our drug product pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our 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 expenses which do not meet these criteria are expensed when incurred. Management assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, except for the payment made to a related party for certain in-license fee, all research and development costs are expensed when incurred.

Equity-settled share-based payment transactions

Shares/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 our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, we revise our 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognized in share-based payment 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 recognized in share-based payment reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognized in share-based payment reserve will be transferred to share premium.

Shares/Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses.

Share-based payment transactions of the acquiree in a business combination

When share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by our share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 Share-based Payment ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree awards. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post combination service.

However, when the acquiree awards expire as a consequence of a business combination and we replace those awards when we do not have an obligation to do so, the replacement awards are measured at their market-based measure in accordance with IFRS 2. All of the market-based measure of the replacement awards is recognized as remuneration cost for post-combination service.

At the acquisition date, when the outstanding equity-settled share-based payments transactions held by the employees of an acquiree are not exchanged us for our share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by acquisition dated, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transaction have not vested by the acquisition date, the market-based measure is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or original vesting period of those share options. The balance is recognized as remuneration cost for post-combination service.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

The carrying amounts of our goodwill were RMB471.9 million, RMB471.9 million and RMB471.9 million as of December 31, 2019 and 2020, and March 31, 2021, respectively. For the purpose of impairment testing, goodwill is allocated to each of our cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

Goodwill arising from the business combination is allocated to a group of cash-generating units that are expected to benefit from the synergies of such business combination for the purpose of impairment testing. Impairment review on our goodwill has been conducted by our Directors with reference to a report prepared by Anderson Management as of December 31, 2019 and 2020. For the purpose of impairment review, the recoverable amount of our cash-generating units is determined based on value-in-use calculations.

With the assistance of the external appraiser, management determined the recoverable amount of the goodwill based on the approach and the key assumptions, including (i) the cash flow projections are made based on financial budgets prepared by management till year 2035 based on the timing of clinical development and regulatory approval of relevant products. Cash flows beyond year 2035 are extrapolated using the estimated terminal growth rate at 3%. We consider the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when the related products are still under clinical trial. As such, we believe that a forecast period for the cash generating units longer than five years is justifiable and consistent with industry practice; (ii) the expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development; (iii) the discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and (iv) the expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The other key parameters used for value-in-use calculations are as follows:

	As of December 31,	
	2019	2020
Pre-tax discount rate	17%	16.5%
Expected annual growth rates till 2035[(1)]	12.6%-195.4%	12.6%-195.4%
Expected market penetration rate	0.3%-56.0%	0.3%-56.0%
Expected success rate of commercialization	5%-85%	5%-85%

(1) The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at December 31, 2019 and 2020. Based on the estimate made by the management with reference to market analysis, there is no material change of revenue amounts during the forecast period when they performed the annual impairment test for each of the two years ended December 31, 2019 and 2020. As such, the compound revenue growth rate remained stable as at December 31, 2019 and 2020.

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which we operate. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as of December 31, 2019 and 2020. Thus, no impairment is noted.

We performed the sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue compound growth rate, which are the key assumptions determine the recoverable amount of the goodwill, with all other variables held constant. The impacts on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31,	
	2019	2020
	(RMB in thousands)	
Headroom	1,820,760	3,272,039
Impact by increasing discount rate	(833,132)	(1,052,833)
Impact by decreasing revenue compound growth rate	(341,270)	(434,037)

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

In accordance with our accounting policies, goodwill is tested for impairment on an annual basis at each year end. As of March 31, 2021, our management was not aware of any significant adverse changes on the development of our Group, which indicates that the carrying amount of the group of cash-generating units exceeds the recoverable amount. As a result, no interim impairment assessment as of March 31, 2021 was performed. For details of the accounting treatments in relation to goodwill, see Note 19 to the Accountants' Report in Appendix I to this document.

Intangible assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired separately

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible assets 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 assets;
- The intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost which includes professional fees, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Preferred shares

Preferred shares, which contain redemption features and other embedded derivatives, are classified as at financial liabilities at fair value through profit or loss and are measured at fair value. We have issued Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, Series B-5 Preferred Shares and Series C-1 Preferred Shares. The fair value of our Preferred Shares increased from RMB1,314.6 million as of January 1, 2019 to RMB1,808.9 million as of December 31, 2019, primarily attributable to the issuance of Series B-5 Preferred Shares amounting to RMB457.2 million and the increased changes in fair value amounting to RMB37.2 million. The fair value of our Preferred Shares increased from RMB1,809.9 million as of January 1, 2020 to RMB2,474.2 million as of December 31, 2020, primarily attributable to the issuance of Series B-5 Preferred Shares amounting to RMB257.7 million and the issuance of Series C-1 Preferred Shares amounting to RMB445.5 million, partially offset by the decreased changes in fair value amounting to RMB37.9 million. The fair value of our Preferred Shares increased from RMB2,474.2 million as of December 31, 2020 to RMB2,773.9 million as of March 31, 2021, primarily attributable to the issuance of Series C-1 Preferred Shares amounting to RMB278.3 million and changes in fair value amounting to RMB21.4 million.

As for the dividend rights of the Preferred Shares, our Directors may authorize a distribution by way of dividend at a time and of an amount they think fit out of the funds of our Company lawfully available. As for the conversion feature of the Preferred Shares, each holders of the Preferred Shares shall have the rights to convert Preferred Shares into ordinary shares at any time after the issuance date into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant issue price by the then-effective conversion price. The conversion price shall initially be the respective issue price per Preferred Shares, resulting the initial conversion ratio of 1:1. Such initial conversion price shall be subject to adjustment (including but not limited to share splits and combinations, dividend and distribution, reorganizations, mergers, consolidations, reclassifications, exchanges and substitutions, and adjustment upon issuance of new securities for consideration per shares less than conversion price). All outstanding Preferred Shares shall automatically be converted, at the applicable conversion ratio in effect of conversion, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares, at the earlier of (i) the closing of a qualified initial public offering (the "QIPO"), and (ii) the prior written approval of the holders of at least two-thirds (2/3) of corresponding sub-class of Preferred Shares (voting together as a single class on an as-converted basis). The QIPO means the first firm-commitment underwritten initial public offering by our Company on an internationally recognized stock exchange underwritten by an internationally recognized investment bank with a per share price (after underwriting commissions and expenses) (i) that implies a market capitalization of our Company prior to an initial public offering no less than the post-money valuation of our Company immediately after the closing of respective share purchase transaction to be increased annually at a simple rate of 10% per annum calculating from the closing date as defined in respective share purchase agreement (with a year being 365 days); or (ii) approved collectively by the (a) holders of the Series B-1 Preferred Shares (voting together as a single class on an as-converted basis), (b) holders of at least two-thirds of the Series B Preferred Shares (excluding Series B-1 Preferred Shares) (voting together as a single class on an as-converted basis), (c) holders of at least two-thirds (2/3) of the Series A Preferred

Shares (voting together as a single class on an as-converted basis), (d) holders of at least two thirds of Series B-4 Preferred Shares (voting together as a single class), and (e) holders of at least a majority of the Series C Preferred Shares (voting together as a single class). If by December 31, 2023, a Qualified IPO has not occurred, then at any time thereafter, any holder of Series A Preferred Shares, Series B Preferred Shares or Series C Preferred Shares may require our Company to repurchase its Preferred Shares, subject to certain conditions. Each Preferred Shares shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited.

The Preferred Shares are regarded as financial liabilities measured at fair value through profit or loss. Our Directors considered that the changes in the fair value of the Preferred Shares attributable to the change in credit risk of our Group is minimal. Changes in fair value of the Preferred Shares are charged to profit or loss and included in "other gains and losses, net". The Preferred Shares were valued by our Directors with reference to valuation reports carried out by a qualified professional valuer. We used back-solve method to determine the underlying share value of our Company and performed an equity allocation based on a Binomial Option Pricing Model to arrive at the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in Binomial Option Pricing Model to determine the fair value include time to liquidation, time to redemption, dividend yield, risk-free interest, possibilities under IPO scenario, possibilities under liquidation scenario, possibilities under redemption scenario, and volatility. Our Directors estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Expected dividend yield is based on management estimation at issue date.

For details of the accounting treatments in relation to preferred shares, see Note 32 to the Accountants' Report in Appendix I to this document.

Significant Accounting Estimates

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires us to estimate the future cash flows expected to arising from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

Useful lives of property, plant, and equipment

Our management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for our property, plant and equipment. This estimate is reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold.

Fair value of financial liabilities at fair value through profit or loss

The Company has issued several series of preferred shares and written share purchase options to certain onshore investors during the Track Record Period as set out in Note 32 to the Accountants' Report set out in Appendix I. We recorded these financial instruments as financial liabilities at fair value through profit or loss for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios such as qualified public offering, liquidation, and discount for lack of marketability, require management estimates. Management estimates and assumptions 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 which may be charged into the profit or loss of the financial statements.

Fair value measurement

For financial reporting purposes, fair value measurements are categorized 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; and

- Level 3 inputs are unobservable inputs for the asset or liability.

As of December 31, 2019 and 2020 and March 31, 2021, all of our financial liabilities at fair value through profit or loss were classified as level 3 financial instruments. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. For details, see Note 32 of the Accountants' Report set out in Appendix I of this document. Our Directors and management have reviewed the fair value measurement of level 3 financial instruments, taking into account the significant unobservable inputs and the applicable valuation techniques, and determined that the fair value measurement of level 3 financial instruments is in accordance with the applicable IFRSs. In particular, in respect of the valuation of the our level 3 financial instruments, our management carried out independent due diligence procedures including (i) took all reasonable steps to verify the accuracy and reasonableness of material information that is likely to affect the valuation of the financial liabilities, including financial forecasts, business plans and assumptions; (ii) considered the need for a valuation by a professional valuer of the financial liabilities; (iii) considered the scope of the valuer's mandate to ensure that the valuation report would be relevant and useful in aiding the Directors to determine the valuation exercise for the financial liabilities are fair and reasonable, and the Directors can reasonably rely on the valuation; (iv) provided a valuer with all relevant information that is likely to affect the valuation; and (v) reviewed the valuer's valuation analysis and results and relied on valuation only if it is reasonable to do so under the circumstances. Based on the procedures, our management is satisfied that the valuation is considered reasonable, and our financial statements are properly prepared.

Our Directors and management are satisfied with the valuation exercise for financial liabilities categorised as level 3 financial instruments in its historical financial information for the purpose of preparing the consolidated financial statements for the Track Record Period as contained in the Accountants' Report set out in Appendix I to this document.

The reporting accountants had performed their audit procedures in relation to the valuation performed by management's specialist pursuant to the relevant auditing standards. Based on the work performed, the reporting accountants expect to issue an unqualified opinion on the Historical Financial Information of the Group for the Track Record Period as a whole.

In relation to the valuation of our level 3 financial assets and liabilities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report set forth in Appendix I to this prospectus; (ii) conducted due diligence with us, in particular with the relevant personnel in charge of finance and business operations who is familiar with the valuation of the level 3 financial instruments, to understand (a) the nature and details of the financial instruments, and the procedures performed for such valuation, (b) the key factors, valuation methodologies, and key assumptions taken into account by us as advised by our external valuer, and (c) the internal control process undertaken by us for reviewing the relevant valuation; (iii) review of the underlying valuation reports issued our external valuer; (iv) review of the professional qualification and previous experience of the external valuer engaged by us through desktop search; and (v) discussed with Deloitte Touche Tohmatsu, the reporting accountant of the Company, on its work performed in this regard, including without limitation with respect to the key basis and assumptions for the valuation of the financial instruments. Having considered the work done by the Directors and

Deloitte Touche Tohmatsu and the relevant due diligence done as stated above, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of the Directors and Deloitte Touche Tohmatsu in respect of the valuation of the Group's level 3 financial assets and liabilities.

Impairment assessment on intangible asset not ready for use

The carrying amounts of our intangible assets were RMB96.5 million, RMB95.8 million and RMB95.6 million as of December 31, 2019, 2020 and March 31, 2021, respectively. Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for the drug by engaging an independent qualified professional valuer, to estimate value in use as the recoverable amount of the drug. The value in use is estimated using discount cash flow approach.

With the assistance of the external appraiser, our management determined the recoverable amount of the intangible assets based on the approach and the key assumptions, including (i) the intangible asset will generate cash inflows starting from year 2026 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2035, and up to the end of the exclusivity for the product. We consider the length of forecast period is appropriate because it generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are still under clinical trial. As such, we believe that a forecast period for the cash generating unit longer than five years is justifiable and consistent with industry practice; (ii) the expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development; (iii) the discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and (iv) the expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for value in use calculation as of December 31, 2019 and 2020 are as follows:

	As of December 31,	
	2019	**2020**
Pre-tax discount rate	18%	17%
Expected annual growth rates till 2035[(1)]	9.1% to 175.7%	9.1% to 175.7%
Expected market penetration rate	1.0%-13.5%	1.0%-13.5%
Expected success rate of commercialization	33%	33%
Recoverable amount of cash-generating unit (in RMB'000)	363,000	576,000

(1) The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at December 31, 2019 and 2020. Based on the estimate made by the management with reference to market analysis, there is no material change of revenue amounts during the forecast period when they performed the annual impairment test for each of the two years ended December 31, 2019 and 2020. As such, the compound revenue growth rate remained stable as at December 31, 2019 and 2020.

Based on the result of impairment assessment, there was no impairment as of December 31, 2019 and 2020.

We performed sensitivity test by increasing 1% of discount rate or decreasing of 1% revenue compound growth rate, which are the key assumptions determine the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As of December 31,	
	2019	**2020**
	(RMB in thousands)	
Headroom	267,567	480,597
Impact by increasing discount rate	(81,440)	(106,650)
Impact by decreasing revenue compound growth rate	(16,690)	(21,940)

Considering there was still sufficient headroom based on the assessment, our management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

In accordance with our accounting policies, intangible assets not yet available for use are tested for impairment on an annual basis at each year end. As of March 31, 2021, our management was not aware of any significant adverse changes on the development the intangible assets not yet available for use, which indicates that the carrying amount of the cash-generating unit exceeds its recoverable amount. As a result, no interim impairment assessment as of March 31, 2021 was performed. For details of the accounting treatments in relation to intangible assets, see Note 17 to the Accountants' Report in Appendix I to this document.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the periods indicated, respectively. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,		For the three months ended March 31,	
	2019	**2020**	**2020**	**2021**
	(RMB in thousands)		*(unaudited)*	
Revenue	44,140	80,980	6,810	7,883
Cost of sales	(37,226)	(62,778)	(4,743)	(5,145)
Gross profit	6,914	18,202	2,067	2,738
Other income	7,554	11,944	1,179	7,954
Other gains and losses, net	(93,099)	26,745	15,200	2,898
Selling expenses	(1,302)	(2,759)	(21)	(1,083)
Research and development expenses	(214,563)	(200,312)	(24,677)	(46,988)
Administrative expenses	(121,616)	(155,190)	(15,328)	(19,215)
Listing expenses	–	(5,570)	–	(10,101)
Impairment losses under expected credit loss model	–	–	–	(3,040)
Share of loss of a joint venture	–	–	–	(176)
Finance costs	(10,408)	(16,070)	(3,229)	(3,058)
Loss before tax	(426,520)	(323,010)	(24,809)	(70,071)
Income tax (expense) credit	(10,834)	110	27	27
Loss for the year/period	(437,354)	(322,900)	(24,782)	(70,044)
Other comprehensive (expense) income for the year	(266)	3,359	(857)	(539)
Total comprehensive expenses for the year	(437,620)	(319,541)	(25,639)	(70,583)
Loss for the year/period attributable to:				
– Owners of the Company	(395,256)	(316,626)	(22,880)	(70,044)
– Non-controlling interests	(42,098)	(6,274)	(1,902)	–
Total comprehensive expenses for the year attributable to:				
– Owners of the Company	(395,522)	(313,267)	(23,737)	(70,583)
– Non-controlling interests	(42,098)	(6,274)	(1,902)	–
Loss per share				
– Basic and diluted *(RMB)*	(6.16)	(4.53)	(0.36)	(0.72)

Revenue

During the Track Record Period, we primarily generated revenues by providing CDMO services to our customers. Our revenue from CDMO services in 2019 and 2020 were RMB44.1 million and RMB81.0 million, respectively. Our revenue from CDMO services in the three months ended 2020 and 2021 were RMB6.8 million and RMB7.9 million, respectively.

Cost of Sales

Cost of sales primarily consists of salaries, raw material and consumables used for provision of CDMO services, depreciation and amortization expenses, traveling and transportation expenses, service and maintenance expenses, and others. The following table summarizes the components of cost of sales for the period indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)		*(unaudited)*	
Salaries	12,143	16,533	1,444	820
Raw material and consumables used	8,915	20,456	811	923
Depreciation and amortization expenses	11,602	11,917	1,220	713
Traveling and transportation expenses	276	914	3	117
Service and maintenance expenses	4,290	12,855	1,148	2,494
Others	–	103	117	78
Total	37,226	62,778	4,743	5,145

Other Income

Other income consists of bank interest income, promissory note interest income and government grants. Government grants represent various subsidies granted by the PRC local government authorities to our subsidiaries as incentives for the our research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received. The following table summarizes the components of our other income for the period indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)		*(unaudited)*	
Bank interest income	3,224	5,863	1,153	524
Promissory note interest income	–	–	–	743
Government grants	4,330	6,081	26	6,687
Total	7,554	11,944	1,179	7,954

Other Gains and Losses, Net

Other gains and losses, net primarily consist of net foreign exchange gain or loss, fair value change of financial liabilities at fair value through profit or loss, transaction costs for issuance of preferred shares, impairment loss on intangible asset, loss on disposal of property, plant and equipment and others. Financial liabilities at fair value through profit or loss occurred as the Company entered various investment agreements with independent investors pursuant to which the Company issued preferred shares and wrote share purchase options to the investors to subscribe for the preferred shares of the Company. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions.

In the three months ended March 31, 2021, we recorded a loss on fair value change of financial liabilities at fair value through profit or loss of RMB21.4 million, primarily due to the increase in the fair value of our preferred shares, which was partially offset by a gain of RMB17.2 million recognized on deemed disposal of interests in a joint venture. See Notes 20 and 32 to the Accountants' Report in Appendix I to this document for more information. We recorded a gain on fair value change of financial liabilities at fair value through profit or loss of RMB37.9 million in 2020, primarily due to the changes in the parameters and inputs in our back-solve method and equity allocation model, including underlying equity value of the Company, risk-free interest rate, probabilities under the IPO scenario, liquidation scenario and redemption scenario, which were partially offset by an appreciation of US dollar against RMB amounting to RMB15.4 million. See Note 32 of the Accountants' Report in Appendix I to this document. In 2019, we recorded an impairment of intangible assets of RMB51.7 million, resulted from the Acquisition in which our Company suspended the development of one in-process research and development pipeline product and conducted impairment assessment.

The following table summarizes the components of our other gains and losses, net for the periods indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	**2020**	**2020**	**2021**
	(RMB in thousands)		*(unaudited)*	
Gain on deemed disposal of interests in a joint venture	–	–	–	17,239
Net foreign exchange gain (loss)	3,892	(1,623)	8,460	7,093
Fair value change of financial liabilities at fair value through profit or loss	(37,162)	37,926	6,685	(21,381)
Transaction costs for issuance of preferred shares	(8,270)	(9,560)	–	–
Impairment loss on intangible asset	(51,656)	–	–	–
Loss on disposal of property, plant and equipment	–	(9)	–	–
Others	97	11	55	(53)
Total	(93,099)	26,745	15,200	2,898

Selling Expenses

Selling expenses primarily consist of salaries for our sales personnel for CDMO services, travel expenses, depreciation and amortization expenses and others. The following table summarizes the components of our selling expenses for the periods indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)			
			(unaudited)	
Salaries	943	2,120	49	853
Travel expenses	49	103	15	18
Depreciation and amortization expenses	5	4	1	1
Others	305	532	(44)	211
Total	1,302	2,759	21	1,083

Research and Development Expenses

Research and development expenses primarily consist of pre-clinical test expenses including testing fee and pre-clinical trial expenses, staff cost for our research and development personnel, clinical test expenses including testing fee and clinical trial expenses, materials consumed for research and development of our drug candidates, depreciation and amortization expenses and others. For the periods ended December 31, 2019, 2020 and the three months ended March 31, 2020 and 2021, we recorded RMB35.7 million, RMB23.9 million, RMB3.9 million and RMB11.1 million in research and development expenses for our core product, respectively. The following table summarizes the components of our research and development expenses for the periods indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)			
			(unaudited)	
Pre-clinical test expenses	83,986	40,420	3,705	21,041
Staff cost	73,835	87,892	12,555	17,288
Clinical test expenses	27,474	38,281	4,601	2,066
Materials consumed	10,319	13,982	1,075	2,611
Depreciation and amortization expenses	14,159	14,977	1,624	3,862
Others	4,790	4,760	1,117	120
Total	214,563	200,312	24,677	46,988

Administrative Expenses

Our administrative expenses consist primarily of salaries and related benefits costs for our administrative personnel, professional fees for services provided by professional institutions, depreciation and amortization expenses, office expenses for our daily operation, traveling and transportation expenses, and others. The following table summarizes the components of our administrative expenses for the periods indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	2020	2020	2021
	(RMB in thousands)			
			(unaudited)	
Salaries and related benefits costs	80,292	114,372	9,862	12,436
Professional fees	13,545	13,926	31	825
Depreciation and amortization expenses	14,874	15,230	4,166	4,674
Office expenses	3,990	5,799	559	738
Traveling and transportation expenses	3,699	1,784	248	270
Others	5,216	4,079	462	272
Total	121,616	155,190	15,328	19,215

Listing Expenses

Listing expenses primarily include fees paid to professional parities in relation to the initial public offering. We recorded listing expenses of nil in 2019 and RMB5.6 million in 2020. We recorded listing expenses of nil in the three months ended March 31, 2020, and RMB10.1 million in the three months ended March 31, 2021.

Finance Costs

Finance costs primarily include interest expenses on bank borrowings and lease liabilities. See "– Indebtedness" and "– Lease Liabilities" for more information. We recorded finance costs of RMB10.4 million in 2019 and RMB16.1 million in 2020. We recorded finance costs of RMB3.2 million and RMB3.1 million in the three months ended 2020 and 2021, respectively.

Income Tax Expenses

We recorded income tax expenses of RMB10.8 million in 2019 and income tax credits of RMB0.1 million in 2020. We recorded income tax credit of RMB27.0 thousand for both of the three months ended March 31, 2020 and 2021.

TAXATION

Cayman Islands

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and accordingly is not subject to income tax in the Cayman Islands.

Hong Kong

Under the two-tiered profits tax rates regime which was effective on March 21, 2018, the first HK$2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. We considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to us, since the group entity in Hong Kong did not have tax assessable profit subject to Hong Kong profits tax during the Track Record Period.

China

Generally, our subsidiaries in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except that HJB Hangzhou benefits from a preferential tax rate of 15% as it is qualified as a "High and New Technology Enterprise." The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. The competent tax authorities and other related authorities review the "High and New Technology Enterprise" status every three years. We expect HJB Hangzhou to continue to qualify as a "High and New Technology Enterprise" for the foreseeable future.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2021

Revenue

Our revenue increased by 15.8% from RMB6.8 million in the three months ended March 31, 2020 to RMB7.9 million in the three months ended March 31, 2021, primarily the growth of our CDMO business.

Cost of Sales

Our cost of sales increased by 8.5% from RMB4.7 million in the three months ended March 31, 2020 to RMB5.1 million in the three months ended March 31, 2021, primarily due to an increase in service and maintenance expenses, which is resulted from the increase in CDMO services we provided.

Other Income

Our other income increased by 566.7% from RMB1.2 million in the three months ended March 31, 2020 to RMB8.0 million in the three months ended March 31, 2021, primarily due to the government grants we received in the three months ended March 31, 2021.

Other Gains and Losses, Net

We had other gains of RMB15.2 million and RMB2.9 million for the three months ended March 31, 2020 and 2021, respectively. The changes were primarily due to the change in fair value of financial liabilities at fair value through profit or loss as a result of our issuance of preferred shares to investors, and the gain on deemed disposal of interests in a joint venture, see Note 32 and 20 to the Accountants' Report in Appendix I to this document for reference.

Selling Expenses

Our selling expenses increased by 5,057.1% from RMB21 thousand in the three months ended March 31, 2020 to RMB1.1 million in the three months ended March 31, 2021, primarily due to an increase in the number of employees, which in turn resulted in an increase of salaries.

Research and Development Expenses

Our research and development expenses increased by 90.3% from RMB24.7 million in the three months ended March 31, 2020 to RMB47.0 million in the three months ended March 31, 2021, primarily due to the substantial increase in pre-clinical test expenses and staff cost, both of which were in line with our business development.

Administrative Expenses

Our administrative expenses increased by 25.5% from RMB15.3 million in the three months ended March 31, 2020 to RMB19.2 million in the three months ended March 31, 2021, primarily due to an increase in the number of employees, which in turn resulted in an increase of salaries and employee benefits expenses, as well as an increase in other administrative expenses, primarily consisting of professional fees.

Listing Expenses

Our listing expenses was nil in the three months ended March 31, 2020 and RMB10.1 million in the three months ended March 31, 2021, primarily due to the increase in expenses in relation to our initial public offering.

Finance Costs

Our finance costs decreased by 5.3% from RMB3.2 million in the three months ended March 31, 2020 to RMB3.1 million in the three months ended March 31, 2021, primarily due to a decrease in the interest expense on bank borrowing as a result of the decrease of bank borrowing balances.

Income Tax Expense

Our income tax credit remained stable at RMB27.0 thousand in the three months ended 2020 and 2021.

Total Comprehensive Expenses for the Period

As a result of the foregoing, our total comprehensive expenses for the period increased to RMB70.6 million in the three months ended March 31, 2021 from RMB25.6 million in the three months ended March 31, 2020.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 83.5% from RMB44.1 million in 2019 to RMB81.0 million in 2020, primarily due to an increase in scale of CDMO services we provided to our customers as our existing projects moved from early stage to late stage, as well as increased number of projects. We also benefited from enhanced CDMO business development and commercial process development which in turn increased our manufacturing capacity.

Cost of Sales

Our cost of sales increased by 68.6% from RMB37.2 million in 2019 to RMB62.8 million in 2020, primarily due to the carry-over of contract cost in relation to providing CDMO services, which is resulted from the increase in CDMO services provided to our customers.

Other Income

Our other income increased by 58.1% from RMB7.6 million in 2019 to RMB11.9 million in 2020, primarily due to (i) the increase of government grants received from RMB4.3 million in 2019 to RMB6.1 million in 2020 resulted from import duty refund on products imported from to the United States amounting to RMB1.4 million and (ii) the increase of bank interest income from RMB3.2 million in 2019 to RMB5.9 million in 2020 resulted from increased investment products purchased at major banks in China.

Other Gains and Losses, Net

Our other gains and losses, net changed from losses of RMB93.1 million in 2019 to gains of RMB26.7 million in 2020. The changes were primarily due to the change in fair value of financial liabilities at fair value through profit or loss as a result of our issuance of preferred

shares to investors, and the impairment loss on intangible assets incurred in 2019 resulted from the Acquisition in which the Company suspended the development of one in-process research and development pipeline product and conducted impairment assessment.

Selling Expenses

Our selling expenses increased by 111.9% from RMB1.3 million in 2019 to RMB2.8 million in 2020, primarily due to an increase in the number of employees, which in turn resulted in an increase of salaries.

Research and Development Expenses

Our research and development expenses decreased by 6.6% from RMB214.6 million in 2019 to RMB200.3 million in 2020, primarily due to the decrease in pre-clinical test expenses, partially offset by the increases in clinical test expenses, materials consumed, staff cost and depreciation and amortization expenses. The decrease in pre-clinical test expenses resulted from drug candidates moving from pre-clinical stage to clinical stage and the decrease of research and development activities conducted by HJB Hangzhou.

Administrative Expenses

Our administrative expenses increased by 27.6% from RMB121.6 million in 2019 to RMB155.2 million in 2020, primarily due to an increase in the number of employees, which in turn resulted in an increase of salaries and employee benefits expenses, partially offset by a decrease in traveling and transportation expenses as a result of travel restrictions caused by COVID-19.

Listing Expenses

Our listing expenses was nil in 2019 and RMB5.6 million in 2020, primarily due to the increase in expenses in relation to our initial public offering.

Finance Costs

Our finance costs increased by 54.4% from RMB10.4 million in 2019 to RMB16.1 million in 2020, primarily due to the increase in interest expenses on bank borrowings. The increase in bank borrowings resulted from our increasing working capital demand.

Income Tax Expense

We had income tax expense of RMB10.8 million in 2019 and income tax benefits of RMB0.1 million in 2020. The income tax expenses in 2019 are primarily attributable to the increased deferred tax incurred as a result of capitalization of intangible assets arising from the in-license agreement. See Note 33 to the Accountant's Report set out in Appendix I.

Total Comprehensive Expenses for the Year

As a result of the foregoing, our total comprehensive expenses for the year decreased to RMB319.5 million in 2020 from RMB437.6 million in 2019.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of March 31,
	2019	**2020**	**2021**
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	409,656	449,176	444,581
Intangible assets	96,547	95,781	95,646
Right-of-use assets	16,834	24,057	24,341
Goodwill	471,901	471,901	471,901
Interests in a joint venture	–	–	17,563
Value-added-tax ("VAT") recoverable	57,191	62,954	55,817
Deposits paid for acquisition of property, plant and equipment	19,715	2,169	2,374
Other receivables	–	10,085	11,034
Amounts due from related parties		77,250	78,082
Restricted bank deposits	5,926	6,094	6,098
	1,077,770	1,199,467	1,207,437
Current assets			
Inventories	6,315	7,901	11,746
Trade and other receivables	18,721	31,635	33,476
Contract costs	4,809	38,329	54,722
Bank balances and cash	458,100	813,592	1,038,373
	487,945	891,457	1,138,317

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Current liabilities			
Trade and other payables	49,562	88,690	87,448
Amount due to a director	708	–	–
Contract liabilities	16,576	7,029	6,426
Bank borrowings	79,820	91,312	109,162
Lease liabilities	3,313	7,506	8,251
	149,979	194,537	211,287
Net current assets	337,966	696,920	927,030
Total assets less current liabilities	1,415,736	1,896,387	2,134,467
Non-current liabilities			
Bank borrowings	169,903	145,938	145,938
Lease liabilities	6,136	9,543	8,686
Deferred income	41,100	57,200	63,068
Financial liabilities at fair value through profit or loss ("FVTPL")	1,808,929	2,474,233	2,773,906
Deferred tax liabilities	25,828	25,718	25,691
	2,051,896	2,712,632	3,017,289
Net liabilities	(636,160)	(816,245)	(882,822)
Capital and reserves			
Share capital	44	66	68
Treasury shares	–	–	(2)
Reserves	(837,011)	(816,311)	(882,888)
Equity attributable to owners of the Company	(836,967)	(816,245)	(882,822)
Non-controlling interests	200,807	–	–
Total deficits	(636,160)	(816,245)	(882,822)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of March 31,	As of July 31,
	2019	2020	2021	2021
	(RMB in thousands)			*(Unaudited)*
Current assets				
Inventories	6,315	7,901	11,746	28,274
Trade and other receivables	18,721	31,635	33,476	31,656
Contract costs	4,809	38,329	54,722	8,431
Bank balances and cash	458,100	813,592	1,038,373	937,497
Total current assets	487,945	891,457	1,138,317	1,005,858
Current liabilities				
Trade and other payables	49,562	88,690	87,448	83,277
Amount due to a director	708	–	–	–
Contract liabilities	16,576	7,029	6,426	24,005
Bank borrowings	79,820	91,312	109,162	200,273
Lease liabilities	3,313	7,506	8,251	8,087
Total current liabilities	149,979	194,537	211,287	315,642
Net current assets	337,966	696,920	927,030	690,216
Net liabilities	636,160	816,245	882,822	1,875,852

Our net current assets increased from RMB338.0 million as of December 31, 2019 to RMB696.9 million as of December 31, 2020, primarily due to (i) an increase of RMB355.5 million in bank balances and cash which primarily consist of cash received from our historical financing activities, (ii) an increase of RMB33.5 million in contract costs resulted from the increase of our provision of CDMO services, and (iii) an increase of RMB12.9 million in trade and other receivables, partially offset by an increase of RMB39.1 million in trade and other payables. Our net liabilities increased from RMB636.2 million as of December 31, 2019 to RMB816.2 million as of December 31, 2020, primarily due to (i) increases in financial liabilities at fair value through profit or loss, which amounted to RMB1,808.9 million and RMB2,474.2 million as of December 31, 2019 and 2020, respectively, and (ii) operating cash outflows. In particular, we recorded a loss and total comprehensive expenses for the year of RMB437.6 million in 2019 and RMB319.5 million in 2020. See "Consolidated Statements of Change in Equity" set forth in the Accountants' Report in Appendix I to this document for reference.

Our net current assets increased from RMB696.9 million as of December 31, 2020 to RMB927.0 million as of March 31, 2021, primarily due to an increase of RMB224.8 million in bank balances and cash, which primarily consist of cash received from our historical financing activities. Our net liabilities increased from RMB816.2 million as of December 31, 2020 to RMB882.8 million as of March 31, 2021, primarily due to (i) an increase in financial liabilities at fair value through profit or loss, which increased from RMB2,474.2 million as of December 31, 2020 to RMB2,773.9 million as of March 31, 2021, mainly as a result of our issuance of series C-1 preferred shares, and (ii) operating cash outflows mainly as a result of expenses incurred in our research and development activities in the three months ended March 31, 2021.

Our net current assets decreased from RMB927.0 million as of March 31, 2021 to RMB690.2 million as of July 31, 2021, which was primarily due to a decrease of RMB100.9 million in bank balances resulted from cash used in operations, a decrease of RMB46.3 million in contract costs and an increase of RMB91.1 million in bank borrowings. Our net liabilities increased from RMB882.8 million as of March 31, 2021 to RMB1,875.9 million as of July 31, 2021, which was primarily due to a substantial increase in the fair value of our preferred shares from RMB2,773.9 million as of March 31, 2021 to RMB3,579.9 million as of July 31, 2021, which is consistent with the increase in the value of our shares in general as a result of our achievements of several major milestones that significantly boosted the valuation of our Company. See footnote (6) to the table summarizing the principal terms of the Pre-IPO Investments under the section headed "History, Development, and Corporate Structure – Pre-IPO Investments – Principal terms of the Pre-IPO Investments" for more information regarding examples of milestones we have achieved.

Inventories

Our inventories primarily consist of raw materials purchased for providing CDMO services to our customers and our research and development activities. Our inventories increased by RMB1.6 million from RMB6.3 million as of December 31, 2019 to RMB7.9 million as of December 31, 2020, and further increased by RMB3.8 million to RMB11.7 million as of March 31, 2021, which is in line with the increase in CDMO services provided to our customers.

Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables, promissory note receivables, interest receivable, prepayments made in connection with research and development services, legal and professional services and purchase of raw materials, deferred issue costs and others.

The following table sets forth the breakdown of our trade and other receivables as of the dates indicated.

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Trade receivables	8,076	16,351	11,732
Other receivables for:			
Promissory note receivables	–	10,085	10,133
Interest receivable	–	231	–
Prepayments for:			
Research and development services	5,687	6,106	10,298
Legal and professional services	1,253	1,034	1,108
Purchase of raw materials	743	5,021	3,385
Deferred issue costs	–	1,764	3,814
Others	2,962	1,128	4,040
Total	18,721	41,720	44,510

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period.

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Within 30 days	8,076	13,501	2,124
31-60 days	–	10	2,295
61-90 days	–	901	3,072
91-120 days	–	9	3,389
121-365 days	–	1,930	852
Total	8,076	16,351	11,732

We normally grant a credit period of 30 days to customers effective from the date when the services have been completed and accepted by customers. Our trade receivables increased by RMB8.3 million from RMB8.1 million as of December 31, 2019 to RMB16.4 million as of December 31, 2020, primarily due to the increase in CDMO services provided to our customers for the year ended December 31, 2020. Our trade receivables decreased by RMB4.7 million from RMB16.4 million as of December 31, 2020 to RMB11.7 million as of March 31, 2021, primarily due to the collection of previous receivables and an estimated credit loss recognized of RMB3.0 million. See Note 40(b) to Accountant's Report in Appendix I to this document for more information. As of the Latest Practicable Date, RMB2.2 million, or 17%, of our trade receivables as of March 31, 2021 had been settled.

In order to minimize the credit risk with customers, we have designated our finance team to be responsible for determination of credit limits and credit approvals. Before accepting any new customers, we use an internal credit scoring system to assess potential customers' credit quality and define credit limits on a case by case basis. Other monitoring procedures are also in place to ensure that follow-up actions are taken to recover overdue debts. In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate each trade receivable by taking into account its historical loss rates and making adjustments based on forward-looking macroeconomic data in calculating the loss rate. We recorded an allowance of RMB3.0 million for expected credit loss of trade receivables during the three months ended March 31, 2021, which we believe is sufficient based on our assessment. Other than the allowance made, we have not identified any recoverability issue for trade receivables aged over 30 days.

Our promissory note receivables increased by RMB10.1 million from nil as of December 31, 2019 to RMB10.1 million as of December 31, 2020, primarily due to the exercise of share options by directors of the Company and management personnel of the Group. Our promissory note receivables remained stable at RMB10.1 million as of March 31, 2021.

As of December 31, 2019 and 2020, and March 31, 2021, RMB3.4 million, RMB15.7 million, and RMB15.7 million of our trade and other receivables are denominated in US$, respectively.

Contract Costs

Our contract costs represent costs to provide CDMO services to our customers. Our contract costs increased by RMB33.5 million from RMB4.8 million as of December 31, 2019 to RMB38.3 million as of December 31, 2020, primarily due to the increase in CDMO services provided to our customers for the year ended December 31, 2020. Our contract costs increased by RMB16.4 million from RMB38.3 million to RMB54.7 million as of March 31, 2021, primarily because we had more CDMO projects ongoing as of March 31, 2021 compared to that as of December 31, 2020.

Trade and Other Payables

The following table sets forth the breakdown of our trade and other payables as of the dates indicated.

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Trade payables	24,051	34,448	42,975
Other payables for:			
Purchase of property, plant and equipment	4,082	10,892	5,786
Legal and professional fees	8,318	13,570	10,239
Listing expenses and issue costs	–	4,946	15,462
Others	2,429	1,635	2,658
Interest payables	69	–	71
Other tax payables	1,803	5,165	4,429
Accrued staff costs and benefits	4,628	15,853	5,459
Other accruals	4,182	2,181	369
Total	49,562	88,690	87,448

Our trade payables primarily arise from our purchase of raw materials and third-party contracting services. Our trade payables increased by RMB10.4 million from RMB24.1 million as of December 31, 2019 to RMB34.4 million as of December 31, 2020, primarily due to the increase in the purchase of raw materials as we provided more CDMO services to customers. Our trade payables further increased by RMB8.6 million to RMB43.0 million as of March 31, 2021, primarily because we purchased more CRO services for our clinical trials in the three months ended March 31, 2021 and raw materials for the development of our pipeline drugs. Our other payables for purchase of property, plant and equipment increased by RMB6.8 million from RMB4.1 million as of December 31, 2019 to RMB10.9 million as of December 31, 2020, primarily due to the improvement of CMC process and manufacturing capacity. Our other payables for purchase of property, plant and equipment decreased by RMB5.1 million from RMB10.9 million as of December 31, 2020 to RMB5.8 million as of March 31, 2021, primarily due to payments we made in the three months ended March 31, 2021 in relation to the settlement of property, plant and equipment related payables in 2020.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period.

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
0 – 30 days	17,104	23,458	29,770
31 – 60 days	744	–	5,119
61 – 90 days	783	24	1,649
91 – 120 days	866	2	–
121 – 365 days	4,554	10,552	6,294
Over 365 days	–	412	143
Total	24,051	34,448	42,975

As of December 31, 2019 and 2020 and March 31, 2021, RMB5.5 million, RMB16.4 million, and RMB32.9 million of our trade and other payables are denominated in US$, respectively.

Contract Liabilities

Contract liabilities are related to the provision of CDMO services to our customers. Contract liabilities decreased by RMB9.6 million from RMB16.6 million as of December 31, 2019 to RMB7.0 million as of December 31, 2020, and further decreased by RMB0.6 million to RMB6.4 million as of March 31, 2021, primarily because the contract liabilities as of December 31, 2019 were all recognized as revenue in 2020 and there were less advance payments received from customers in 2020 and the three months ended March 31, 2021. For revenue recognition of provision of CDMO services, we normally invoice our customers a percentage of the price on acceptance of manufacturing orders to commence work, which gives rise to contracts liability at the start of a contract.

Bank Borrowings

As of December 31, 2019 and 2020 and March 31, 2021, we had bank borrowings of RMB249.7 million, RMB237.3 million and RMB255.1 million, respectively. See "– Indebtedness" for further details.

Lease Liabilities

Lease liabilities are in relation to properties that we lease for our manufacturing and research and development activities, and our office premises. Lease liabilities increased by RMB7.6 million from RMB9.4 million as of December 31, 2019 to RMB17.0 million as of December 31, 2020, primarily due to increased leases contracted by our subsidiaries in 2020. Lease liabilities decreased by RMB0.1 million from RMB17.0 million as of December 31, 2020 to RMB16.9 million as of March 31, 2021.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of December 31,		As of March 31
	2019	2020	2021
Current Ratio[(1)]	3.25	4.58	5.39
Quick Ratio[(2)]	3.21	4.54	5.33

Notes:

(1) Current ratio is calculated using current assets divided by current liabilities as of the same date.

(2) Quick ratio is calculated using current assets less inventories and divided by current liabilities as of the same date.

See "– Discussion of Certain Key Consolidated Statement of Profit or Loss and Other Comprehensive Income Items" in this section for a discussion of the factors affecting our results of operations during the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flow. We rely on equity financing and bank borrowings as the major source of liquidity. Historically, we had borrowed loans from related parties.

Cash Flows

Since inception, we have incurred negative cash outflow from our operations. Substantially all of our operating cash outflows have resulted from our research and development expenses and administrative expenses associated with our operations. Net cash used in operating activities was RMB235.0 million and RMB174.4 million in 2019 and 2020, respectively. Net cash used in operating activities was RMB42.8 million and RMB48.0 million in the three months ended March 31, 2020 and 2021, respectively. The following table provides information regarding our cash flows for the periods indicated:

	For the year ended December 31,		For the three months ended March 31,	
	2019	**2020**	**2020**	**2021**
	(RMB in thousands)			
			(unaudited)	
Operating cash flows before movements in working capital	(217,573)	(153,727)	(22,634)	(50,224)
Changes in working capital	(17,387)	(20,671)	(20,193)	2,187
Net cash used in operating activities	(234,960)	(174,398)	(42,827)	(48,037)
Net cash (used in)/from investing activities	(232,280)	(57,738)	1,003	(12,514)
Interest paid	(9,697)	(15,532)	(3,142)	(2,841)
Net cash from financing activities	541,513	620,172	213,135	291,290
Net increase in cash and cash equivalents	74,273	388,036	171,311	230,739
Cash and cash equivalents at the beginning of the year/period, representing by bank balances and cash	378,194	458,100	458,100	813,592
Effects of exchange rate changes	5,633	(32,544)	2,356	(5,958)
Cash and cash equivalents at the end of the year/period, representing by bank balances and cash	458,100	813,592	631,767	1,038,373

Operating Activities

In the three months ended March 31, 2021, we had net cash used in operating activities of RMB48.0 million, which resulted principally from our loss before tax of RMB70.1 million, adjusting for non-cash charges of RMB19.8 million and working capital changes of RMB2.2 million. Our net non-cash charges during the three months ended March 31, 2021 primarily consisted of fair value change of financial liabilities at fair value through profit or loss of RMB21.4 million resulted from our issuance of preferred shares to investors, depreciation of plant, property and equipment of RMB7.8 million, net foreign exchange loss of RMB3.8 million, share-based payment expenses of RMB3.8 million and impairment losses on trade receivables of RMB3.0 million, partially offset by gain on deemed disposal of investment in a joint venture. See Note 20 to the Accountants' Report in Appendix I to this document for reference. Our working capital changes mainly included an increase in contract costs of RMB11.3 million resulted from the increase in CDMO services provided to our customers, an increase in trade and other payables of RMB4.9 million resulted from the increase in purchase of services and inventory and an increase in inventories of RMB3.8 million due to the increase in CDMO services provided to our customers, partially offset by a decrease in VAT recoverable of RMB7.1 million resulted from the VAT return we received in the three months ended March 31, 2021, and an increase in deferred income of RMB5.9 million.

In 2020, we had net cash used in operating activities of RMB174.4 million, which resulted principally from our loss before tax of RMB323.0 million, adjusting for non-cash charges of RMB169.3 million and working capital changes of RMB20.7 million. Our net non-cash charges during the year ended December 31, 2020 primarily consisted of share-based payment expenses of RMB111.9 million, depreciation of plant, property and equipment of RMB33.4 million and net foreign exchange loss of RMB33.4 million, partially offset by the fair value change of financial liabilities at fair value through profit or loss of RMB37.9 million resulted from our issuance of preferred shares to investors. Our working capital changes mainly included an increase in contract costs of RMB25.5 million resulted from the increase in CDMO services provided to our customers, an increase in trade and other receivables of RMB22.2 million resulted from increases in CDMO services, promissory note receivables, and repayment for research and development services and purchase of raw materials and a decrease in contract liabilities of RMB9.5 million as the contract liabilities as of December 31, 2019 were all recognized as revenue in 2020 and there were less advance payments received from the customers in 2020, partially offset by an increase in trade and other payables of RMB27.8 million resulted from the increase of CDMO services and CRO services provided by third parties and an increase in deferred income of RMB16.1 million.

In 2019, we had net cash used in operating activities of RMB235.0 million, which resulted principally from our loss before tax of RMB426.5 million, adjusting for non-cash charges of RMB208.9 million and working capital changes of RMB17.4 million. Our net non-cash charges in 2019 primarily consisted of share-based payment expenses of RMB68.7 million, impairment loss on other intangible assets of RMB51.7 million, fair value change of financial liabilities at fair value through profit or loss of RMB37.2 million resulted from our issuance of preferred shares to investors, depreciation of plant, property and equipment of RMB34.0 million, and interest on bank borrowings of RMB9.8 million, partially offset by net foreign exchange gain of RMB4.7 million and interest income from banks of RMB3.2 million. Our working capital changes mainly included a decrease in trade and other payables of RMB52.4 million resulted from the decrease of CDMO services and CRO services provided by third parties, and an increase in value-added tax recoverable of RMB19.6 million, partially offset by an increase in deferred income of RMB28.0 million and a decrease in trade and other receivables of RMB21.2 million.

We expect that we may continue to experience net cash outflows from our operating activities for the foreseeable future. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations through public or private equity offerings, debt financing or other sources. While we had net operating cash outflows during the Track Record Period, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents, internal generated funds, available financing facilities and the estimated net proceeds from the Listing.

Investing Activities

Net cash used in investing activities was RMB12.5 million in the three months ended March 31, 2021. The net cash decrease was primarily attributable to RMB12.7 million used in purchase of property, plant and equipment resulted from improvement of CMC process and manufacturing capacity, partially offset by RMB0.8 million of interest received from banks.

Net cash used in investing activities was RMB57.7 million in 2020. The net cash decrease was primarily attributable to RMB63.3 million used in purchase of property, plant and equipment resulted from improvement of CMC process and manufacturing capacity partially offset by RMB5.6 million of interest received from banks.

Net cash used in investing activities was RMB232.3 million in 2019. The net cash decrease was primarily attributable to RMB154.7 million used in purchase of property, plant and equipment resulted from improvement of CMC process and manufacturing capacity and RMB67.5 million used in purchase of intangible assets in relation to in-license agreement, partially offset by RMB3.4 million of interest received from banks.

Financing Activities

Net cash generated from financing activities was RMB291.3 million in the three months ended March 31, 2021 and primarily consisted of RMB278.3 million of proceeds from issuance of convertible preferred shares during previous rounds of financing activities, RMB21.3 million of new bank borrowings, partially offset by RMB2.8 million of interests paid and RMB2.7 million of payment of lease liabilities.

Net cash generated from financing activities was RMB620.2 million in 2020 and primarily consisted of RMB1,035.5 million of proceeds from issuance of convertible preferred shares during previous rounds of financing activities, RMB236.9 million of capital injection from non-controlling shareholders to subsidiaries and RMB126.1 million of new bank borrowings, partially offset by RMB574.8 million of consideration paid for acquisition of non-controlling interests and RMB137.1 million of repayment of bank borrowings.

Net cash generated from financing activities was RMB541.5 million in 2019 and primarily consisted of RMB429.3 million of proceeds from issuance of convertible preferred shares during previous rounds of financing activities, and RMB157.8 million of new bank borrowings, partially offset by RMB29.5 million of repayment of bank borrowings and RMB9.7 million of interest paid.

Cash Operating Costs

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

	Year Ended December 31,		Three Months Ended March 31,	
	2019	**2020**	**2020**	**2021**
		(RMB in thousands)		
			(unaudited)	
Costs relating to research and development and clinical trials of our core product				
Clinical trial expenses	7,031	10,168	1,258	111
Pre-clinical outsourcing service fee	7,308	2,416	113	11,570
Raw materials and consumables used	368	35	2	471
Others	735	1,707	433	59
	15,441	14,325	1,806	12,211
Costs relating to research and development and clinical trials of our key products				
Clinical trial expenses	516	22,000	2,163	5,797
Pre-clinical outsourcing service fee	83,555	51,243	3,079	10,986
Raw material and consumables used	9,577	13,222	1,248	2,815
License-in	82,887	1,230	–	–
Others	14,248	18,013	3,010	1,078
	190,783	105,708	9,500	20,676
Total:				
Total workforce employment cost	83,197	100,453	27,536	43,143
Non-income taxes	9,972	882	676	1,860

INDEBTEDNESS

The following table sets forth the breakdown of our financial indebtedness as of the dates indicated.

	As of December 31,		As of March 31,	As of July 31,
	2019	2020	2021	2021
	(RMB in thousands)			*(Unaudited)*
Current				
Bank borrowings	79,820	91,312	109,162	200,273
Lease liabilities (secured and unguaranteed)	3,313	7,506	8,251	8,087
	83,133	98,818	117,413	208,360
Non-current				
Bank borrowings	169,903	145,938	145,938	119,080
Lease liabilities (secured and unguaranteed)	6,136	9,543	8,686	5,768
Preferred shares (unsecured and unguaranteed)	1,808,929	2,474,233	2,773,906	3,579,893
Total	2,068,101	2,728,532	3,045,943	3,704,741

Bank Borrowings

As of December 31, 2019 and 2020, March 31, 2021 and July 31, 2021, we had bank borrowings of RMB249.7 million, RMB237.3 million, RMB255.1 million and RMB319.4 million, respectively. The following table sets forth the breakdown of our bank borrowings as of the dates indicated.

	As of December 31,		As of March 31,	As of July 31,
	2019	2020	2021	2021
	(RMB in thousands)			
				(Unaudited)
Secured (unguaranteed)	204,723	142,250	151,894	135,419
Unsecured (unguaranteed)	45,000	95,000	103,206	183,934
Total	249,723	237,250	255,100	319,353

The interest rates of our bank borrowings ranged from 4.785% to 6.175%, 3.950% to 5.225%, 3.950% to 5.225% and 3.850% to 5.225% as of December 31, 2019 and 2020, March 31, 2021 and July 31, 2021, respectively.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease for our manufacturing and research and development activities and our office premises. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of March 31,	As of July 31,
	2019	2020	2021	2021
	(RMB in thousands)			
				(Unaudited)
Current	3,313	7,506	8,251	8,087
Non-Current	6,136	9,543	8,686	5,768
Total	9,449	17,049	16,937	13,855

Preferred Shares

As of December 31, 2019 and 2020, March 31, 2021 and July 31, 2021, our Preferred Shares (unsecured and unguaranteed, presented as "Financial liabilities at fair value through profit or loss" had fair values of RMB1,808.9 million, RMB2,474.2 million, RMB2,773.9 million and RMB3,579.9 million, respectively. For further information regarding the Preferred Shares, see Note 32 to the Accountant's Report in Appendix I to this document.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account the financial resources available to the Group, including cash and cash equivalents, internally generated funds, available financing facilities and the estimated net proceeds from the Listing, the Group has sufficient working capital to cover at least 125% of our costs, including research and development expenses, business development and marketing expenses, and administrative and operating costs (including any production costs) for at least the next 12 months from the expected date of this prospectus.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. We had bank balance and cash of RMB1,038.4 million as of March 31, 2021. We estimate that we will receive net proceeds of approximately HK$566.7 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.80 per Offer Share, being the low-end of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share in this prospectus.

Assuming that the average cash burn rate going forward increases at the same rate as the estimated growth rate of our research and development expenses from 2020 to 2021, which is 123.3%, we estimate that our cash and cash equivalents as of March 31, 2021 will be able to maintain our financial viability for 23 months or, if we take into account 10% of the estimated net proceeds from the Listing (namely, the portion allocated for our general working capital purposes and general operation expenses), 24 months or, if we also take into account the entire amount of the estimated net proceeds from the Listing, 34 months.

We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to purchase and maintain our property, plant and equipment and intangible assets, in order to enhance our research and development capabilities and expand our business operations. Historically, we funded our capital expenditures mainly through equity financing and bank borrowings. The table below sets forth our capital expenditures for the periods indicated:

	For the Year ended December 31,		For the Three Months ended March 31,	
	2019	**2020**	**2020**	**2021**
	(RMB in thousands)			
			(unaudited)	
Purchase of property, plant and equipment	154,735	63,329	–	12,720
Purchase of intangible assets	67,531	–	–	45
Total	222,266	63,329	–	12,765

For the three months ended March 31, 2020 and 2021, we incurred nil and RMB12.8 million in the purchase of property, plant and equipment, primarily as a result of upgrading our own manufacturing facilities. For the years ended December 31, 2019 and 2020, we incurred RMB154.7 million and RMB63.3 million in the purchase of property, plant and equipment as we started the construction of our own manufacturing facilities in 2019, and RMB67.5 million and nil in the purchase of intangible assets arising from the in-license agreement, respectively. We expect to incur capital expenditures of approximately RMB173.0 million in 2021. These expected capital expenditures are primarily for expanding our processing and manufacturing capabilities and upgrading existing facilities. We expect to finance our capital expenditures through a combination of the net proceeds from the Global Offering, equity financing and bank borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL COMMITMENTS

Capital Commitments

As of December 31, 2019 and 2020 and March 31, 2021, we had capital commitments in respect of the acquisition of equipment of approximately RMB40.6 million, RMB15.2 million and RMB22.3 million, respectively, primarily in connection with our CDMO activities. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Contracted for but not provided in:			
– Plant, property and equipment	40,593	15,186	22,346

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including currency risk, interest rate risk, other price risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Save as disclosed below, we did not hedge or consider necessary to hedge any of these risks as of the Latest Practicable Date. For further details, see note 40 to the Accountants' Report set out in Appendix I to this prospectus.

Currency Risk

Certain bank balances and cash, trade and other receivables, amounts due from related parties, trade and other payables, financial instrument at fair value through profit or loss are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As of December 31, 2019 and 2020 and March 31, 2021, if Renminbi strengthened or weakened by 5% against the U.S. Dollar with all other variables held constant, loss for each of the years ended December 31, 2019 and 2020 and the three months ended March 31, 2021 would decrease or increase by RMB71.0 million, RMB89.0 million and RMB93.1 million, respectively.

Interest Rate Risk

We are primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities. We currently do not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, our management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable rate bank borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowings. We aim at keeping borrowings at variable rates. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Our management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

As of December 31, 2019 and 2020 and March 31, 2021, if interest rates had been 10 basis points higher or lower and all other variables were held constant, loss for each of the years ended December 31, 2019 and 2020 and the three months ended March 31, 2021 would decrease or increase by RMB28,000, RMB16,000 and RMB5,000, respectively.

Other Price Risk

We are exposed to other price risk arising from preferred shares, and gross obligations from share purchase options written, which were classified as financial liabilities at fair value through profit or loss. As of December 31, 2019 and 2020 and March 31, 2021, if the equity value of the ordinary shares of the Company had been changed based on the 5% higher or lower, our post-tax loss for the year ended December 31, 2019 would increase by approximately RMB70.4 million and decrease by approximately RMB70.8 million, our post-tax loss for the year ended December 31, 2020 would increase by approximately RMB94.8 million and decrease by approximately RMB95.3 million, and our post-tax loss for the three months ended March 31, 2021 would increased by approximately RMB114.1 million and decreased by approximately RMB114.7 million.

Credit Risk

Credit risk mainly arises from trade receivables, other receivables, amount due from related parties or subsidiaries and bank balances. Our maximum exposure to credit risk which will cause a financial loss to us is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. We do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

For trade receivables, we have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss ("ECL"). The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period.

For other receivables, we have applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period.

For amounts due from related parties/subsidiaries, we have applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amounts due from related parties/subsidiaries, our management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. Our management considered the ECL provision of amounts due from related parties/subsidiaries is insignificant.

Our management believes that our credit risk in trade and other receivables is significantly reduced.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions. Our management is of the opinion that the average loss rate is no more than 0.5% and no impairment was provided during the Track Record Period.

Liquidity Risk

To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For details, see Note 40 to Accountants' Report set out in Appendix I.

RELATED PARTY TRANSACTIONS

Transactions

We had the following transactions (excluding loans) during the Track Record Period with certain related parties:

	Year Ended December 31,		Three Months Ended March 31,
	2019	2020	2021
	(RMB in thousands)		
In-license fee under license agreement	95,433	–	–
Total	95,433	–	–

It is the view of our Directors that each of the above transactions (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) does not distort our track record period results or make our historical results not reflective of future performance.

Balances

The below table sets forth the balances with related parties as of the dates indicated.

	As of December 31,		As of March 31,
	2019	2020	2021
	(RMB in thousands)		
Amount due from related parties			
Promissory note receivables			
Dr. Xueming Qian	–	23,525	24,035
Dr. Michael Ming Shi	–	5,410	5,436
Mr. Albert Da Zhu	–	906	906
Dr. Yining (Jonathan) Zhao	–	31,227	31,412
Others	–	16,182	16,293
Total	–	77,250	78,082
Amount due to a director	708	–	–
Total	708	–	–

The Directors and key management personnel of our Group have been granted share options under the Pre-IPO Equity Incentive Plan of the Company. The relevant Directors and key management personnel issued promissory notes to our Company to satisfy the unpaid exercise price of their respective share options granted under the Pre-IPO Equity Incentive Plan. The Shares underlying such share options have been issued (credited as fully paid) and are currently held by Success Reach International Limited and Success Link International L.P., and such Shares cannot be disposed of without the approval of the Board of our Company. The promissory notes will become immediately due and payable upon the termination of the relevant Director's or key management personnel's employment or service relationship with our Group, or on such other date as determined by our Company. All the promissory notes shall be settled on or before December 31, 2022. If any of the relevant Directors or key management fail to repay the amount due under their respective promissory notes when such amount becomes due by December 31, 2022, or upon the termination of their respective employment or service relationship with our Group, the relevant share options will be forfeited and the underlying Shares will be cancelled, and the corresponding amount due under the relevant promissory notes will be set-off. We will comply with applicable requirements under the Listing Rules and obtain approval from the Board of our Company or the Shareholders (if necessary) if the expected repayment of the promissory notes is to be extended.

Such arrangements allow the Directors and key management personnel of our Group to exercise their share options without being distracted by the potential financial burden in relation to the exercise price that were due. Accordingly, such arrangements help to incentivize the Directors and key management personnel of our Group and to align their interest with our Company's interest and are beneficial to the long-term business development of our Group. Our Directors are of the view that the terms of the promissory notes are fair and reasonable, on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

Compensation of Key Management Personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period was as follows:

	Year Ended December 31,		Three Months Ended March 31,	
	2019	**2020**	**2020**	**2021**
		(RMB in thousands)		
			(unaudited)	
Short term benefits	14,062	19,633	3,186	3,914
Discretionary bonus[1]	4,174	6,270	–	–
Post-employment benefits	566	2,184	288	538
Share-based payments	43,990	85,205	2,711	3,073
Total	62,792	113,292	6,185	7,525

Note:

(1) Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

DIVIDENDS

We have never declared or paid any dividends on our ordinary shares or any other securities during the Track Record Period. 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.

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. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends. As advised by our Cayman Islands counsel, under the Cayman Companies Act, a Cayman Islands company may (subject to its memorandum and articles of association) pay a dividend out of either profits, retained earnings or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

DISTRIBUTABLE RESERVES

As of March 31, 2021, we did not have any distributable reserves.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$70.7 million (including underwriting commission of approximately HK$25.7 million, and non-underwriting related expenses of approximately HK$45.0 million which consist of financial and legal adviser fees and expenses of approximately HK$30.6 million and other fees and expenses of approximately HK$14.4 million, assuming an Offer Price of HK$15.90 per Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share), assuming the Over-allotment Option is not exercised and excluding Shares to be issued pursuant to the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme, of which approximately HK$46.2 million is expected to be charged to our consolidated statement of comprehensive income and approximately HK$24.5 million is expected to be charged against equity upon the Listing. These listing expenses mainly comprise professional fees paid and payable to professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering. The estimated amount of listing expenses will account for approximately 11.0% of the gross proceeds of the Global Offering (assuming the Over-allotment Option is not exercised).

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible liabilities of our Group attributable to our owners as at March 31, 2021 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to our owners has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of our Group attributable to our owners as at March 31, 2021 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of our Group is prepared based on the audited consolidated net tangible liabilities of our Group attributable to our owners as at March 31, 2021 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of our Group attributable to our owners as at March 31, 2021	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible liabilities of our Group attributable to our owners as at March 31, 2021**	**Unaudited pro forma adjusted net tangible liabilities of our Group attributable to our owners per Share as at March 31, 2021**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$16.00 per Share	(1,450,369)	488,692	(961,677)	(6.97)	(8.39)
Based on an Offer Price of HK$15.80 per Share	(1,450,369)	482,263	(968,106)	(7.02)	(8.45)

Notes:

(1) The consolidated net tangible liabilities of our Group attributable to owners of our Company as at March 31, 2021 is arrived at after deducting intangible assets of RMB95,646,000 and goodwill of RMB471,901,000 from the audited consolidated net liabilities of RMB882,822,000 attributable to owners of our Company as at March 31, 2021 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the issue of the new shares pursuant to the Global Offering are based on 40,330,000 Shares at the Offer Price of HK$15.80 and HK$16.00 per Share, being the low-end and high-end of the stated Offer Price Range, after deduction of the estimated underwriting fees and commissions and other related expenses not yet recognised in profit or loss up to March 31, 2021. It does not take into account of any share (i) which may be allotted and issued upon the exercise of the Over-allotment Option; or (ii) which may be issued or repurchased by our Company under Pre-IPO Equity Incentive Plan; or (iii) under the general mandates for the allotment and issue or repurchase of shares granted to the directors of our Company.

For the purpose of this unaudited pro forma statement, the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.8304, which was the exchange rate prevailing on August 30, 2021 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company per Share is arrived at on the basis that 137,954,043 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021 and without taking into account of any share (i) which may be allotted and issued upon the exercise of the Over-allotment Option; or (ii) any share which may be issued or repurchased by our Company under Pre-IPO Equity Incentive Plan; or (iii) under the general mandates for the allotment and issue or repurchase of shares granted to the directors of our Company or the conversion of the Preferred Shares.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8304, which was the exchange rate prevailing on August 30, 2021 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company as at March 31, 2021 to reflect any trading result or other transaction of our Group entered into subsequent to March 31, 2021. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of our Group attributable to owners of our Company as shown on page II-1 have not been adjusted to illustrate the effect of the conversion of 297,241,644 Preferred Shares in issue as at March 31, 2021. The conversion of Preferred Shares upon completion of the Global Offering would then have reclassified financial liabilities at fair value through profit or loss amounting to RMB2,773,906,000 as at March 31, 2021. The conversion of Preferred Shares would have increased the total share in issue based on the assumption as stated in note 3 by 297,241,644 shares to a total of 435,195,687 shares in issue. Assuming the Offer Price is HK$16.00 per Share, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company after the conversion of Preferred Shares would be RMB1,812,229,000, or RMB4.16 per Share (equivalent to HK$5.01 per Share). Assuming the Offer Price is HK$15.80 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the conversion of Preferred Shares would be RMB1,805,799,000, or RMB4.15 per Share (equivalent to HK$5.00 per Share).

NO MATERIAL ADVERSE CHANGE

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 March 31, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since March 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$570.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$15.90 per Offer Share, being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Offer Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

- 82% of net proceeds, or approximately HK$467.9 million, allocated to research and development of our pipeline product candidates, funding of ongoing and planned clinical and pre-clinical trials, preparation for registration filings and other steps or activities related to the commercialization of our four anchor products as follows:

  (i) 30% of net proceeds, or approximately HK$171.2 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our core product, MSB2311, of which (a) 49%, or HK$84 million, is expected to be used to fund its clinical trials and related registration filings, (b) 24%, or HK$41 million, is expected to be used to fund the commercial process development and manufacturing registrational trial materials, and (c) 27%, or HK$46 million, is expected to be used to fund its commercial launch (including sales and marketing);

  (ii) 20% of net proceeds, or approximately HK$114.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST001, of which (a) 40%, or HK$46 million, is expected to be used to fund clinical trials and related registration filings, (b) 10%, or HK$11 million, is expected to be used to fund its indication expansion, (c) 20%, or HK$23 million, is expected to be used to fund the commercial process development and manufacturing registrational trial materials, (d) 20%, or HK$23 million, is expected to be used to fund its development of companion diagnostics, and (e) 10%, or HK$11 million, is expected to be used to fund its commercial launch (including sales and marketing);

(iii) 10% of net proceeds, or approximately HK$57.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST005, of which (a) 72%, or HK$41 million, is expected to be used to fund clinical trials and related registration filings, (b) 20%, or HK$11 million, is expected to be used to fund the commercial process development and manufacturing registrational trial materials, and (c) 8%, or HK$5 million, is expected to be used to fund its development of companion diagnostics;

(iv) 10% of net proceeds, or approximately HK$57.1 million, to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launch (including sales and marketing) of our key product, TST002, of which (a) 60%, or HK$34 million, is expected to be used to fund clinical trials and related registration filings, (b) 8%, or HK$5 million, is expected to be used for milestone payments, and (c) 32%, or HK$18 million, is expected to be used to fund the commercial process development and manufacturing registrational trial materials; and

(v) 12% of net proceeds, or approximately HK$68.5 million, to fund ongoing and planned pre-clinical trials and preparation for registration filings of our key product and other pipeline products, including TST004, MSB0254, TST003, TST006 and TST008, of which (a) 50%, or HK$34 million, is expected to be used to fund pre-clinical trials and related registration filings, and (b) 50%, or HK$34 million, is expected to be used to fund clinical trials and commercial process development and manufacturing registrational trial materials;

- 8% of net proceeds, or approximately HK$45.7 million, to fund the business development for pipeline expansion and technology development, with a focus in oncology assets that have synergy with our current pipeline and promising clinical evidences, and/or technology platforms that can complement our current discovery and development platforms, such as ADC, small molecule targeted therapies, and other advanced new technologies; and

- 10% of net proceeds, or approximately HK$57.1 million, for general working capital purposes and general operation expenses.

The table below specifies the further breakdown for net proceeds to be allocated to different stages of each of our core product, key products and other pipeline products.

	Net Proceeds to be Allocated to Each Stage						
	Pre-clinical (including registration filings)	Clinical (including registration filings)	Commercial Process Development	Commercial Launch (including sales and marketing)	Others	Latest Development Stage	Expected Timetable
	(HK$ in millions)						
Core Product							
MSB2311	–	84	41	46	–	Phase II clinical development	Initiate part 1 of Phase II trial in 2021; Initiate the registrational portion of the Phase II trial in TMB-H pan solid tumors in the 2H 2022 in China
Key Products							
TST001	–	57	23	11	23 (development of companion diagnostics)	Phase I clinical development	Complete phase Ia single agent dose escalation study by 2021; Complete dose escalation study in combination with 1L chemotherapy in China; initiate Phase 1b/2a studies in the US as single agent in late line setting and in combination with chemotherapy in 1L gastric cancer patients in China in 4Q 2021
TST005	–	41	11	–	5 (development of companion diagnostics)	IND for Phase I clinical trial approved	Phase Ib study in multiple tumor types by 2022
TST002	–	34	18	–	5 (milestone payments)	Pre-clinical development	Initiate phase Ia study in China by 2022

	Net Proceeds to be Allocated to Each Stage						
	Pre-clinical (including registration filings)	Clinical (including registration filings)	Commercial Process Development	Commercial Launch (including sales and marketing)	Others	Latest Development Stage	Expected Timetable
		(HK$ in millions)					
Key Product and Other Pipeline Products							
MSB0254						Phase I clinical development	–
TST004						Pre-clinical development	–
TST003	34	34 (including clinical and commercial process development)		–	–	Pre-clinical development	–
TST006						Pre-clinical development	–
TST008						Pre-clinical development	–

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$3.9 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that the Company will receive will be approximately HK$92.3 million, assuming an Offer Price of HK$15.90 per Share, being the mid-point of the proposed Offer Price range. The Company may be required to issue up to an aggregate of 6,049,500 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we will hold such funds in short-term deposits in authorized banks or financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental

authorities or designated banks are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all, as PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See the section headed "Risk Factors – Risk Related to Doing Business in China."

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.

China International Capital Corporation Hong Kong Securities Limited

BOCI Asia Limited

China Renaissance Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement dated September 13, 2021 and entered into among us, the Joint Representatives and the Hong Kong Underwriters, we are offering initially 4,033,000 Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus, for their respective proportions of the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange:

(i) there develops, occurs, exists or comes into force:

  (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore and Cayman Islands (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or series of events likely to result in a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency, credit or market conditions or sentiments, equity securities or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) or currency exchange rate or controls in or affecting any Relevant Jurisdictions; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, public disorder, paralysis in government operations, aircraft collision, acts of war, acts of God, epidemic, pandemic, outbreak or escalation of infectious disease (including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions, or without limiting the foregoing, any local, national or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(d) the imposition or declaration of (a) any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or (b) any moratorium on banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services in those places or jurisdictions; or

(e) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(f) the commencement by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or other regulatory or political body or organization of any public action or investigation against a Director or an announcement by any Governmental Authority or regulatory or political body or organization that it intends to take any such action; or

(g) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction; or

(h) any event, act or omission which gives rise or is likely to give rise to any liability of the Company pursuant to the indemnities in the Hong Kong Underwriting Agreement; or

(i) an order or petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(j) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering or sale of any of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(k) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus,

which, in any such case individually or in the aggregate, in the absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or the Group as a whole; (B) has or will or may have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) has or will or may have a material adverse effect on the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (D) make, will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering, to market the Global Offering or the delivery of Shares on the Listing Date; or (E) has or will 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

(ii) there has come to the notice of any the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters:

(a) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading in any respect; or

(b) that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(c) any matter which would, if the Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

(d) any material breach of, or any event rendering untrue or incorrect in any respect, any of the representations, warranties and undertakings given by the Company and Dr. Qian in the Hong Kong Underwriting Agreement; or

(e) any material breach of any of the obligations of any party (other than the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters) to the Hong Kong Underwriting Agreement, or the International Underwriting Agreement; or

(f) any material adverse change, or any development or any prospective material adverse change or development, in the condition (financial or otherwise) or in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(g) that (a) any Director or member of senior management of the Company named in this prospectus seeks to retire, or is removed from office, (b) any certificate given by the Company or any of its respective officers to the Joint Representatives under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect or (c) any Director or any member of senior management of the Company named in this prospectus is 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

(h) any litigation or claim instigated, or any litigation or claim being threatened against any member of the Group or any Director; or

(i) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(j) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(k) any expert (other than the Joint Sponsors) named in this prospectus has withdrawn or sought to withdraw its consent to being named in this prospectus or to the issue of this prospectus; or

(l) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated,

then the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice through electronic means or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings Pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for the issue of Shares or securities pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

The Company has undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, 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 a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, defect, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (an "**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of the 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 share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, as applicable, 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 (legal or beneficial) of the Shares or any other securities of the 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

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period). The Company further agreed that, in the event the Company is allowed to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

(B) Undertakings by Dr. Qian

Dr. Qian has undertaken to each of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, subject to certain exemptions as specified in the Hong Kong Underwriting Agreement, he will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him and the companies controlled by him will not, 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 any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts;

(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 any such other securities, as applicable or any interest in any of the foregoing);

(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, and whether or not the transactions will be completed within the First Six Month Period.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilisation Manager (for themselves and on behalf of the International Underwriters) at any time within 30 days from 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 6,049,500 additional Offer Shares, representing 15.0% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price to cover over-allocations in the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Joint Representatives (for themselves and on behalf of the Underwriters) will receive an underwriting commission of 3% of the aggregate Offer Price payable for such Offer Shares initially offered under the Global Offering. The Underwriters may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price payable for the Offer Shares under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the

Over-allotment Option). Assuming the Over-allotment Option is not exercised at all, and based on an Offer Price of HK$15.90 per Share (being the mid-point of the indicative Offer Price range of HK$15.80 to HK$16.00 per Share), the aggregate commissions and fees (including the maximum discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by our Company (collectively the "**Commissions and Fees**") are estimated to amount to approximately HK$70.7 million in aggregate.

The Commissions and Fees were determined after arm's length negotiations between our Company and the Underwriters and/or other parties by reference to the current market conditions.

Indemnity

Our Company has undertaken to indemnify the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase 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.

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, securities

investment and 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 stock 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 set out in "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 followings:

(a) the Syndicate Members (other than the Stabilisation 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.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 4,033,000 Shares (subject to adjustment/reallocation as mentioned below) in Hong Kong set out in "The Hong Kong Public Offering" below; and

(b) the International Offering of initially 36,297,000 Shares (subject to reallocation and the Over-allotment Option below) outside the United States in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act.

Investors may either apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 9.1% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 10.3% of the enlarged issued share capital of our Company immediately after completion of the Global Offering.

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 (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the approval for such listing and permission not subsequently having been revoked prior to the commencement of trading in the Shares on the Stock Exchange;

(b) the Offer Price being duly agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before 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 Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Wednesday, September 29, 2021.

If, for any 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 Tuesday, September 21, 2021, the Global Offering will not proceed and will lapse.

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 their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse immediately, and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by our Company on the website of our Company (**www.transcenta.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the day following such lapse. In such situation, all application monies will be returned, without interest, to the applicants on the terms set out in "How to Apply for Hong Kong Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates issued in respect of the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, September 29, 2021 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade Shares 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.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 4,033,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 0.9% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which 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" above.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he 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 Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$16.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner set out in "– Pricing" below, is less than the maximum Offer Price of HK$16.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Public Offer Shares".

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Subject to reallocation set out below, the International Offering will consist of an initial offering of 36,297,000 Offer Shares, representing 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 8.2% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Stabilisation Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 6,049,500 additional Offer Shares, which is 15.0% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilisation Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement or a combination of these means.

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 them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

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 Stabilisation Manager on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Stabilisation Manager (for themselves and on behalf of the International Underwriters) at any time from the commencement of trading in the Shares on the Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to 6,049,500 additional Offer Shares, representing 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.3% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

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 newly issued 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 and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilisation Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting 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 commencement date of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Any market purchases of the Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilisation Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilisation Manager, its affiliates or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilisation Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilisation actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilisation Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilisation Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilisation Manager, 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;

- 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 Sunday, October 17, 2021, being the 30th day after the last date 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;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- 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, acquiring the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilisation period.

Following any over-allocation of Offer Shares in connection with the Global Offering, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, its affiliates or any person acting on its behalf may cover such over-allocation by, among other methods, using Shares purchased by Stabilisation Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Offer Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 6,049,500 Offer Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilisation Manager (on its own or through its affiliates) may choose to borrow up to 6,049,500 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Success Link International L.P., pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilisation Manager and/or its affiliates and Success Link International L.P. on or around the Price Determination Date.

The same number of Shares so borrowed must be returned to Success Link International L.P. on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and all relevant Shares have been issued and allotted by our Company, or (c) such earlier time as the Stabilisation Manager and/or its affiliates and Success Link International L.P. may from time to time agree in writing.

The shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Success Link International L.P. by the Stabilisation Manager (on its own or through its affiliates) in relation to such shares borrowing arrangement.

PRICING

Determining the Offer Price

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 around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, September 17, 2021 (Hong Kong time) and in any event on or before Tuesday, September 21, 2021 (Hong Kong time), by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Hong Kong Public Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK$16.00 per Offer Share and is expected to be not less than HK$15.80 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$16.00 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. 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 bottom end of the indicative Offer Price range stated in this prospectus.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares 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, our Company 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, cause there to be published on the website of our Company (**www.transcenta.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares or the indicative Offer Price range. Upon issue of such a notice, the revised 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.

Supplemental listing documents will also be issued by our Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include such information as agreed with the Hong Kong Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Representatives may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Public Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The Offer Price for Shares under the Global Offering is expected to be announced on Tuesday, September 28, 2021. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, September 28, 2021 on the website of our Company (**www.transcenta.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

ALLOCATION

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Public 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 Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering set out below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will consist of 2,016,500 Hong Kong Public Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange

trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will consist of 2,016,500 Hong Kong Public Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public 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 paragraph only, the "price" for Hong Kong Public 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 Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 2,016,500 Offer Shares, being the number of Hong Kong Public Offer Shares initially allocated to each pool, being 50% of the 4,033,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares in the United States only to QIBs in reliance on Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors who are 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 which regularly invest in shares and other securities. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and its shareholders as a whole.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. 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 Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10.0% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Joint Representatives shall apply a clawback mechanism following the closing of application lists on the following basis:

(a) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 12,099,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 16,132,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 20,165,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

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. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; 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 the 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 have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 8,066,000 Offer Shares (representing 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e., HK$15.80 per Offer Share) stated in this prospectus.

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.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. 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 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 and the Underwriting Agreements.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 29, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, September 29, 2021. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares is 6628.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at **www.transcenta.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any questions about the application for the Hong Kong Public Offer Shares via **HK eIPO White Form** service, you may call the enquiry hotline of our Hong Kong Branch Share Registrar Tricor Investor Services Limited, at +852 3907 7333 (i) from 9:00 a.m. to 9:00 p.m. on Tuesday, September 14, 2021, Wednesday, September 15, 2021 and Thursday, September 16, 2021; and (ii) from 9:00 a.m. to 12:00 noon on Friday, September 17, 2021.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Public Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(a) instructing 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 Public Offer Shares on your behalf; or

(b) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Public Offer Shares successfully applied for will 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.

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 **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States and not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) or are a person described in paragraph h(3) of Rule 902 of Regulation S.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also 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 an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

If you are applying for the Hong Kong Public Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are 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; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) 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;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, 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);

(vii) 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;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, 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;

(ix) 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 and the Joint Lead Managers 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 set out in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States and not a U.S. persons (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize 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 Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto 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 have fulfilled the criteria set out in "Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) 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;

(xvii) understand that our Company and the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) 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 by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
500	8,080.62	7,000	113,128.62	50,000	808,061.60	700,000	11,312,862.40
1,000	16,161.23	8,000	129,289.86	60,000	969,673.92	800,000	12,928,985.60
1,500	24,241.85	9,000	145,451.09	70,000	1,131,286.24	900,000	14,545,108.80
2,000	32,322.46	10,000	161,612.32	80,000	1,292,898.56	1,000,000	16,161,232.00
2,500	40,403.08	15,000	242,418.48	90,000	1,454,510.88	1,500,000	24,241,848.00
3,000	48,483.70	20,000	323,224.64	100,000	1,616,123.20	2,000,000	32,322,464.00
3,500	56,564.31	25,000	404,030.80	200,000	3,232,246.40	2,016,500[(1)]	32,589,124.33
4,000	64,644.93	30,000	484,836.96	300,000	4,848,369.60		
4,500	72,725.54	35,000	565,643.12	400,000	6,464,492.80		
5,000	80,806.16	40,000	646,449.28	500,000	8,080,616.00		
6,000	96,967.39	45,000	727,255.44	600,000	9,696,739.20		

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Investors who meet the criteria in "– 2. Who can apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** 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 authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Public Offer Shares, please contact the telephone enquiry line of the **Hong Kong Branch Share Registrar** at +852 3907 7333 which is available (i) from 9:00 a.m. to 9:00 p.m. on Tuesday, September 14, 2021, Wednesday, September 15, 2021 and Thursday, September 16, 2021; and (ii) from 9:00 a.m. to 12:00 noon on Friday, September 17, 2021.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** service in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, September 14, 2021 until 11:30 a.m. on Friday, September 17, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 17, 2021 or such later time under "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

The Hong Kong Branch Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited. With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) is not a complete list of successful applicants, only successful applicants whose identification document numbers are provided by CCASS are disclosed. Applicants who applied for the Offer Shares through their

brokers can consult their brokers to enquire about their application results. Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If you are a nominee, in the box 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 when you fill in the application details. If you do not include this information, the application will be treated as being made for your benefit.

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.

6. APPLYING THROUGH CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public 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 (**https://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 Centre
1/F, One & Two Exchange Square 8 Connaught Place, Central
Hong Kong

and complete an input request form.

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 Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Applying through CCASS EIPO service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public 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;
- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- 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 Offer Shares under the International Offering;
- (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;
- (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 authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read 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;

- agree that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, 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);

- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- 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;

- 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 Public 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 set out 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;

- 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;

- 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 of **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- 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 Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with our Company, for itself and for the benefit of each Shareholder and each Director, 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 Shareholder and each Director, 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 of our Company or any rights or obligations conferred or imposed by the Company Ordinances or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;

  (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;

- agree with our Company (for our Company itself and for the benefit of each Shareholder) that Shares in our Company are freely transferable by their holders;

- authorise 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 of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, 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 authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, September 14, 2021 – 9:00 a.m. to 8:30 p.m.
Wednesday, September 15, 2021 – 8:00 a.m. to 8:30 p.m.
Thursday, September 16, 2021 – 8:00 a.m. to 8:30 p.m.
Friday, September 17, 2021 – 8:00 a.m. to 12:00 noon

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 Tuesday, September 14, 2021 until 12:00 noon on Friday, September 17, 2021 (24 hours daily, except on Friday, September 17, 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 17, 2021, the last application day or such later time set out in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

If you are instructing 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 Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public 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 Public 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 following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Representatives, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal information collection statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Public Offer Shares, of the policies and practices of the Company and its Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Public Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Branch Share Registrar when applying for the Hong Kong Public Offer Shares or transferring the Hong Kong Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Public Offer Shares inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

(a) processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Public Offer Shares;

(b) compliance with applicable laws and regulations in Hong Kong and elsewhere;

(c) registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;

(d) maintaining or updating the Company's Register of Members;

(e) verifying identities of the holders of the Company's Shares;

(f) establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;

(g) distributing communications from the Company and its subsidiaries;

(h) compiling statistical information and profiles of the holder of the Company's Shares;

(i) disclosing relevant information to facilitate claims on entitlements; and

(j) any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and its Hong Kong Branch Share Registrar relating to the holders of the Hong Kong Public Offer Shares will be kept confidential but the Company and its Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

(a) the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

(b) where applicants for the Hong Kong Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

(c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;

(d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

(e) any persons or institutions with which the holders of the Hong Kong Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Public Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and correction of personal data

Holders of the Hong Kong Public Offer Shares have the right to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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 and the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public 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/CCASS Internet system for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, September 17, 2021, or such later time as described in "– 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through **HK eIPO White Form** 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 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).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Public Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in "– 4. Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing".

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 17, 2021. 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 and/or Extreme Conditions 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, September 17, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates set out in "Expected Timetable", an announcement will be made in such event.

11. 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 Public Offer Shares on Tuesday, September 28, 2021 on our Company's website at **www.transcenta.com** and the website of the 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 dates and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.transcenta.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, September 28, 2021;
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, September 28, 2021 to 12:00 midnight on Monday, October 4, 2021;

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, September 28, 2021 to Monday, October 4, 2021 (excluding Saturday, Sunday and public holidays).

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 Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering".

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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** services or through the **HK eIPO White Form** service, 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 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.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Representatives, the **HK eIPO White Form** 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.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- 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.

(iv) 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 Public Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the IPO App or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Representatives believes 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 Public Offer Shares initially offered under the Hong Kong Public Offering.

13. 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$16.00 per Offer Share (excluding brokerage, SFC transaction levy and the 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 – The Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the 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 Tuesday, September 28, 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS set out below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

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 Tuesday, September 28, 2021. 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 Wednesday, September 29, 2021 provided that the Global Offering has become unconditional and the right of termination set out in "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 28, 2021, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto 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 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, September 28, 2021 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 dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) in your name (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

If you apply through CCASS EIPO service

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public 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 Tuesday, September 28, 2021, 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 set out in "– 11. Publication of Results" above on Tuesday, September 28, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 28, 2021 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 Public 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 Public 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 Tuesday, September 28, 2021. Immediately following the credit of the Hong Kong Public 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 Public 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 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 Tuesday, September 28, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 as determined by HKSCC. 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-85, 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 TRANSCENTA HOLDING LIMITED AND GOLDMAN SACHS (ASIA) L.L.C. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

INTRODUCTION

We report on the historical financial information of Transcenta Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-85, which comprises the consolidated statements of financial position of the Group as at 31 December 2019 and 2020 and 31 March 2021, the statements of financial position of the Company as at 31 December 2019 and 2020 and 31 March 2021, 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 2020 and the three months ended 31 March 2021 (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-4 to I-85 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 September 2021 (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 are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 2019 and 2020 and 31 March 2021, of the Company's financial position as at 31 December 2019 and 2020 and 31 March 2021 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period

Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 September 2021

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this 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 the International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("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

	NOTES	Year ended 31 December		Three months ended 31 March	
		2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	*6*	44,140	80,980	6,810	7,883
Cost of sales		(37,226)	(62,778)	(4,743)	(5,145)
Gross profit		6,914	18,202	2,067	2,738
Other income	*8*	7,554	11,944	1,179	7,954
Other gains and losses, net	*9*	(93,099)	26,745	15,200	2,898
Selling expenses		(1,302)	(2,759)	(21)	(1,083)
Research and development expenses	*11*	(214,563)	(200,312)	(24,677)	(46,988)
Administrative expenses		(121,616)	(155,190)	(15,328)	(19,215)
Listing expenses		–	(5,570)	–	(10,101)
Impairment losses under expected credit loss model	*40*	–	–	–	(3,040)
Share of loss of a joint venture		–	–	–	(176)
Finance costs	*10*	(10,408)	(16,070)	(3,229)	(3,058)
Loss before tax	*11*	(426,520)	(323,010)	(24,809)	(70,071)
Income tax (expense) credit	*12*	(10,834)	110	27	27
Loss for the year/period		(437,354)	(322,900)	(24,782)	(70,044)
Other comprehensive expense for the year/period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of a foreign operation		(266)	3,359	(857)	(539)
		(437,620)	(319,541)	(25,639)	(70,583)
Loss for the year/period attributable to:					
– Owners of the Company		(395,256)	(316,626)	(22,880)	(70,044)
– Non-controlling interests		(42,098)	(6,274)	(1,902)	–
		(437,354)	(322,900)	(24,782)	(70,044)
Total comprehensive expense for the year/period attributable to:					
– Owners of the Company		(395,522)	(313,267)	(23,737)	(70,583)
– Non-controlling interests		(42,098)	(6,274)	(1,902)	–
		(437,620)	(319,541)	(25,639)	(70,583)
Loss per share					
– Basic and diluted *(RMB)*	*14*	(6.16)	(4.53)	(0.36)	(0.72)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2019	At 31 December 2020	At 31 March 2021
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	409,656	449,176	444,581
Intangible assets	*17*	96,547	95,781	95,646
Right-of-use assets	*18*	16,834	24,057	24,341
Goodwill	*19*	471,901	471,901	471,901
Interests in a joint venture	*20*	–	–	17,563
Value-added-tax ("VAT") recoverable		57,191	62,954	55,817
Deposits paid for acquisition of property, plant and equipment		19,715	2,169	2,374
Other receivables	*23*	–	10,085	11,034
Amounts due from related parties	*25*	–	77,250	78,082
Restricted bank deposits	*26*	5,926	6,094	6,098
		1,077,770	1,199,467	1,207,437
Current assets				
Inventories	*22*	6,315	7,901	11,746
Trade and other receivables	*23*	18,721	31,635	33,476
Contract costs	*24*	4,809	38,329	54,722
Bank balances and cash	*26*	458,100	813,592	1,038,373
		487,945	891,457	1,138,317
Current liabilities				
Trade and other payables	*27*	49,562	88,690	87,448
Amount due to a director	*25*	708	–	–
Contract liabilities	*28*	16,576	7,029	6,426
Bank borrowings	*29*	79,820	91,312	109,162
Lease liabilities	*30*	3,313	7,506	8,251
		149,979	194,537	211,287
Net current assets		337,966	696,920	927,030
Total assets less current liabilities		1,415,736	1,896,387	2,134,467
Non-current liabilities				
Bank borrowings	*29*	169,903	145,938	145,938
Lease liabilities	*30*	6,136	9,543	8,686
Deferred income	*31*	41,100	57,200	63,068
Financial liabilities at fair value through profit or loss ("FVTPL")	*32*	1,808,929	2,474,233	2,773,906
Deferred tax liabilities	*33*	25,828	25,718	25,691
		2,051,896	2,712,632	3,017,289
Net liabilities		(636,160)	(816,245)	(882,822)
Capital and reserves				
Share capital	*34*	44	66	68
Treasury shares		–	–	(2)
Reserves		(837,011)	(816,311)	(882,888)
Equity attributable to owners of the Company		(836,967)	(816,245)	(882,822)
Non-controlling interests		200,807	–	–
Total deficits		(636,160)	(816,245)	(882,822)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At 31 December 2019	At 31 December 2020	At 31 March 2021
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in subsidiaries	21	675,548	1,439,214	1,442,891
Amounts due from subsidiaries	25	766,669	833,359	858,670
Amounts due from related parties	25	–	77,250	78,082
Other receivables	23	–	10,085	10,133
		1,442,217	2,359,908	2,389,776
Current assets				
Other receivables	23	–	1,764	3,814
Bank balances and cash	26	212,979	511,599	781,288
		212,979	513,363	785,102
Current liabilities				
Other payables	27	47	9,598	21,798
Amount due to a director	25	708	–	–
		755	9,598	21,798
Net current assets		212,224	503,765	763,304
Total assets less current liabilities		1,654,441	2,863,673	3,153,080
Non-current liabilities				
Financial liabilities at FVTPL	32	1,534,153	2,474,233	2,773,906
Amounts due to subsidiaries	25	–	6,678	6,725
		1,534,153	2,480,911	2,780,631
Net assets		120,288	382,762	372,449
Capital and reserves				
Share capital	34	44	66	68
Treasury shares		–	–	(2)
Reserves	35	120,244	382,696	372,383
Total equities		120,288	382,762	372,449

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Other reserves	Share-based payment reserve	Accumulated losses	Translation reserve	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	44	69,614	–	(619,987)	38,084	(212,379)	243	(724,381)	457,113	(267,268)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(395,256)	(266)	(395,522)	(42,098)	(437,620)
Recognition of equity-settled share-based payment *(Note 36)*	–	–	–	(7,633)	68,728	–	–	61,095	7,633	68,728
Effect of exercise of share purchase options written to non-controlling shareholders *(Note 32)*	–	–	–	221,841	–	–	–	221,841	(221,841)	–
At 31 December 2019	44	69,614	–	(405,779)	106,812	(607,635)	(23)	(836,967)	200,807	(636,160)
Loss and total comprehensive expenses for the year	–	–	–	–	–	(316,626)	3,359	(313,267)	(6,274)	(319,541)
Issuance of ordinary shares	–*	3,327	–	–	–	–	–	3,327	–	3,327
Recognition of equity-settled share-based payment *(Note 36)*	–	–	–	(2,343)	111,869	–	–	109,526	2,343	111,869
Repurchase and cancelation of shares *(Note 34)*	(2)	(37,888)	–	–	–	–	–	(37,890)	–	(37,890)
Acquisition of non-controlling interests	–	–	–	(19,117)	–	–	–	(19,117)	(882)	(19,999)
Exercise of share options	24	254,717	–	–	(172,592)	–	–	82,149	–	82,149
Net effect of share purchase options written to non-controlling shareholders and exercise of share purchase options *(Note 32)*	–	–	–	195,994	–	–	–	195,994	(195,994)	–
At 31 December 2020	66	289,770	–	(231,245)	46,089	(924,261)	3,336	(816,245)	–	(816,245)
Loss and total comprehensive expenses for the period	–	–	–	–	–	(70,044)	(539)	(70,583)	–	(70,583)
Issuance of shares held on trust *(Note 34v)*	2	–	(2)	–	–	–	–	–	–	–
Exercise of share options	–*	2,256	–	–	(2,007)	–	–	249	–	249
Recognition of equity-settled share-based payment *(Note 36)*	–	–	–	–	3,757	–	–	3,757	–	3,757
At 31 March 2021	68	292,026	(2)	(231,245)	47,839	(994,305)	2,797	(882,822)	–	(882,822)

	Attributable to owners of the Company									
	Share capital	Share premium	Treasury shares	Other reserves	Share-based payment reserve	Accumulated losses	Translation reserve	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	44	69,614	–	(405,779)	106,812	(607,635)	(23)	(836,967)	200,807	(636,160)
Loss and total comprehensive expenses for the period	–	–	–	–	–	(22,880)	(857)	(23,737)	(1,902)	(25,639)
Issuance of ordinary shares	–*	3,327	–	–	–	–	–	3,327	–	3,327
Recognition of equity-settled share-based payment *(Note 36)*	–	–	–	(512)	3,714	–	–	3,202	512	3,714
Exercise of share options	–*	17,306	–	–	(14,599)	–	–	2,707	–	2,707
Net effect of share purchase options written to non-controlling shareholders and exercise of share purchase options	–	–	–	(28,522)	–	–	–	(28,522)	28,522	–
At 31 March 2020 (unaudited)	44	90,247	–	(434,813)	95,927	(630,515)	(880)	(879,990)	227,939	(652,051)

Note: Other reserves include i) effect of share purchase options written to non-controlling shareholders of Mabspace Biosciences (Suzhou) Co., Ltd.** ("Mabspace Suzhou") (邁博斯生物醫藥(蘇州)有限公司) and HJB (Hangzhou) Co., Ltd.** ("HJB Hangzhou") (杭州奕安濟世生物藥業有限公司) for converting their equity interests in Mabspace Suzhou and HJB Hangzhou to the Preferred Shares of Transcenta Holding Limited (the "Company"); ii) effect of exercise of such share purchase options by these non-controlling shareholders, and iii) difference between the consideration paid and share of subsidiaries net assets acquired from non-controlling shareholders.

* Amount is less than RMB1,000.

** English names are for identification only

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
OPERATING ACTIVITIES				
Loss before tax	(426,520)	(323,010)	(24,809)	(70,071)
Adjustments for:				
Interest on bank borrowings	9,766	15,463	3,073	2,912
Interest on lease liabilities	642	607	156	146
Bank interest income	(3,224)	(5,863)	(1,153)	(524)
Promissory note interest income	–	–	–	(743)
Share of loss of a joint venture	–	–	–	176
Depreciation of property, plant and equipment	34,040	33,382	5,459	7,806
Depreciation of right-of-use assets	5,999	8,140	1,430	1,329
Amortization of intangible assets	601	606	122	116
Impairment loss on other intangible assets	51,656	–	–	–
Impairment losses on trade receivables	–	–	–	(3,040)
Net foreign exchange (gain) loss	(4,693)	33,436	(3,941)	3,770
Loss on disposal property, plant and equipment	–	9	–	–
Share-based payment expenses	68,728	111,869	3,714	3,757
Fair value change of financial liabilities at FVTPL	37,162	(37,926)	(6,685)	21,381
Transaction costs for issuance of Preferred Shares	8,270	9,560	–	–
Gain on deemed disposal of interests in a joint venture *(Note 20)*	–	–	–	(17,239)
Operating cash flow before movements in working capital	(217,573)	(153,727)	(22,634)	(50,224)
Decrease (increase) in trade and other receivables	21,174	(22,157)	12,232	67
Increase in inventories	(2,432)	(1,586)	(831)	(3,845)
Increase in contract costs	(2,043)	(25,524)	(8,773)	(11,320)
(Increase) decrease in VAT recoverable	(19,633)	(5,763)	(19,110)	7,137
(Decrease) increase in trade and other payables	(52,365)	27,806	(11,237)	4,883
Increase in deferred income	28,000	16,100	1,200	5,868
Increase (decrease) in contract liabilities	9,912	(9,547)	6,326	(603)
NET CASH USED IN OPERATING ACTIVITIES	(234,960)	(174,398)	(42,827)	(48,037)

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
INVESTING ACTIVITIES				
Interest received from banks	3,442	5,632	1,153	751
Proceeds from disposal of property, plant and equipment	83	127	–	–
Purchase of property, plant and equipment	(154,735)	(63,329)	–	(12,720)
Payment for right-of-use assets	(7,893)	–	–	–
Purchase of intangible assets	(67,531)	–	–	(45)
Withdrawn of restricted bank deposits	150	–	–	–
Placement of restricted bank deposits	(5,796)	(168)	(150)	–
Payment for investment in a joint venture	–	–	–	(500)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(232,280)	(57,738)	1,003	(12,514)

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
FINANCING ACTIVITIES				
New bank borrowings raised	157,791	126,135	8,553	21,322
Repayment of bank borrowings	(29,451)	(137,139)	–	(1,794)
Advances from a director	708	–	–	–
Repayments of lease liabilities	(7,123)	(8,370)	(2,522)	(2,681)
Proceeds from issuance of Preferred Shares	429,285	1,035,476	376,507	278,292
Transaction costs attributable to issuance of Preferred Shares	–	(10,811)	–	(478)
Payment on repurchase and cancelation of ordinary shares	–	(37,890)	–	–
Exercise of share options	–	3,471	2,707	–
Issuance of ordinary shares	–	3,327	3,327	–
Consideration paid for acquisition of non-controlling interests	–	(574,806)	(172,295)	–
Capital injection from non-controlling shareholders to subsidiaries	–	236,871	–	–
Issue costs paid	–	(560)	–	(530)
Interest paid	(9,697)	(15,532)	(3,142)	(2,841)
NET CASH FROM FINANCING ACTIVITIES	541,513	620,172	213,135	291,290
NET INCREASE IN CASH AND CASH EQUIVALENTS	74,273	388,036	171,311	230,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD, REPRESENTING BY BANK BALANCES AND CASH	378,194	458,100	458,100	813,592
Effects of exchange rate changes	5,633	(32,544)	2,356	(5,958)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, REPRESENTING BY BANK BALANCES AND CASH	458,100	813,592	631,767	1,038,373

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company, formerly known as MabSpace International Limited with its name changed to Transcenta Holding Limited on 18 June 2019, was incorporated in the British Virgin Islands as an exempted company with limited liability on 20 August 2010, and re-domiciled to the Cayman Islands on 26 March 2021 as an exempted company with limited liability under the laws of Cayman Islands. The respective address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the prospectus dated 14 September 2021 (the "Prospectus").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") is an integrated biopharma platform that brings drug candidates from the discovery stage to the commercial stage, spanning discovery, research, development, manufacturing and commercialization. Particulars and principal activities of the subsidiaries are disclosed in Note 42.

Prior to the Track Record Period, the Company, through its wholly-owned subsidiary Transcenta Biotherapeutics Inc., acquired Just Biotherapeutics Asia Inc. ("Just Cayman"). Just Cayman was the then-holding company of a group of subsidiaries that were engaged in provision of discovery, development and manufacturing of biologics services. Just Cayman was dissolved upon the completion of the acquisition and the Company became the holding company of subsidiaries of Just Cayman. The acquisition has been accounted for as acquisition of business using the acquisition method. The consideration for the business acquisition was satisfied by i) ordinary shares and preferred shares issued by the Company to the shareholders of Just Cayman; ii) gross obligation from share options written by the Company to non-controlling shareholders of HJB Hangzhou, a PRC subsidiary of Just Cayman and iii) replacement of the share-based payment scheme adopted by Just Cayman with the Company's share-based payment scheme. Assets acquired and liabilities assumed were recognized and measured at the fair value at the date of acquisition. Non-controlling interests recognized at the acquisition date were measured at fair value. Goodwill arose on the acquisition amounted to approximately RMB472 million the details of which are set out in Note 19.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

As at 31 March 2021, the Group is in a net liability position of approximately RMB883 million in which the balance consists of financial liabilities at FVTPL of approximately RMB2,774 million arising from the issuance of Preferred Shares by the Company. In addition, the Group's current assets exceeded its current liabilities by approximately RMB927 million which consists of bank balance and cash of approximately RMB1,038 million. After taking into account of the Group's cash flow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months and it is appropriate to prepare Historical Financial Information on a going concern basis.

No audited statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the IFRSs, which are effective for the accounting period beginning on 1 January 2021, throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[5]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] Effective for annual periods beginning on or after a date to be determined

[5] Effective for annual periods beginning on or after 1 April 2021

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments which 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 realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is 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 categorized 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; and
- 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 incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each 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 information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Business combination

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting issued in September 2010*).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits,* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportional share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction by transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash generating units).

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Historical Financial Information only to the extent of interests in the joint venture that are not related to the Group.

Investment in subsidiaries

Investment in subsidiaries is included in the statement of financial position of the Company at cost less any identified impairment losses.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods of services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a good or 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 revenue is recognized 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 Group's performance as the Group 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 recognized 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.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Contract costs

Costs to fulfill a contract

The Group incurs costs to fulfill a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes 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 recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under 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 recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to be exercised the option; 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.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. 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 recognized in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the Group's subsidiary.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which there are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

A subsidiary in the United States of America (the "USA") adopted a qualified defined contribution plan covering all its eligible employees. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees become eligible to participate in the plan on the first of the calendar month following the date the employee meets the eligibility requirements as defined. As defined by the plan, participants may contribute up to United States dollar ("US$") 19,500 of pretax annual compensation. Participants who reach age 50 may elect to make catch-up contributions US$6,500. The subsidiary contributes matching contribution of 3% of each eligible participant's compensation.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services 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-based payment 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised or the restricted ordinary shares are vested, the amount previously recognized in share-based payment 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 recognized in share-based payment reserve will be transferred to accumulated losses.

Share-based payment transactions of the acquiree in a business combination

When share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Group's share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with IFRS 2 *Share-based Payment* ("market-based measure") at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree awards. The excess of the market-based measure of the replacement awards over the market-based measure of the acquiree awards included in measuring the consideration transferred is recognized as remuneration cost for post combination service.

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" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each liabilities for reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied to the same taxable entity by the same taxation authority.

When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost which includes professional fees, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired separately

Intangible assets with finite useful lives, which are acquired separately, are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives when the assets are available for use. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets 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 assets;

- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on property, plant and equipment, 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, intangible assets with finite useful lives, right-of-use assets and contract costs to determine whether there is any indication that these 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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that may be impaired.

The recoverable amount of property, plant and equipment, intangible assets, right-of-use assets and contract costs 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 recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized 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 pretax 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 recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimate 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 recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable 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 financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized 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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties, bank balances, restricted bank deposits and amounts due from subsidiaries) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after each reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on trade receivable is assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(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 reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and 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 amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized 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 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 are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity interests is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity interests.

Financial liabilities

All financial liabilities are subsequently measured at amortized 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 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; or

- 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. For financial liabilities, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to financial liability's credit risk that are recognized 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.

Preferred shares

Preferred shares, which contain redemption features and other embedded derivatives, are classified as at financial liabilities FVTPL and are measured at fair value.

Obligation arising from put options over the ordinary shares of subsidiaries written to non-controlling shareholders

The gross financial liability arising from the share purchase options written by the Company is recognized when contractual obligation to repurchase the equity interest in a subsidiary for preferred shares of the Company is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share purchase options written is initially recognized at fair value of the financial instruments to be issued to exchange for the equity interest in a subsidiary with the corresponding debit to "other reserves". Prior to the exercise of the put options by non-controlling shareholders for preferred shares of the Company, the remeasurement of the estimated gross obligations under the put options to the non-controlling shareholders is recognized in the profit or loss.

Share purchase options

Share purchase options written by the Company to non-controlling shareholders of subsidiaries for preferred shares of the Company are accounted for as derivatives and are recognized at fair value upon initial recognition. Any changes of their fair values in subsequent reporting dates are recognized in the profit or loss.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amount due to a director and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses, net' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at each end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and 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 expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, except for the payment made to a related party for certain in-license fee, all research and development costs are expensed when incurred.

Joint control over Lisheng Biotech (Shanghai) Co., Ltd.* (禮勝生物醫藥(上海)有限公司) ("Lisheng")

Lisheng was established by the Group and Shanghai Alebund Pharmaceuticals Limited* (上海禮邦醫藥科技有限公司) ("Alebund Pharmaceuticals"), an independent third party, in December 2020 as a joint venture to co-develop TST004 for certain indications in Greater China region. Voting rights in Lisheng are owned as to 71.43% by the Group and 28.57% by Alebund Pharmaceuticals as at 31 March 2021. Details of Lisheng are set out in Note 20.

The directors of the Company assessed whether the Group has control over Lisheng based on whether the Group has the practical ability to direct the relevant activities Lisheng unilaterally. In making the judgement, the directors of the Company considered the fact that the pre-clinical research activity plan and budget for TST004 has been predetermined and agreed by the Group and Alebund Pharmaceuticals as part of framework agreement entered to establish Lisheng. After assessment, the directors of the Company concluded that the Group does not have sufficiently dominant power to direct the relevant activities of Lisheng and therefore the Group does not have control over Lisheng but jointly control over Lisheng together with Alebund Pharmaceuticals.

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.

Estimated impairment of goodwill and intangible assets not ready for use

Goodwill and intangible assets not ready for use are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Group obtained in-licenses and in process research and development project ("IPR&D") through separate acquisition or business combination to continue research and development work and commercialize the products, which are classified as intangible assets not ready for use.

* *English name is for identification purpose only*

Determining whether goodwill and intangible assets not ready for use is impaired requires an estimation of recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated or the intangible assets belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit (or group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at 31 December 2019 and 2020 and 31 March 2021, the carrying amount of goodwill is RMB471,901,000, RMB471,901,000 and RMB471,901,000, respectively. No impairment loss is recognised for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021. Details of the recoverable amount calculation are disclosed in Note 19.

As at 31 December 2019 and 2020 and 31 March 2021, the carrying amount of intangible assets not ready for use is RMB95,433,000 and RMB95,433,000 and RMB95,433,000, respectively. Impairment loss of RMB51,656,000, RMB nil and RMB nil, respectively was recognised during the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021. Details of the recoverable amount calculation are disclosed in Note 17.

Useful lives of property, plant, and equipment

The Group's 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 reference to the useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. As at 31 December 2019 and 2020 and 31 March 2021, the carrying amounts of property, plant and equipment are approximately RMB409,656,000, RMB449,176,000 and RMB444,581,000, respectively as disclosed in Note 16.

Fair value of financial liabilities at FVTPL

The Company has issued several series of Preferred Shares and written share purchase options to certain onshore investors during the Track Record Period as set out in Note 32. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation model involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios such as qualified public offering, liquidation, and discount for lack of marketability, require management estimates. Management estimates and assumptions 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 which may be charged into the profit or loss of the financial statements. The fair value of the financial liabilities at FVTPL of the Group as at 31 December 2019 and 2020 and 31 March 2021 are RMB1,808,929,000, RMB2,474,233,000 and RMB2,773,906,000 respectively.

6. REVENUE

The Group has one single revenue stream. It provides contract development and manufacturing ("CDMO") services to its customers. CDMO services stands as an integrated platform to support the development of manufacturing processes and the production of advanced intermediates and active pharmaceutical ingredients and formulation development and dosage drug product manufacturing, for preclinical, clinical trials, new drug application, and commercial supply of chemical drugs as well as wide spectrum development from early to late stage.

The Group primarily earns revenues by providing CDMO services to its customers through fee-for-service ("FFS") contracts. Contract duration is generally a few months. Under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point in time upon finalization, delivery and acceptance of the deliverable units.

The Group applies the practical expedient in IFRS 15 and does not disclose information about its remaining performance obligation as the performance obligation is part of a contract that has an original expected duration of one year or less.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components' of the Group that are regularly reviewed by the chief operating decision maker ("CODM"), which is also identified as the chief executive officer of the Group, in order to allocate resources to segments and to assess their performance. During the Trade Record Period, the CODM assesses the operating performance and allocated the resources of the Group as a whole as the Group is primarily engaged in the discovering, developing, manufacturing and commercializing novel drugs. Therefore, the CODM considers the Group only has one operating segment.

The CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4 and no further analysis of the single segment is presented.

Geographical information

The Group's operations are located in the PRC and the USA.

All the Group's revenue from external customers is derived from the PRC. As at 31 December 2019 and 2020 and 31 March 2021, non-current assets of RMB1,560,000, RMB8,089,000 and RMB7,120,000, respectively, are located in the USA. The remaining non-current assets are all located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Customer A	14,659	N/A	2,390	N/A
Customer B	13,496	10,274	–	N/A
Customer C	6,624	N/A	–	N/A
Customer D	N/A	8,300	3,467	N/A
Customer E	–	25,573	N/A	775
Customer F	–	12,738	N/A	–
Customer G	–	10,361	N/A	5,025

N/A: not disclosed as amounts less than 10% of total revenue

8. OTHER INCOME

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Bank interest income	3,224	5,863	1,153	524
Promissory note interest income	–	–	–	743
Government grants (*note*)	4,330	6,081	26	6,687
	7,554	11,944	1,179	7,954

Note: The amount represents various subsidies granted by the PRC local government authorities to group entities as incentives for the Group's research and development activities. The government grants were unconditional and had been approved by the PRC local government authorities, which are recognized when payments were received.

9. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Gain on deemed disposal of interests in a joint venture *(Note 20)*	–	–	–	17,239
Net foreign exchange gain (loss)	3,892	(1,623)	8,460	7,093
Fair value change of financial liabilities at FVTPL *(Note 32)*	(37,162)	37,926	6,685	(21,381)
Transaction costs for issuance of Preferred Shares	(8,270)	(9,560)	–	–
Impairment loss on intangible asset	(51,656)	–	–	–
Loss on disposal of property, plant and equipment	–	(9)	–	–
Others	97	11	55	(53)
	(93,099)	26,745	15,200	2,898

10. FINANCE COSTS

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest expenses on bank borrowings	9,766	15,463	3,073	2,912
Interest expenses on lease liabilities	642	607	156	146
	10,408	16,070	3,229	3,058

11. LOSS BEFORE TAX

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss before tax for the year/period has been arrived at after charging:				
Depreciation of property, plant and equipment	36,004	41,218	8,837	12,004
Amortization of intangible assets	804	766	197	180
Depreciation of right-of-use assets	5,999	8,140	2,316	2,138
	42,807	50,124	11,350	14,322
Capitalized in the ending balance of contract costs	(2,166)	(7,996)	(4,339)	(5,072)
	40,641	42,128	7,011	9,250

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Analyzed as:				
Charged in cost of sales	11,602	11,917	1,220	713
Charged in administrative expenses	14,875	15,230	4,166	4,674
Charged in selling expenses	5	4	1	1
Charged in research and development expenses	14,159	14,977	1,624	3,862
	40,641	42,128	7,011	9,250
Auditors' remuneration	350	1,781	8	522
Directors' emoluments *(Note 13(a))*	37,765	79,499	2,763	5,176
Other staff costs:				
– salaries and other benefits	81,301	93,322	21,638	26,455
– discretionary bonus *(note)*	2,023	6,682	–	–
– retirement benefit scheme contributions	9,475	9,776	2,851	4,754
– share-based payments	37,819	40,883	2,274	684
	168,383	230,162	29,526	37,069
Capitalized in the ending balance of contract costs	(1,170)	(9,245)	(5,616)	(5,672)
	167,213	220,917	23,910	31,397
Analyzed as:				
Charged in cost of sales	12,143	16,533	1,444	820
Charged in administrative expenses	80,292	114,372	9,862	12,436
Charged in selling expenses	943	2,120	49	853
Charged in research and development expenses	73,835	87,892	12,555	17,288
	167,213	220,917	23,910	31,397

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Research and development expenses:				
Pre-clinical test expenses	83,986	40,420	3,705	21,041
Staff cost	73,835	87,892	12,555	17,288
Clinical test expenses	27,474	38,281	4,601	2,066
Materials consumed	10,319	13,982	1,075	2,611
Depreciation and amortization expenses	14,159	14,977	1,624	3,862
Others	4,790	4,760	1,117	120
	214,563	200,312	24,677	46,988

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

12. INCOME TAX (EXPENSE) CREDIT

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax:				
PRC Enterprise Income Tax	–	–	–	–
Deferred tax *(Note 33)*	(10,834)	110	27	27
	(10,834)	110	27	27

The Company was incorporated in the BVI and is exempted from income tax.

Under the two-tiered profits tax rates regime which was effective on 21 March 2018, the first Hong Kong dollar ("HK$") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the Group, since the group entities did not have tax assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Tract Record Period.

On 1 December 2020, HJB Hangzhou is qualified as a High and New Tech Enterprise recognised by Ministry of Science and Technology and enjoys a preferential tax rate of 15% for a period of three years starting from 2020.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax expense (credit) for the Track Record Period can be reconciled to the loss per the consolidated statements of profit or loss and other comprehensive expenses as follows:

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss before tax	(426,520)	(323,010)	(24,809)	(70,071)
Income tax credit calculated at 25%	(106,630)	(80,753)	(6,202)	(17,518)
Tax effect of share of loss of a joint venture	–	–	–	44
Tax effect of expenses that are not deductible for tax purpose	47,701	23,449	1,332	10,139
Tax effect of income not taxable for tax purpose	(2,607)	(112)	(1,529)	(658)
Tax effect of additional deductible research and development expenses	(25,479)	(18,961)	(2,525)	(6,268)
Utilization of tax losses previously not recognized	(77)	(225)	(1)	(1)
Tax effect of tax losses not recognized	102,618	68,104	7,815	12,454
Tax effect of deductible temporary differences not recognized	–	3,100	1,083	1,781
Utilization of deductible temporary differences previously not recognized	(4,692)	–	–	–
Income tax effect at concessionary rate	–	5,288	–	–
Income tax expense (credit)	10,834	(110)	(27)	(27)

At 31 December 2019 and 2020 and 31 March 2021, the Group has unused tax losses of approximately RMB838,040,000, RMB1,109,557,000 and RMB1,159,367,000 , respectively. At 31 December 2019 and 2020 and 31 March 2021, the Group has deductible temporary differences of approximately RMB4,174,000, RMB16,575,000 and RMB23,699,000, respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unused tax losses will be carried forward and expire in years as follows:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
2020	607	–	–
2021	817	576	571
2022	–	–	–
2023	1,013	1,013	1,013
2024	1,396	1,346	1,346
2025	279	6,965	6,965
2026	21,715	21,715	24,809
2027	137,092	137,092	137,092
2028	264,650	264,650	264,650
2029	410,471	410,471	410,471
2030	–	265,729	265,729
2031	–	–	46,721
	838,040	1,109,557	1,159,367

13. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company (including emoluments for services as employees/directors of the Group prior to becoming the directors of the Company) during the Track Record Period are as follows:

(a) Executive and non-executive directors

	Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (note iv)*	*RMB'000*	*RMB'000*
For the year ended 31 December 2019							
Executive directors:							
Xueming Qian ("Dr. Qian") (chief executive officer)	August 2010	828	823	52	745	11,608	14,056
Jonathan Zhao ("Dr. Zhao") *(note v)*	31 March 2021	897	690	–	635	16,046	18,268
Albert Zhu ("Mr. Zhu")	31 March 2021	–	1,725	92	369	3,255	5,441
		1,725	3,238	144	1,749	30,909	37,765
For the year ended 31 December 2020							
Executive directors:							
Dr. Qian (chief executive officer)	August 2010	828	1,339	247	1,144	47,282	50,840
Dr. Zhao *(note v)*	31 March 2021	897	665	–	–	16,336	17,898
Dr. Shi	31 March 2021	–	602	55	–	6,851	7,508
Mr. Zhu	31 March 2021	–	1,865	60	811	517	3,253
		1,725	4,471	362	1,955	70,986	79,499

	Date of appointment	Director's fee	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Share-based payments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (note iv)*	*RMB'000*	*RMB'000*
For the three months ended 31 March 2020 (unaudited)							
Executive directors:							
Dr. Qian (chief executive officer)	August 2010	207	207	44	–	–	458
Dr. Zhao *(note v)*	31 March 2021	276	121	–	–	1,259	1,656
Dr. Shi	31 March 2021	–	–	–	–	–	–
Mr. Zhu	31 March 2021	–	454	14	–	181	649
		483	782	58	–	1,440	2,763
For the three months ended 31 March 2021							
Executive directors:							
Dr. Qian (chief executive officer)	August 2010	195	213	38	–	–	446
Dr. Zhao *(note v)*	31 March 2021	163	136	–	–	532	831
Dr. Shi	31 March 2021	–	731	93	–	2,474	3,298
Mr. Zhu	31 March 2021	–	505	29	–	67	601
		358	1,585	160	–	3,073	5,176

Notes:

i None of the directors nor the chief executive officer of the Company waived or agreed to waive any emoluments during the Track Record Period.

ii During the Track Record Period, no emoluments were paid by the Group to any of the directors nor the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

iii The executive directors' and non-executive director's emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

iv The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

v Dr. Zhao was an executive director of the Group throughout the beginning of the Track Record Period till 31 March 2021 on which date he was redesignated as non-executive director.

(b) Independent non-executive directors

No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Jiasong Tang, Dr. Jun Bao and Mr. Zhihua Zhang were appointed as independent non-executive directors of the Company subsequently on 31 March 2021.

(c) Five Highest Paid Employees

The five highest paid individuals of the Group included two, three, one (unaudited) and three director(s) of the Company for the years ended 31 December 2019 and 2020 and three months ended 31 March 2020 and 2021, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining three, two, four (unaudited) and two highest paid employees for the years ended 31 December 2019 and 2020 and three months ended 31 March 2020 and 2021, respectively, are as follows:

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other benefits	5,657	4,580	1,921	931
Discretionary bonus *(note)*	1,496	973	–	–
Retirement benefit scheme contributions	–	634	230	289
Share-based payments	11,960	8,048	1,270	–
	19,113	14,235	3,421	1,220

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of these employees (excluding the directors) are within the following bands:

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	No. of employees	*No. of employees*	*No. of employees (unaudited)*	*No. of employees*
HK$nil to HK$1,000,000	–	–	3	2
HK$1,000,001 to HK$1,500,000	–	–	1	–
HK$7,000,001 to HK$7,500,000	3	–	–	–
HK$7,500,001 to HK$8,000,000	–	1	–	–
HK$8,000,001 to HK$8,500,000	–	1	–	–
	3	2	4	2

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss for the year/period attributable to the owners of the Company for the purpose of calculating basic and diluted loss per share	(395,256)	(316,626)	(22,880)	(70,044)

Number of shares

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
			(unaudited)	
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	64,184,427	69,892,264	64,408,273	97,479,227

The weighted average number of shares for the three months ended 31 March 2021 shown above has been arrived after deducting shares held on trust as set out in Note 34(v).

The computation of diluted loss per share for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2020 (unaudited) and 2021, respectively, did not assume conversion of the Preferred Shares, the exercise of share purchase options as defined in Note 32 written to the non-controlling shareholders of Mabspace Suzhou and HJB Hangzhou and the exercise of share options since their assumed conversion or exercise would result in a decrease in loss per share.

15. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2019	73,018	17,294	240,338	773	2,337	2,253	336,013
Additions	88,573	–	15,685	–	73	31,646	135,977
Transfers	12,411	(12,411)	21,031	–	106	(21,137)	–
Disposals	–	–	(4,315)	–	–	–	(4,315)
At 31 December 2019	174,002	4,883	272,739	773	2,516	12,762	467,675
Additions	176	247	49,398	–	16	31,038	80,875
Transfers	–	–	34,943	–	–	(34,943)	–
Disposals	–	–	(284)	(470)	–	–	(754)
At 31 December 2020	174,178	5,130	356,796	303	2,532	8,857	547,796
Additions	–	–	2,366	–	89	4,954	7,409
At 31 March 2021	174,178	5,130	359,162	303	2,621	13,811	555,205
DEPRECIATION							
At 1 January 2019	1,734	1,764	20,330	489	1,177	–	25,494
Provided for the year	4,168	1,445	30,018	72	301	–	36,004
Transfers	869	(869)	–	–	–	–	–
Eliminated on disposals	–	–	(3,479)	–	–	–	(3,479)
At 31 December 2019	6,771	2,340	46,869	561	1,478	–	58,019
Provided for the year	8,319	818	31,724	72	285	–	41,218
Eliminated on disposals	–	–	(170)	(447)	–	–	(617)
At 31 December 2020	15,090	3,158	78,423	186	1,763	–	98,620
Provided for the period	2,077	210	9,632	18	67	–	12,004
At 31 March 2021	17,167	3,368	88,055	204	1,830	–	110,624
CARRYING AMOUNT							
At 31 December 2019	167,231	2,543	225,870	212	1,038	12,762	409,656
At 31 December 2020	159,088	1,972	278,373	117	769	8,857	449,176
At 31 March 2021	157,011	1,762	271,107	99	791	13,811	444,581

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Buildings	20 years
Leasehold improvements	Over the shorter of the relevant lease terms or 5 years
Machinery	3-10 years
Motor vehicles	4 years
Furniture and fixtures	5 years

Machinery with carrying amount of approximately RMB180,368,000, RMB140,287,000 and RMB130,266,000 as at 31 December 2019 and 2020 and 31 March 2021, were pledged to banks to secure the bank borrowings as disclosed in Note 29.

17. INTANGIBLE ASSETS

	Software	IPR&D	In-licenses	Total
	RMB'000	*RMB'000 (note i)*	*RMB'000 (note ii)*	*RMB'000*
COST				
At 1 January 2019	2,297	51,656	–	53,953
Additions	–	–	95,433	95,433
At 31 December 2019	2,297	51,656	95,433	149,386
Disposals	(16)	–	–	(16)
At 31 December 2020	2,281	51,656	95,433	149,370
Additions	45	–	–	45
At 31 March 2021	2,326	51,656	95,433	149,415
AMORTIZATION AND IMPAIRMENT				
At 1 January 2019	379	–	–	379
Provided for the year	804	–	–	804
Impairment loss recognized in the year	–	51,656	–	51,656
At 31 December 2019	1,183	51,656	–	52,839
Provided for the year	766	–	–	766
Eliminated on disposals	(16)	–	–	(16)
At 31 December 2020	1,933	51,656	–	53,589
Provided for the period	180	–	–	180
At 31 March 2021	2,113	51,656	–	53,769
CARRYING AMOUNT				
At 31 December 2019	1,114	–	95,433	96,547
At 31 December 2020	348	–	95,433	95,781
At 31 March 2021	213	–	95,433	95,646

The above intangible assets other than in-licenses and IPR&D are amortized on a straight-line basis over the following periods:

Software	2-3 years

(i) IPR&D

The IPR&D is a pipeline targeting on humanized IgG1 antibody binding to DR5, a death domain-containing transmembrane protein, which was recognized as an intangible asset with fair value of RMB51,656,000 in a business combination as disclosed in Note 1. Subsequent to the business combination, the directors of the Company determined to suspend the development of this pipeline and conducted impairment assessment. As a result of the impairment assessment, an impairment loss of RMB51,656,000 was recognized in profit or loss.

(ii) Licensing Agreement with Eli Lilly and Company ("Lilly")

In March 2019, HJB Hangzhou, a subsidiary of the Company, entered into a license agreement with Lilly with respect to certain technology, patent rights and proprietary materials related to certain compounds.

The detailed licensing arrangements are disclosed under "Licensing Arrangements With Eli Lilly" in the Prospectus.

Under the terms of the agreement, the total upfront fee was comprised of cash consideration of US$10,000,000 (equivalent to RMB67,531,000) and a non-cash consideration satisfied by the Company issuing certain number of Preferred Shares worthy of US$4,000,000. The total number of Series B-5 Preferred Shares issued by the Company to Lilly as a result was 2,797,514. As at 31 December 2019 and 2020 and 31 March 2021, the Group capitalized a total amount of US$14,000,000 (equivalent to RMB95,433,000) as an intangible asset. The Group also agreed to pay Lilly clinical development milestone payments, commercial milestone payments, as well as tiered royalties on sales of the licensed product.

Impairment test

Intangible assets not yet ready for use are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related. The appropriate cash-generating unit is at the product level. The annual impairment test was performed for the drug by engaging an independent qualified professional valuer, Anderson Management Consulting (Shanghai) Co., Limited ("Anderson Management") to estimate value in use as the recoverable amount of the drug. The address of Anderson Management is 36/F, Citi Square, No. 859 North Sichuan Road Hong Kou district, Shanghai, the PRC. The value in use is estimated using discount cash flow approach.

With the assistance of an external appraiser, management determined the recoverable amount of the intangible assets based on the following approach and the key assumptions:

- The intangible asset will generate cash inflows starting from year 2026 based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential till year 2035, and up to the end of the exclusivity for the product. The management considers the length forecast period is appropriate because it generally takes longer for a biopharma company to generate positive cash flows, compared to companies in other industries, especially when the related products are under clinical trial. Hence, the management believes that a forecast period for the cash generating unit longer than five years is justifiable and consistent with industry practice;

- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;

- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and

- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key assumptions used for value in use calculation as at 31 December 2019 and 2020 are as follows:

	As at 31 December	
	2019	**2020**
Pre-tax discount rate	18%	17%
Expected annual growth rates till 2035 *(note)*	9.1%-175.7%	9.1%-175.7%
Expected market penetration rate	1.0%-13.5%	1.0%-13.5%
Expected success rate of commercialization	33%	33%
Recoverable amount of cash-generating unit (in RMB'000)	363,000	576,000

Note: The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at 31 December 2019 and 2020. Based on the estimate made by the management with reference to market analysis, there is no material change of revenue amounts during the forecast period when they performed the annual impairment test for each of the years ended 31 December 2019 and 2020. As such, the compound revenue growth rate remained stable as at 31 December 2019 and 2020.

Based on the result of impairment assessment, there was no impairment as at 31 December 2019 and 2020.

Impairment test – sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing of 1% revenue compound growth rate, which are the key assumptions determine the recoverable amount of the intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

	As at 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Headroom	267,567	480,567
Impact by increasing discount rate	(81,440)	(106,650)
Impact by decreasing revenue compound growth rate	(16,690)	(21,940)

Considering there was still sufficient headroom based on the assessment, the management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

Impairment assessment as at 31 March 2021

In accordance with the Group's accounting policies, intangible assets not yet available for use are tested for impairment on an annual basis at each year end. As at 31 March 2021, the management is not aware of any significant adverse changes on the development the intangible assets not yet available for use, which indicates that the carrying amount of the cash-generating unit exceeds its recoverable amount. Consequently, no interim impairment assessment as at 31 March 2021 was performed.

18. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Carrying Amount	7,864	8,970	16,834
As at 31 December 2020			
Carrying Amount	7,687	16,370	24,057
As at 31 March 2021			
Carrying Amount	7,643	16,698	24,341
For the year ended 31 December 2019			
Depreciation charge for the year	29	5,970	5,999
For the year ended 31 December 2020			
Depreciation charge for the year	177	7,963	8,140
For the three months ended 31 March 2021			
Depreciation charge for the period	44	2,094	2,138

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expenses relating to short-term leases	124	1	–	–
Total cash outflow for leases	15,016	8,370	2,551	2,681
Additions to right-of-use assets	16,179	15,363	11,949	2,422

During the Track Record Period, the Group leases a piece of land and various properties for its operations. Lease contracts are entered into for fixed term of 6 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for rental of office premise. As at 31 December 2019 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short term leases expense disclosed above.

Restrictions or covenants on leases

As at 31 December 2019 and 2020 and 31 March 2021, lease liabilities of RMB9,449,000, RMB17,049,000 and RMB16,937,000 are recognized with related right-of-use assets of RMB8,970,000, RMB16,370,000 and RMB16,698,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. GOODWILL

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount	471,901	471,901	471,901

The goodwill arose from a business combination as disclosed in Note 1 and will not be deductible for tax purpose.

Impairment test

Goodwill arising from the business combination is allocated to a group of cash-generating units that are expected to benefit from the synergies of such business combination for the purpose of impairment testing.

Impairment review on the goodwill of the Group has been conducted by the management of the Company with reference to a report prepared by Anderson Management as at 31 December 2019 and 2020. For the purpose of impairment review, the recoverable amount of the group of cash-generating units is determined based on value-in-use calculations.

With the assistance of an external appraiser, management determined the recoverable amount of the goodwill based on the following approach and the key assumptions:

- The cash flow projections are made based on financial budgets prepared by management till year 2035 based on the timing of clinical development and regulatory approval of relevant products. Cash flows beyond year 2035 are extrapolated using the estimated terminal growth rate at 3%. The management considers the length of forecast period is appropriate because it generally takes longer for a biopharma company to reach a perpetual growth mode, compared to companies in other industries, especially when the related products are still under clinical trial. Hence, the management believes that a forecast period for the cash generating units longer than five years is justifiable and consistent with industry practice;

- The expected market penetration rate was based on the expected selling conditions considering the features of marketing and technology development;

- The discount rate used is pre-tax and reflect specific risks relating to the relevant products that would be considered by market participants; and

- The expected success rate of commercialization by reference to practices of pharmaceutical industries, development of technologies and related regulations from administrations.

The key parameters used for value-in-use calculations are as follows:

	At 31 December	
	2019	**2020**
Pre-tax discount rate	17%	16.5%
Expected annual growth rates till 2035 *(note)*	12.6%-195.4%	12.6%-195.4%
Expected market penetration rate	0.3%-56.0%	0.3%-56.0%
Expected success rate of commercialization	5%-85%	5%-85%

Note: The compound growth rates calculated based on the expected annual growth rates till 2035 were 23% as at 31 December 2019 and 2020. Based on the estimate made by the management with reference to market analysis, there is no material change of revenue amounts during the forecast period when they performed the annual impairment test for each of the years ended 31 December 2019 and 2020. As such, the compound revenue growth rate remained stable as at 31 December 2019 and 2020.

The revenue growth rate for the forecast period and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the group of cash-generating units exceeded its carrying amount as at 31 December 2019 and 2020. Thus, no impairment is noted.

Impairment test – sensitivity

The Group performs the sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue compound growth rate, which are the key assumptions determine the recoverable amount of the goodwill, with all other variables held constant. The impacts on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	At 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Headroom	1,820,760	3,272,039
Impact by increasing discount rate	(833,132)	(1,052,833)
Impact by decreasing revenue compound growth rate	(341,270)	(434,037)

Considering there was still sufficient headroom based on the assessment, the management believes that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed its recoverable amount.

Impairment assessment as at 31 March 2021

In accordance with the Group's accounting policies, goodwill are tested for impairment on an annual basis at each year end. As at 31 March 2021, the management is not aware of any significant adverse changes on the development of the Group, which indicates that the carrying amount of the group of cash-generating units exceeds the recoverable amount. Consequently, no interim impairment assessment as at 31 March 2021 was performed.

20. INTERESTS IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follow:

	At 31 March 2021
	RMB'000
Cost of investment in a joint venture	500
Other adjustments *(note)*	17,239
Share of loss and other comprehensive income	(176)
	17,563

In November 2020, Mabspace Suzhou, a wholly-owned subsidiary of the Company, and Alebund Pharmaceuticals entered into a framework agreement to set up Lisheng, a joint venture, to co-develop pipeline TST004. In accordance with the framework agreement, Mabspace Suzhou shall pay RMB500,000 as investment cost in Lisheng which represents the entire ownership interest of Lisheng initially. Alebund Pharmaceuticals shall then contribute a total of RMB60,837,000 (equivalent to approximately US$9,000,000) into Lisheng in five instalments subject to the achievement of certain research and development milestones as stipulated in the framework agreement. Upon the entire amount being contributed by Alebund Parmaceuticals, the ownership interest in Lisheng will eventually be owned as 50% by Mabspace Suzhou and 50% by Alebund Pharmaceuticals. As part of the framework agreement, an ancillary collaboration and licensing agreement (the "Agreement") were entered into between Mabspace Suzhou, Alebund Pharmaceuticals and Lisheng in December 2020 pursuant to which Mabspace Suzhou shall out-license an irrevocable, permanent, exclusive and sub-licensable license to research, develop, commercialize, use, import, commit to sell, export and sell a licensed product, which is defined as a formulation with TST004 as the only active pharmaceutical ingredient, in Greater China region to Lisheng.

No investment was made to Lisheng as of 31 December 2020. In accordance with the framework agreement, Mabspace Suzhou paid the RMB500,000 in January 2021. On 29 January 2021, an amount of RMB24,335,000 (equivalent to approximately US$3,600,000), represented the first instalment as stipulated in the framework agreement, was paid by Alebund Pharmaceuticals, representing 28.57% ownership interest in Lisheng. Meanwhile, the ownership interest held by Mabspace Suzhou was diluted from 100% to 71.43%.

Note: Other adjustments represents the differences between the Group's share of contribution made by Alebund Pharmaceuticals amounting to RMB17,382,000 and the Group's carrying amount of the deemed disposed interests amounting to RMB143,000.

Details of the Group's joint venture at the end of each reporting period are as follows:

Name of entity	Country of incorporation registration	Principal place of business	Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			Principal activity
			At 31 December 2019	At 31 December 2020	At 31 March 2021	At 31 December 2019	At 31 December 2020	At 31 March 2021	
Lisheng	The PRC	The PRC	N/A	N/A	71.43%	N/A	N/A	71.43%	Research, development and commercialization of innovative therapies

Summarised financial information of the joint venture

Summarised financial information in respect of each of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

The joint venture is accounted for using the equity method in the Historical Financial Information.

Lisheng

	At 31 March 2021
	RMB'000
Current assets	24,401
Non-current assets	60,825
Current liabilities	300
Non-current liabilities	–

The above amounts of assets include the following:

Cash and cash equivalents	24,401

	Three months ended 31 March 2021
	RMB'000
Revenue	–
Loss from continuing operations	(246)
Loss for the period	(246)
Other comprehensive income for the period	–
Total comprehensive expense for the period	(246)
Dividends received from the Lisheng during the period	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the Historical Financial Information:

	At 31 March 2021
	RMB'000
Net assets of Lisheng	84,926
Proportion of the Group's ownership interest in Lisheng	71.43%
	60,661
Eliminations *(note)*	(43,098)
Carrying amount of the Group's interest in Lisheng	17,563

Note: The amount represents the unrealized gain from the out-license of TST004 by the Group to Lisheng.

21. INVESTMENT IN SUBSIDIARIES

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cost of investment	675,548	1,439,214	1,442,891

22. INVENTORIES

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	6,315	7,901	11,746

23. TRADE AND OTHER RECEIVABLES

The Group

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	8,076	16,351	12,730
Less: Allowance for credit losses	–	–	(998)
	8,076	16,351	11,732
Other receivables:			
Promissory note receivables *(note)*	–	10,085	10,133
Interest receivable	–	231	–
Prepayments for:			
Research and development services	5,687	6,106	10,298
Legal and professional services	1,253	1,034	1,108
Purchase of raw materials	743	5,021	3,385
Deferred issue costs	–	1,764	3,814
Others	2,962	1,128	4,040
	18,721	41,720	44,510
Analyzed as:			
Non-current	–	10,085	11,034
Current	18,721	31,635	33,476
	18,721	41,720	44,510

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB3,179,000.

The Group normally grants a credit period of 30 days or a particular period agreed with customers effective from the date when the services have been completed and accepted by customers.

The following is an aged analysis of trade receivable net of allowance for credit losses presented based on the date of completion of service at the end of each reporting period:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	8,076	13,501	2,124
31 – 60 days	–	10	2,295
61 – 90 days	–	901	3,072
91 – 120 days	–	9	3,389
121 – 365 days	–	1,930	852
	8,076	16,351	11,732

As at 31 December 2019 and 2020 and 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB nil, RMB2,850,000 and RMB9,608,000 which are past due at the end of each reporting period. Out of the past due balances, RMB nil, RMB1,939,000 and RMB4,241,000 has been past due 90 days or more, out of which RMB nil, RMB nil and RMB4,241,000 is considered as in default. The directors of the Company have considered the recoverable amount and credit quality of the relevant customers and concluded that the expected credit loss is not significant to the Group. The Group does not hold any collateral over these balances.

Details of the provision of expected credit losses of trade and other receivables for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 are set out in Note 40.

Analysis of trade and other receivables of the Group denominated in currencies other than the functional currency of the relevant group entities is set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	3,415	15,719	15,654

The Company

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deferred issue costs	–	1,764	3,814
Promissory note receivables *(note)*	–	10,085	10,133
	–	11,849	13,947
Analyzed as:			
Non-current	–	10,085	10,133
Current	–	1,764	3,814
	–	11,849	13,947

Analysis of trade and other receivables of the Company denominated in currencies other than RMB is set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	–	11,849	13,612

Note: The promissory note receivable balance arises from the exercise of share options by certain employees of the Group as disclosed in Note 37. The promissory notes carry interest rate of 3.6% per annum. As at 31 December 2020 and 31 March 2021, RMB10,085,000 and RMB10,133,000 of the balance is expected to be received after twelve months from the end of the reporting period and reclassified as non-current assets.

24. CONTRACT COSTS

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Costs to fulfill contracts	4,809	38,329	54,722

Contract costs capitalized relate to the costs incurred to fulfill contracts. Contract costs are recognized as part of cost of sales in the consolidated statements of profit or loss in the period in which revenue is recognized. The amount of capitalized costs recognized in profit or loss during the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 was RMB37,226,000, RMB62,778,000 and RMB5,145,000. There was no impairment in relation to the opening balance of capitalized costs or the cost capitalized during the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021.

25. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNTS DUE FROM RELATED PARTIES/AMOUNT DUE TO A DIRECTOR/AMOUNTS DUE TO SUBSIDIARIES

(a) Amounts due from subsidiaries

The amounts due from subsidiaries were non-trade in nature, unsecured repayable in 10 years with annual interest rate of 4.9%.

The amounts are denominated in US$.

Details of the provision of expected credit losses of amounts due from subsidiaries for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021 are set out in Note 40.

(b) Amounts due from related parties

The Group and the Company

	At 31 December		At 31 March	Maximum amount outstanding during the Year ended 31 December		Three months ended 31 March
	2019	2020	2021	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Promissory note receivables						
Dr. Qian	–	23,525	24,035	–	23,525	24,035
Dr. Shi	–	5,410	5,436	–	5,410	5,436
Mr. Zhu	–	906	906	–	906	906
Dr. Zhao	–	31,227	31,412	–	31,227	31,412
Others	–	16,182	16,293	–	16,182	16,293
	–	77,250	78,082	–	77,250	78,082

The promissory note receivables balance arises from the exercise of share options by directors of the Company and key management personnel of the Group as disclosed in Note 36. The promissory notes carry interest rate of 3.6% per annum. As at 31 December 2020 and at 31 March 2021, the entire balance is expected to be received after twelve months from the end of the reporting period and is classified as non-current assets. The promissory note receivables are non-trade in nature. In the opinion of the directors of the Company, the terms of the promissory notes are fair and on normal commercial terms and the balances is expected to be repaid in accordance to the terms.

The promissory note receivables are all denominated in US$.

(c) Amount due to a director and amounts due to subsidiaries

Amount due to a director is non-trade in nature, interest free, unsecured and repayable on demand.

Amounts due to subsidiaries is non-trade in nature, interest free, unsecured and will not be demanded for repayment from the Company within the next twelve months.

26. BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

The Group

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances and short-term bank deposits carry interests at market rates ranging from 0.01% to 1.755%.

The restricted bank deposits of the Group amounting to RMB5,926,000, RMB6,094,000 and RMB6,098,000 respectively, as of 31 December 2019 and 2020 and 31 March 2021 was pledged with a bank for certain custom duty reduction on imported machinery. The restricted bank deposits carried interest at market rate ranging from 0.3% to 2.75% for the Track Record Period.

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	419,508	645,805	874,249

The Company

Bank balances held by the Company are short-term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interests at market rate of 0.01%, 0.01% and ranged from 0.01% to 0.7% per annum as of 31 December 2019 and 2020 and 31 March 2021, respectively.

Bank balances and cash that are denominated in currencies other than RMB are set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	212,979	511,599	781,288

27. TRADE AND OTHER PAYABLES

The Group

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	24,051	34,448	42,975
Other payables:			
Purchase of property, plant and equipment	4,082	10,892	5,786
Transaction cost for issue Preferred Shares	8,270	7,019	6,541
Legal and professional fee	48	6,551	3,698
Listing expenses and issue costs	–	4,946	15,462
Others	2,429	1,635	2,658
Interest payables	69	–	71
Other tax payables	1,803	5,165	4,429
Accrued staff costs and benefits	4,628	15,853	5,459
Other accruals	4,182	2,181	369
	49,562	88,690	87,448

The average credit period on purchases of goods and services of the Group is 30 days.

The following is an aged analysis of trade payables, presented based on earlier of the date of goods and services received and the invoice dates at the end of each reporting period:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	17,104	23,458	29,770
31 – 60 days	744	–	5,119
61 – 90 days	783	24	1,649
91 – 120 days	866	2	–
121 – 365 days	4,554	10,552	6,294
Over 365 days	–	412	143
	24,051	34,448	42,975

Analysis of trade and other payables of the Group denominated in currencies other than the functional currency of relevant group entities is set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	5,465	16,364	32,888

The Company

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Accrued listing expenses and issue costs	–	4,946	15,462
Other accruals	47	4,652	6,336
	47	9,598	21,798

Analysis of trade and other payables of the Company denominated in currencies other than RMB is set out below:

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	47	9,598	21,798

28. CONTRACT LIABILITIES

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Provision of CDMO services	16,576	7,029	6,426

The following table shows how much the revenue recognized that was included in the contract liabilities balance at the beginning of the year.

	Year ended 31 December		Three months ended 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Provision of CDMO services	6,871	13,968	1,175

The Group normally invoices its customers a percentage of the price on acceptance of manufacturing orders to commence work, which gives rise to contracts liability at the start of a contract.

29. BANK BORROWINGS

	At 31 December		At 31 March
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Secured	204,723	142,250	151,894
Unsecured	45,000	95,000	103,206
	249,723	237,250	255,100
Fixed-rate borrowings	221,819	220,938	238,672
Variable-rate borrowings	27,904	16,312	16,428
	249,723	237,250	255,100
Carrying amount repayable*:			
Within one year	79,820	91,312	109,162
Within a period of more than one year but not exceeding two years	64,134	145,938	145,938
Within a period of more than two years but not exceeding five years	105,769	–	–
	249,723	237,250	255,100
Less: Amounts due within 12 months shown under current liabilities	(79,820)	(91,312)	(109,162)
Amounts shown under non-current liabilities	169,903	145,938	145,938

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of the effective interest rates on the Group's borrowings are as follows:

	Year ended 31 December		Three months ended 31 March
	2019	**2020**	**2021**
	4.785% –	3.95% –	3.95% –
Fixed-rate borrowings	6.175%	5.225%	5.225%
Variable-rate borrowings	5.225%	5.225%	5.225%

Bank borrowings amounting to RMB204,723,000, RMB142,250,000 and RMB151,894,000 as at 31 December 2019 and 2020 and 31 March 2021, respectively, are secured by property, plant and equipment with carrying amount of RMB180,368,000, RMB140,287,000 and RMB130,266,000 as of 31 December 2019 and 2020 and 31 March 2021. Bank borrowing amounting to RMB25,000,000 as at 31 December 2019 was guaranteed by one of the directors of the Company. It was settled during the year ended 31 December 2020 and the guarantee was therefore terminated.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	Year ended 31 December		Three months ended 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
US$	27,904	26,099	16,428

30. LEASE LIABILITIES

The Group

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	3,313	7,506	8,251
Within a period of more than one year but not exceeding two years	2,131	6,838	6,838
Within a period of more than two years but not exceeding five years	4,005	2,705	1,848
	9,449	17,049	16,937
Less: Amounts due for settlement with 12 months shown under current liabilities	(3,313)	(7,506)	(8,251)
Amounts due for settlement after 12 months shown under non-current liabilities	6,136	9,543	8,686

The weighted average incremental borrowing rates applied to the lease liabilities range from 1.56% to 6.483%, 1.56% to 6.483% and 1.56% to 6.483% for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, respectively.

31. DEFERRED INCOME

The Group

Deferred income as at 31 December 2019 and 2020 and 31 March 2021 represents the government grant received from the local government to support the business operations of the Group. However, the amount received is conditional on the basis of the Group maintaining its operation in Hangzhou, Zhejiang Province for a period of 10 years beginning from 2015 which is the year when the related operation agreement was signed by the Group with the local government.

32. FINANCIAL LIABILITIES AT FVTPL

The Company entered various investment agreements with independent investors pursuant to which the Company issued Preferred Shares and written share purchase options to the investors to subscribe for the Preferred Shares of the Company.

The Preferred Shares issued and share purchase options written are as follows:

	Notes	Date of re-designation/ subscription	Number of investors	Total number of shares issued	Subscription price per share	Total consideration	Equivalent to RMB
					US$	*US$'000*	*RMB'000*
Series A-1	*i*	21 December 2018	2	7,005,948	0.4233	2,966	55,061
Series A-2	*i*	21 December 2018	2	26,576,400			
	i & iii	9 January 2020*	1	8,858,800			
			3	35,435,200	0.4233	15,000	279,169
Series A-3	*ii*	21 December 2018	1	16,425,863			
	ii & iii	20 June 2019*	2	12,775,671			
	ii & iii	9 January 2020*	1	7,300,383			
	ii & iii	2 June 2020*	1	567,808			
	ii & iii	23 December 2020*	1	1,257,288			
			6	38,327,013	0.2740	10,500	72,312
Series B-1	*i*	21 December 2018	4	27,975,139	1.4298	40,000	275,292
Series B-2	*ii & iii*	23 December 2020*	1	4,490,315	1.1135	5,000	32,779
Series B-3	*ii*	21 December 2018	1	1,212,385			
	ii & iii	20 June 2019*	3	15,736,759			
	ii & iii	9 January 2020*	1	832,505			
	ii & iii	23 December 2020*	1	8,082,567			
			6	25,864,216	1.2372	32,000	216,999
Series B-4	*ii*	21 December 2018	5	20,187,082			
	ii & iii	9 January 2020*	1	386,726			
	ii & iii	2 June 2020*	1	1,469,558			
	ii & iii	23 December 2020*	1	3,673,894			
			8	25,717,260	1.3610	35,001	239,740
Series B-5		2 December 2019	10	45,536,882			
		14 February 2020	1	279,751			
		17 December 2020	1	3,496,892			
	iii	23 December 2020*	4	23,723,114			
			16	73,036,639	1.4298	104,428	714,932
Series C-1		10 December 2020	15	36,346,231			
		26 February 2021	3	23,043,683			
			18	59,389,914	1.8660	110,823	720,828

* *Subscribed by onshore investors*

Notes:

i Upon the completion of the business combination as disclosed in Note 1, Series A, Series A-1 and Series B Preferred Shares which were previously issued on 3 May 2018, 3 May 2018 and 8 June 2018, respectively, by the Company were re-designated as Series A-1, Series A-2 and Series B-1 Preferred Share.

ii The entire Series A-3, Series B-2, Series B-3 and Series B-4 Preferred Shares were issued as consideration of a business combination as disclosed in Note 1.

iii These Preferred Shares were issued upon the exercise of share purchase options granted to the onshore investors, details of which are disclosed in "*Investment Arrangement with Onshore Investors*".

Preferred Shares

The Company has issued Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares (collectively, "Series A Preferred Shares"), Series B-1 Preferred Shares, Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, Series B-5 Preferred Shares (collectively, "Series B Preferred Shares") and Series C-1 Preferred Shares. The key terms of the Preferred Shares of the Company are as follows:

(a) Dividend rights

The directors of the Company may authorize a distribution by way of dividend at a time and of an amount they think fit out of the funds of the Company lawfully available.

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution in like amount is likewise declared, paid, set aside or made at the same time with respect to each issued and outstanding Preferred Share payable in cash when, as and if declared by the board of directors.

(b) Conversion feature

Each holders of the Preferred Shares shall have the rights to convert Preferred Shares into ordinary shares at any time after the issuance date into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant issue price by the then-effective conversion price. The conversion price shall initially be the respective issue price per Preferred Shares, resulting the initial conversion ratio of 1:1. Such initial conversion price shall be subject to adjustment (including but not limited to share splits and combinations, dividend and distribution, reorganizations, mergers, consolidations, reclassifications, exchanges and substitutions, and adjustment upon issuance of new securities for consideration per shares less than conversion price).

All outstanding Preferred Shares shall automatically be converted, at the applicable conversion ratio in effect of conversion, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares, at the earlier of (i) the closing of a qualified initial public offering ("QIPO"), and (ii) the prior written approval of the holders of at least two-thirds (2/3) of corresponding sub-class of Preferred Shares (voting together as a single class on an as-converted basis).

QIPO means the first firm-commitment underwritten initial public offering by the Company on an internationally recognized stock exchange underwritten by an internationally recognized investment bank with a per share price (after underwriting commissions and expenses) (i) that implies a market capitalization of the Company prior to an initial public offering no less than the post-money valuation of the Company immediately after the closing of respective share purchase transaction to be increased annually at a simple rate of 10% per annum calculating from the closing date as defined in respective share purchase agreement (with a year being 365 days); or (ii) approved collectively by the (a) holders of the Series B-1 Preferred Shares (voting together as a single class on an as-converted basis), (b) holders of at least two-thirds of the Series B Preferred Shares (excluding Series B-1 Preferred Shares) (voting together as a single class on an as-converted basis), (c) holders of at least two-thirds (2/3) of the Series A Preferred Shares (voting together as a single class on an as-converted basis), (d) holders of at least two thirds of Series B-4 Preferred Shares (voting together as a single class) and (e) holders of at least a majority of the Series C Preferred Shares (voting together as a single class).

(c) Liquidation preferences

Upon the occurrence of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary (the "Liquidation Event"), or any deemed liquidation event as defined in the Articles of Association of the Company, the assets or funds of the Company legally available for distribution and all proceeds derived from the Liquidation Event (the "Preference Assets") shall be distributed as follows:

(i) firstly among the holders of the outstanding Series C-1 Preferred Shares, amounting being the Series C-1 issue price, plus annual return at compound interest of 8% per annum calculating from the relevant Series C original issue date to the applicable payment date, plus any dividends declared but unpaid (any remaining assets after the foregoing distribution are referred to as the "Post C Preference Assets").

(ii) 50% of Post C Preference Assets being distributed:

  (a) ratably among the holders of Series B-5 Preferred Shares, Series B-1 Preferred Shares and Series A-2 Preferred Shares at the amounts of the Series B-5 issue price, the Series B-1 issue price or the Series A-2 issue price (as applicable), plus any dividends declared but unpaid thereon until they are paid in full; and

  (b) Any remainder shall be distributed ratably among the holders of the 50% of the Series B-5 Preferred Shares, Series B-1 Preferred Shares, Series A-2 Preferred Shares and Series A-1 Preferred Shares and ordinary shares;

(iii) 50% of the Post C Preference Assets shall be distributed:

  (a) ratably among the holders of Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares and 50% of Series B-5 Preferred Shares until they are paid in full;

  (b) ratably among the holders of Series A-3 Preferred until they are paid in full; and

  (c) Any remainder shall be distributed ratably among the holders of Series B-2 Preferred Shares, Series B-3 Preferred Shares, Series B-4 Preferred Shares, 50% of Series B-5 Preferred Shares and Series A-3 Preferred Shares and ordinary shares.

(d) Redemption feature

If by December 31, 2023, a Qualified IPO has not occurred, then at any time thereafter, any holder of Series A Preferred Shares, Series B Preferred Shares or Series C Preferred Shares may require the Company to repurchase its Preferred Shares. In such event: (i) if a repurchase is requested by a holder of Series C Preferred Shares, the relevant Series C Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series C issue price with a compound rate of 8% per annum return calculating from the relevant Series C original issue date to the applicable repurchase date, plus all declared but unpaid dividends thereon (ii) if a repurchase is requested by a holder of Series B Preferred Shares, the relevant Series B Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series B Issue Price with a simple rate of eight percent (8%) per annum return calculating from the relevant Series B original issue date to the applicable repurchase date (as defined below), plus all declared but unpaid dividends thereon; and (iii) if a repurchase is requested by a holder of Series A Preferred Shares, the relevant Series A Preferred Shares shall be repurchased by the Company at a price per share equal to the relevant Series A issue price, plus all declared but unpaid dividends thereon.

(e) Voting rights

Each Preferred Shares shall carry a number of votes equal to the number of ordinary shares then issuable upon its conversion into ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited.

Investment Arrangement with Onshore Investors

When the onshore investors make respective capital contribution (the "Onshore Equity Interest") to Mabspace Suzhou and HJB Hangzhou, the Company also entered into share purchase agreements and option agreements with each of the onshore investors, pursuant to which the Company granted each onshore investor a share purchase option to subscribe for the certain class of Preferred Shares to be issued by the Company (subject to anti-dilutive adjustments). The aggregate purchase price of the Preferred Shares upon the exercise of the share purchase options (the "Preferred Shares Purchase Price") shall be determined based on the then fair market value of the Onshore Equity Interest as agreed through negotiation between the Company and the onshore investor. The number of the Preferred Shares issuable pursuant to the exercise of the share purchase options shall be subject to (a) any appropriate adjustments for any subsequent share splits, share subdivisions, consolidation or combinations of shares, dividends or distributions of shares or other securities, reclassification, capital reorganization or similar arrangement, as well as merger, consolidation or redemption in accordance with the then applicable Amended and Restated Articles of Association of the Company; and (b) any change or adjustment of the Onshore Equity Interest held by such investor pursuant to the investment documents. The Preferred Shares issuable pursuant to the exercise of the share purchase options bear the rights, preferences and privileges as set forth in the then applicable amended and Restated Articles of Association of the Company.

Each of the onshore investors may elect to exercise the share purchase options at its own discretion, provided that the restructuring process for the investor's exercise of such share purchase options complies with all applicable laws.

Upon receipt of the notice for exercising the share purchase options by the Company from any of the onshore investors, Mabspace Biosciences Co., Limited ("Mabspace HK"), the immediate holding company of Mabspace Suzhou, or HJB (Hong Kong) Co., Limited (formerly known as "Just Biotherapeutics (Hong Kong) Limited") ("Just HK"), the immediate holding company of HJB Hangzhou, shall purchase from such onshore investor and the onshore investor shall sell to the Mabspace HK or Just HK, as applicable, all of its Onshore Equity Interest.

Presentation and Classification

The Preferred Shares are regarded as financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the Preferred Shares attributable to the change in credit risk of the Group is minimal.

The Group recognized the gross obligations from share purchase options written by the Company as financial liabilities measured at FVTPL as the put options is over the equity interests of Mabspace Suzhou or HJB Hangzhou and therefore does not meet the definition of equity.

The Company has recognized the share purchase options written by the Company as financial liabilities measured at FVTPL.

Changes in fair value of the Preferred Shares and the share purchase options are charged to profit or loss and included in "other gains and losses, net".

The Preferred Shares, gross obligations from the share purchase options written and share purchase options were valued by the directors of the Company with reference to valuation reports carried out by Anderson Management.

The Company used back-solve method to determine the underlying share value of the Company and performed an equity allocation based on a Binomial Option Pricing Model ("OPM") to arrive the fair value of the Preferred Shares and share purchase options as of the dates of issuance and at the end of each reporting period.

In addition to the underlying share value of the Company determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value are as follows:

	At 1 January 2019	At 31 December 2019	At 31 December 2020	At 31 March 2021
Time to liquidation	7 years	5 years	3 years	2.75 years
Time to redemption	7 years	5 years	3 years	2.75 years
Dividend yield	0%	0%	0%	0%
Risk-free interest	2.72%	1.69%	0.17%	0.17%
Possibilities under IPO scenario	20%	20%	45%	50%
Possibilities under liquidation scenario	40%	40%	30%	25%
Possibilities under redemption scenario	40%	40%	25%	25%
Volatility	70%	70%	73%	75%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Expected dividend yield is based on management estimation at issue date.

The fair value of the preferred shares, gross obligation from share purchase option written and the share purchase option at the end of each reporting period is as follows:

The Group

	Preferred Shares	Gross obligations from share purchase options written	Total	Shown in financial information as
	US$'000	*US$'000*	*US$'000*	*RMB'000*
At 1 January 2019	117,122	74,418	191,540	1,314,580
Issuance of Series B-5 Preferred Shares *(note i)*	65,108	–	65,108	457,187
Exercise of share purchase options	33,863	(33,863)	–	–
Changes in fair value *(note ii)*	1,496	1,156	2,652	37,162
At 31 December 2019	217,589	41,711	259,300	1,808,929
Issuance of Series B-5 Preferred Shares	5,400	33,919	39,319	257,745
Issuance of Series C-1 Preferred Shares	67,822	–	67,822	445,485
Exercise of share purchase options	73,173	(73,173)	–	–
Changes in fair value *(note ii)*	(5,275)	(2,457)	(7,732)	(37,926)
At 31 December 2020	358,709	–	358,709	2,474,233
Issuance of Series C-1 Preferred Shares	43,275	–	43,275	278,292
Changes in fair value *(note ii)*	20,140	–	20,140	21,381
At 31 March 2021	422,124	–	422,124	2,773,906

The Company

	Preferred Shares	Share purchase options written	Total	Shown in financial information as
	US$'000	*US$'000*	*US$'000*	*RMB'000*
At 1 January 2019	117,122	4,610	121,732	835,472
Issuance of Series B-5 Preferred Shares *(note i)*	65,108	–	65,108	457,187
Exercise of share purchase options	33,863	(10,248)	23,615	214,049
Changes in fair value *(note ii)*	1,496	8,924	10,420	27,445
At 31 December 2019	217,589	3,286	220,875	1,534,153
Issuance of Series B-5 Preferred Shares	5,400	10,746	16,146	105,351
Issuance of Series C-1 Preferred Shares	67,822	–	67,822	445,485
Exercise of share purchase options	73,173	9,030	82,203	567,005
Changes in fair value *(note ii)*	(5,275)	(23,062)	(28,337)	(177,761)
At 31 December 2020	358,709	–	358,709	2,474,233
Issuance of Series C-1 Preferred Shares	43,275	–	43,275	278,292
Changes in fair value *(note ii)*	20,140	–	20,140	21,381
At 31 March 2021	422,124	–	422,124	2,773,906

Notes:

i 2,797,514 Series B-5 Preferred Shares worthy of US$4,000,000 (equivalent to RMB27,902,000) were issued to Lilly for in-license agreement entered with Lilly (Note 17).

ii Changes in fair value presented in RMB includes effect of exchange on translation from US$ balances.

33. DEFERRED TAX LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purpose.

	Fair value adjustments of property, plant and equipment	Fair value adjustments of intangible assets	Intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	2,080	12,914	–	14,994
(Credited) charged to profit or loss	(110)	(12,914)	23,858	10,834
At 31 December 2019	1,970	–	23,858	25,828
Credited to profit or loss	(110)	–	–	(110)
At 31 December 2020	1,860	–	23,858	25,718
Credited to profit or loss	(27)	–	–	(27)
At 31 March 2021	1,833	–	23,858	25,691

34. SHARE CAPITAL

The Group and the Company

	Number of shares	Share capital
		US$'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At 1 January 2019	335,184,909	34
Increase in authorized shares *(note i)*	200,000,000	20
Classification and designation on issuance of Series B-5 Preferred Shares – first closing *(note ii)*	(58,825,073)	(6)
At 31 December 2019	476,359,836	48
Classification and designation on issuance of Series B-5 Preferred Shares – second closings *(note ii)*	(10,770,428)	(1)
Classification and designation on issuance of Series B-5 Preferred Shares – third closings *(note ii)*	(5,595,027)	(1)
Increase in authorized shares *(note iii)*	179,375,218	18
Classification and designation on issuance of Series C-1 Preferred Shares *(note iii)*	(78,146,401)	(8)
At 31 December 2020 and 31 March 2021	561,223,198	56

	Number of shares	Amount	Equivalent Amount of ordinary shares
		US$'000	*RMB'000*
Issued and fully paid			
At 1 January 2019 and 31 December 2019	64,184,427	6	44
Issued during the year to Dr. Qian	425,000	–*	–*
Issuance of ordinary shares in relation to exercise of share options *(Note 36)*	35,740,878	4	24
Repurchased and canceled during the year *(note iv)*	(3,088,302)	–*	(2)
At 31 December 2020	97,262,003	10	66
Issuance of shares held on trust *(note v)*	2,670,445	–*	2
Issuance of ordinary shares in relation to exercise of share options *(Note 36)*	362,040	–*	–*
At 31 March 2021	100,294,488	10	68

* Amount is less than US$1,000 or RMB1,000.

Notes:

i Pursuant to a resolution of directors passed on 2 December 2019, the number of authorized shares for issue increased by 200,000,000 shares, of which all new increased shares be and are classified and designated as ordinary shares.

ii On 2 December 2019, 14 February 2020 and 13 May 2020, respectively, pursuant to resolution of directors, the Company designated and classified a total of 75,190,528 shares in its authorized capital as Series B-5 Preferred Shares.

iii Pursuant to a resolution of directors passed on 18 November 2020, the number of authorized shares for issue increased by 179,375,218 shares. The Company designated and classified a total of 78,146,401 shares in its authorized capital as Series C-1 Preferred Shares.

iv On 25 November 2020, the Company repurchased 3,088,302 shares from Dr. Qian (as nominee shareholder for the benefit of other shareholders) at a price of US$5,763,000 (equivalent to RMB37,890,000).

v On 10 February 2021, the Company issued a total number of 2,670,445 ordinary shares to Success Reach International Limited whose entire share capital is held by Trident Trust Company (HK) Limited in trust, being served as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company for the benefit of certain participants under the Pre-IPO Equity Incentive Plan as fully explained in Note 36. The amount is presented as treasury shares in the consolidated statements of financial position of the Group.

35. RESERVES OF THE COMPANY

	Share premium	Share-based payment reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	69,614	38,084	27,406	135,104
Loss and total comprehensive expenses for the year	–	–	(83,588)	(83,588)
Recognition of equity-settled share based payment	–	68,728	–	68,728
At 31 December 2019	69,614	106,812	(56,182)	120,244
Profit and total comprehensive income for the year	–	–	103,019	103,019
Issuance of ordinary shares	3,327	–	–	3,327
Recognition of equity-settled share-based payment	–	111,869	–	111,869
Repurchase and cancelation of shares	(37,888)	–	–	(37,888)
Exercise of share options	254,717	(172,592)	–	82,125
At 31 December 2020	289,770	46,089	46,837	382,696
Loss and total comprehensive expense for the period	–	–	(14,319)	(14,319)
Exercise of share options	2,256	(2,007)	–	249
Recognition of equity-settled share based payment	–	3,757	–	3,757
At 31 March 2021	292,026	47,839	32,518	372,383

36. SHARE-BASED PAYMENT TRANSACTIONS

Pre-IPO Equity Incentive Plan

The Transcenta Holding Limited 2019 Equity Incentive Plan ("Pre-IPO Equity Incentive Plan") was effective since 1 January 2019. The purpose of the Pre-IPO Equity Incentive Plan was to provide incentives to employees, directors and consultants in order to promote the success of the business of the Company.

Under the Pre-IPO Equity Incentive Plan, the board of directors may grant share options or restricted share units to eligible employees, directors and consultants. The maximum number of shares which may be issued pursuant to all awards granted under the Pre-IPO Equity Incentive Plan is 69,325,254, subject to any adjustments to reflect any share dividends, share splits, or similar transactions. The Pre-IPO Equity Incentive Plan will expire on its 10th anniversary.

During the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, 14,883,000, 19,214,000 and nil, respectively, shares options were granted to employees, directors and consultants.

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Equity Incentive Plan during the Track Record Period:

	At 1 January 2019	Granted during the year	Forfeited during the year	Exercised during the year	At 31 December 2019	Granted during the year	Forfeited during the year	Exercised during the year	At 31 December 2020	Granted during the period	Forfeited during the period	Exercised during the period	At 31 March 2021
	'000	*'000*	*'000*	*'000*	*'000*	*'000*	*'000*	*'000 (note ii)*	*'000*	*'000*	*'000*	*'000*	*'000*
Milestone-based *(note i)*	5,158	3,720	(320)	–	8,558	11,109	–	(16,652)	3,015	–	–	–	3,015
Time-based													
Category A *(note iii)*	19,340	123	(1,615)	–	17,848	–	(219)	(4,315)	13,314	–	–	–	13,314
Category B	–	300	(225)	–	75	–	–	(75)	–	–	–	–	–
Category C	–	2,740	(192)	–	2,548	–	(100)	(330)	2,118	–	–	–	2,118
Category D	–	8,000	(575)	–	7,425	8,105	(340)	(14,369)	821	–	(8)	–	813
	24,498	**14,883**	**(2,927)**	**–**	**36,454**	**19,214**	**(659)**	**(35,741)**	**19,268**	**–**	**(8)**	**–**	**19,260**
Directors	14,703	2,000	–	–	16,703	11,054	–	(14,949)	12,808	–	–	–	12,808
Employees	9,795	12,883	(2,927)	–	19,751	8,160	(659)	(20,792)	6,460	–	(8)	(362)	6,090
	24,498	**14,883**	**(2,927)**	**–**	**36,454**	**19,214**	**(659)**	**(35,741)**	**19,268**	**–**	**(8)**	**(362)**	**18,898**
Weighted average exercise price (US$)	0.33	0.36	0.37	N/A	0.34	0.58	0.57	0.36	0.54	N/A	0.41	0.11	0.55
Exercisable													
Directors					9,736				329				329
Employees					13,190				6,395				6,033
					22,926				**6,724**				**6,362**

Notes:

i Milestone-based share options are granted conditionally upon the achievement of specific performance targets including but not limited to the completion of IPO and completion of various research and development milestones. The expected vesting period is estimated by directors of the Company based on the expected timeline of each milestone achievement.

ii On 13 November 2020, 32,840,878 ordinary shares were issued upon the exercise of share options granted to certain participants (the "ELP Participants") under the Pre-IPO Equity Incentive Plan. Those shares were subsequently transferred to Success Link International L.P., an exempted limited partnership established to facilitate the administration of the Pre-IPO Equity Incentive Plan for the benefit of ELP Participants. Expenses as a result of the accelerated exercise amounting to RMB72,162,000 is recognized in profit or loss during the year ended 31 December 2020.

The exercise price of the share options was paid by ELP Participants by delivering promissory notes to the Company. The promissory notes bear interest rates of 3.6% per annum and will be due and payable on the termination date of the ELP Participants' employment or service relationship with the Group or on such other date as determined by the Company. The ELP Participants shall settle the outstanding balances under the promissory notes in full to the Group within the time period as determined by the Company.

iii Included in Category A options are options assumed by the Company during the business combination as disclosed in Note 1. Just Cayman adopted a share option plan ("Just ESOP") before the business combination. Pursuant to the business combination arrangement, the Company adopted and assumed the sponsorship of the Just ESOP. All the awards held by the grantees under the Just ESOP that were unexpired, unexercised and outstanding as of the acquisition date were automatically assumed by the Company. The assumed awards are subject to substantially the same terms and conditions as were applicable to the awards under the Just ESOP immediately before the business acquisition (including expiration date, vesting conditions, and exercise provisions).

The vesting schedule for category A options is over 4 years with 25% of the options vesting on the one year anniversary of the vesting commencement date as stipulated in respective grant notices and the remaining 75% of the options vesting in 36 equal monthly installments from such one year anniversary of the vesting commencement date.

The vesting schedule for category B options is over 2 years in 2 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category C options is over 3 years in 3 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

The vesting schedule for category D options is over 4 years in 4 equal yearly installments from the vesting commencement date as stipulated in respective grant notices.

Fair value of share options granted

Back-solve method was used to determine the underlying equity fair value of the Company and Binomial Option Pricing Model was used to determine the fair value of the options granted. The fair value of the options at grant date was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Anderson Management Consulting (Shanghai) Co., Limited whose address is disclosed in Note 32. Key assumptions, such as years to liquidity event, risk-free interest rate and volatility, are required to be determined by the directors with best estimate.

These key inputs into the model were as follows:

	Granted during the year ended 31 December		
	2018	**2019**	**2020**
Grant date option fair value per share	US$0.66 – US$0.77	US$0.34 – US$0.91	US$0.39 – US$0.81
Grant date ordinary share fair value	US$0.92	US$0.91 – US$0.95	US$0.91 – US$0.95
Exercise price	US$0.06 – US$0.32	US$0.0001 – US$1.50	US$0.0001 – US$1.50
Expected volatility	75%	75%	75%
Expected life	10 years	10 years	10 years
Risk-free rate	2.74%-2.78%	1.80%-2.71%	0.63%-1.83%
Expected dividend yield	0%	0%	0%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of RMB68,728,000 and RMB111,869,000 for the years ended 31 December 2019 and 2020, RMB3,714,000 (unaudited) and RMB3,757,000 for the three months ended 31 March 2020 and 2021, respectively, in relation to share options granted by the Company.

37. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following transactions and balances with the related parties during the Track Record Period.

(a) Related party transactions

During the years ended 31 December 2019 and 2020 and the three months ended 31 March 2020 and 2021, the Group incurred RMB95,433,000, RMB nil, RMB nil (unaudited) and RMB nil, respectively, as the in-license fee to Lilly as disclosed in Note 17, an entity that has significant influence over the Group.

(b) Related party balances

Details of the outstanding balances with related parties are set out in Note 25.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period were as follows:

	Year ended 31 December		Three months ended 31 March	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short term benefits	14,062	19,633	3,186	3,914
Discretionary bonus *(note)*	4,174	6,270	–	–
Post-employment benefits	566	2,184	288	538
Share-based payments	43,990	85,205	2,711	3,073
	62,792	113,292	6,185	7,525

Note: Discretionary bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

38. CAPITAL COMMITMENT

	At 31 December		At 31 March
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information:			
– Plant, property and equipment	40,593	15,186	22,346

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes Preferred Shares and gross obligations from share purchase options written disclosed in Note 32, bank borrowings disclosed in Note 29, lease liabilities disclosed in Note 30, net of bank balances and restricted bank deposits disclosed in Note 26 and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortized cost	473,102	924,925	1,146,233
Financial liabilities			
Amortized cost	292,855	304,922	332,660
Lease liabilities	9,449	17,049	16,937
Financial liabilities at FVTPL	1,808,929	2,474,233	2,773,906

The Company

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Amortized cost	979,648	1,432,293	1,728,173
Financial liabilities			
Amortized cost	47	16,276	28,523
Financial liabilities at FVTPL	1,534,153	2,474,233	2,773,906

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, amounts due from related parties, bank balances and cash, restricted bank deposits, trade and other payables, lease liabilities, amount due to a director, bank borrowings, lease liabilities and financial liabilities at FVTPL. The Company's major financial assets and liabilities include amounts due from subsidiaries, amounts due from related parties, other receivables, bank balances and cash, other payables, amount due to a director, amount due to subsidiaries and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk, interest rate risk and other price 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

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain bank balances and cash, trade and other receivables, amounts due from related parties, trade and other payables, financial instrument at FVTPL are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are mainly as follows:

The Group

	At 31 December		At 31 March
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
US$	422,750	735,862	963,851
Liabilities			
US$	1,842,298	2,516,696	2,826,095

The Company

	At 31 December		At 31 March
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
US$	979,648	1,432,293	1,729,074
Liabilities			
US$	1,534,200	2,490,509	2,802,429

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$, the foreign currency with which the Group and the Company may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US$. For a 5% weakening of RMB against US$, there would be an equal and opposite impact on loss for the year.

	Year ended 31 December		Three months ended 31 March
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss			
The Group			
US$	70,977	89,042	93,112
The Company			
US$	27,728	52,911	53,668

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and bank borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's:

- for the years ended 31 December 2019 and 2020 and for the three months ended 31 March 2021, loss for the year/period would decrease/increase by RMB28,000, RMB16,000 and RMB5,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate debt instruments.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from Preferred Shares, and gross obligations from share purchase options written, which were classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

If the equity value of the ordinary shares of the Company had been changed based on the 5% higher/lower:

The Group

- the post-tax loss of the Group for the year ended 31 December 2019 would increase by approximately RMB70,430,000 and decrease by approximately RMB70,837,000; and
- the post-tax loss of the Group for the year ended 31 December 2020 would increase by approximately RMB94,763,000 and decrease by approximately RMB95,291,000.
- the post-tax loss of the Group for the three months ended 31 March 2021 would increase by approximately RMB114,129,000 and decrease by approximately RMB114,700,000.

The Company

- the post-tax loss of the Company for the year ended 31 December 2019 would increase by approximately RMB56,827,000 and decrease by approximately RMB57,183,000; and
- the post-tax loss of the Company for the year ended 31 December 2020 would increase by approximately RMB94,763,000 and decrease by approximately RMB95,291,000.
- the post-tax loss of the Company for the three months ended 31 March 2021 would increase by approximately RMB114,129,000 and decrease by approximately RMB114,700,000.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of each class of financial assets as disclosed in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivable are assessed individually, based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forward-looking information that is available without undue cost or effort at the end of each period. The expected credit loss rate of trade receivables as at 31 December 2019 and 2020 and 31 March 2021 were 0.1%, 0.1% and 7.8%, respectively.

In order to minimize the credit risk with customers, the management of the Group has delegated its finance team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group has concentration of credit risk of the trade receivables amounting to RMB2,948,000, RMB10,686,000 and RMB9,977,000, respectively, representing 37%, 65% and 68% of total trade receivables as at 31 December 2019 and 2020 and 31 March 2021 from the Group's largest debtors. RMB8,067,000, RMB15,986,000 and RMB14,585,000, respectively, of the trade receivables was due from the five largest debtors, representing 99%, 98% and 99% of total trade receivables as at 31 December 2019 and 2020 and 31 March 2021.

Other receivables

For other receivables, the Group has applied 12m ECL in IFRS 9 to measure the loss allowance. The ECL on other receivables are assessed individually based on historical settlement records and past default experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period. The expected credit loss rate of other receivables as at 31 December 2019 and 2020 and 31 March 2021 were all less than 0.1%. Management considered the ECL provision of other receivables is insignificant.

Amounts due from related parties/subsidiaries

For amounts due from related parties/subsidiaries, the Group has applied 12m ECL to measure the loss allowance. In assessing the probability of defaults of amounts due from related parties/subsidiaries, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort. Management considered the ECL provision of amounts due from related parties is insignificant as the general partner of Success Link International L.P. as disclosed in Note 37 may make distributions to these related parties only after the amount owed by the corresponding related party under the promissory notes as disclosed in Note 25 being fully settled.

Bank balances and restricted bank deposits

The credit risk on bank balances and restricted bank deposits is limited because the counterparties are reputable financial institutions. The Group assesses 12m ECL for bank balances and restricted bank deposits with reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies based on the average loss rate which were all less than 0.1%, as at 31 December 2019 and 2020 and 31 March 2021. Management considered the ECL on bank is balances and restricted bank deposits is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

				The Group			The Company		
				As at 31 December 2019	As at 31 December 2020	As at 31 March 2021	As at 31 December 2019	As at 31 December 2020	As at 31 March 2021
	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortized cost									
Trade receivables	*23*	Low risk	Lifetime ECL – not credit-impaired	8,076	16,351	2,753	–	–	–
		Loss	Lifetime ECL – credit-impaired	–	–	9,977	–	–	–
				8,076	16,351	12,730	–	–	–
Other receivables	*23*	Low risk	12m ECL	1,000	11,638	11,948	–	10,085	10,133
Amounts due from related parties	*25*	Low risk	12m ECL	–	77,250	78,082	–	77,250	78,082
Amounts due from subsidiaries	*25*	Low risk	12m ECL	–	–	–	766,669	833,359	858,670
Bank balances	*26*	N/A	12m ECL	458,100	813,592	1,038,373	212,979	511,599	781,288
Restricted bank deposits	*26*	N/A	12m ECL	5,926	6,094	6,098	–	–	–

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 as at 31 December 2019 and 2020 and 31 March 2021:

	Trade receivables (credit-impaired) *RMB'000*
At 1 January 2019, 31 December 2019 and 2020	–
Impairment losses recognized	(3,040)
Write-offs	2,042
At 31 March 2021	(998)

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level 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 bank borrowings and issuance of Preferred Shares as significant sources of liquidity.

As at 31 March 2021, the Group is in a net liability position of approximately RMB883 million in which the balance consists of financial liabilities at FVTPL of approximately RMB2,774 million arising from the issuance of Preferred Shares by the Company. In addition the Group's current assets exceeded its current liabilities by approximately RMB927 million which consists of bank balance and cash of approximately RMB1,038 million. After taking into account of the Group's cash flow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
At 31 December 2019						
Trade and other payables	–	43,063	–	–	43,063	43,063
Bank borrowings	5.28%	89,154	71,634	108,855	269,643	249,723
Lease liabilities	1.56%-6.483%	3,640	2,359	4,171	10,170	9,449
		135,857	73,993	113,026	322,876	302,235
Preferred Shares	8%	–	–	2,392,457	2,392,457	1,517,945
Gross obligations from share purchase options written	8%	–	–	458,625	458,625	290,984
		–	–	2,851,082	2,851,082	1,808,929
At 31 December 2020						
Trade and other payables	–	67,672	–	–	67,672	67,672
Bank borrowings	4.778%	101,649	150,010	–	251,659	237,250
Lease liabilities	1.56%-6.483%	7,951	7,042	2,776	17,769	17,049
		177,272	157,052	2,776	337,100	321,971
Preferred Shares	8%	–	–	3,825,297	3,825,297	2,474,233
At 31 March 2021						
Trade and other payables	–	77,489	–	–	77,489	77,489
Bank borrowings	4.75%	114,471	160,479	–	274,950	255,100
Lease liabilities	1.56%-6.483%	8,801	7,025	1,865	17,691	16,937
		200,761	167,504	1,865	370,130	349,526
Preferred Shares	8%	–	–	4,103,027	4,103,027	2,773,906
The Company						
At 31 December 2019						
Other payables	–	47	–	–	47	47
		47	–	–	47	47
Preferred Shares	8%	–	–	2,392,457	2,392,457	1,517,945
Share purchase options written	8%	–	–	25,547	25,547	16,208
		–	–	2,418,004	2,418,004	1,534,153

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020						
Other payables	–	9,598	–	–	9,598	9,598
Amount due to subsidiaries	–	–	–	6,678	6,678	6,678
		9,598	–	6,678	16,276	16,276
Preferred Shares	8%	–	–	3,825,297	3,825,297	2,474,233
At 31 March 2021						
Other payables	–	21,798	–	–	21,798	21,798
Amount due to subsidiaries	–	–	–	6,725	6,725	6,725
		21,798	–	6,725	28,523	28,523
Preferred Shares	8%	–	–	4,103,027	4,103,027	2,773,906

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities (except for those set out below) are determined in accordance with general accepted pricing models based on discounted cash flow analysis using prices from observable current market conditions.

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial liabilities	Fair value as at 31 December		At 31 March	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019	2020	2021				
	RMB'000	*RMB'000*	*RMB'000*				
The Group and the Company							
Preferred Shares	1,517,945	2,474,233	2,773,906	Level 3	Back-solve Model and OPM Model – the key inputs are: IPO probability, risk free interest rate, volatility and dividend yield	Volatility 2019: 70% 2020: 73% 2021: 75%	The higher the volatility, the lower the fair value *(note a)*
The Group							
Gross obligations from share purchase options written	290,984	–	–	Level 3	Back-solve Model and OPM Model – the key inputs are: IPO probability, risk free interest rate, volatility and dividend yield	Volatility 2019: 70% 2020: 73% 2021: 75%	The higher the volatility, the lower the fair value *(note b)*
The Company							
Share purchase options written	16,208	–	–	Level 3	Back-solve Model and OPM Model – the key inputs are: IPO probability, risk free interest rate, volatility and dividend yield	Volatility 2019: 70% 2020: 73% 2021: 75%	The higher the volatility, the lower the fair value *(note c)*

Notes:

(a) A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of Preferred Shares as at 31 December 2019 and 2020 and 31 March 2021 by RMB8,305,000, RMB7,258,000 and RMB6,730,000, respectively, increase the carrying amount as at 31 December 2019 and 2020 and 31 March 2021 by RMB8,527,000, RMB7,248,000 and RMB6,708,000 respectively.

(b) A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of gross obligation from share purchase options written as at 31 December 2019 and 2020 and 31 March 2021 by RMB644,000, RMB nil and RMB nil, respectively, or increase the carrying amount as at 31 December 2019 and 2020 and 31 March 2021 by RMB665,000, RMB nil and RMB nil, respectively.

(c) A 5% increase/decrease in volatility, while all other variables keep constant, would decrease the carrying amount of share purchase options written as at 31 December 2019 and 2020 and 31 March 2021 by RMB644,000, RMB nil and RMB nil, respectively, or increase the carrying amount as at 31 December 2019 and 2020 and 31 March 2021 by RMB665,000, RMB nil and RMB nil, respectively.

There were no transfers between level 1 and level 2 during the Track Record Period.

(ii) Reconciliation of Level 3 fair value measurements

Details of reconciliation of Level 3 fair value measurement for Preferred Shares and gross obligation from share purchase options written of the Group and share purchase options of the Company are set out in Note 32. Fair value gains or losses on financial liabilities at FVTPL are included in "other gains and loss, net".

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

41. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss are RMB7,682,000, RMB6,264,000, RMB1,897,000 (unaudited), and RMB3,286,000 for the years ended December 31, 2019 and 2020 and three months ended 31 March 2020 and 2021, respectively.

The Group has a defined contribution plan in the USA where participating employees may contribute up to US$19,500 annually. The Group makes a matching contribution of 3.0% of each eligible participant's compensation. The total cost charged to expense in respect to the above mentioned defined contribution plan amounted to approximately US$281,000, US$562,000, US$145,000 (unaudited) and US$251,000, respectively, equivalent to RMB1,937,000, RMB3,874,000, RMB1,012,000 (unaudited) and RMB1,628,000, respectively, for the years ended 31 December 2019 and 2020 and the three months ended 31 March 2020 and 2021.

42. PARTICULARS OF SUBSIDIARIES

As at 31 December 2019 and 2020, 31 March 2021 and as at the date of the report, the Group's subsidiaries are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			as at 31 December		as at 31 March	as at the date of the report	
			2019	2020	2021		
			%	%	%	%	
Directly held							
Mabspace HK *(note i)*	Hong Kong/ 6 April 2011	HK$10,000	100%	100%	100%	100%	Investment holding
Transcenta Biotherapeutics Inc. *(note ii)*	Cayman/ 15 November 2018	US$50,000	100%	100%	100%	100%	Investment holding
Transcenta Therapeutics Inc. *(note ii)*	USA/ 26 September 2016	US$2,750,000	100%	100%	100%	100%	Research, development and commercialization of innovative therapies
Indirectly held							
HJB Hangzhou *(note iii)*	The PRC/ 18 February 2016	RMB208,232,160	82.66%	100%	100%	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services

Name of subsidiary	Place/country and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group				Principal activities
			as at 31 December		as at 31 March	as at the date of the report	
			2019	2020	2021		
			%	%	%	%	
YJ Bioscience Co., Ltd.* (杭州奕健生物科技有限公司) *(note iii)*	The PRC/ 3 February 2016	RMB19,607,844	82.66%	100%	100%	100%	Research, development and commercialization of innovative therapies
Mabspace Suzhou *(note iii)*	The PRC/ 18 October 2012	US$1,657,153	93.92%	100%	100%	100%	Research, development and commercialization of pharmaceutical drug candidates and provision of related technical services
Suzhou Mabspace Diagnostics Co., Ltd.* (蘇州康邁博診斷科技有限公司) *(note iii)*	The PRC/ 18 September 2013	RMB5,000,000	75.14%	100%	100%	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Shanghai) Co., Ltd.* (創勝生物醫藥(上海)有限公司) *(note iii)*	The PRC/ 22 May 2019	US$12,500,000	96.35%	100%	100%	100%	Research, development and commercialization of innovative therapies
Just HK *(note i)*	Hong Kong/ 7 March 2016	HK$1	100%	100%	100%	100%	Investment holding
Transcenta Therapeutics (Beijing) Co., Ltd.* (邁博斯生物科技(北京)有限公司) *(note iv)*	The PRC/ 21 September 2020	RMB20,000,000	N/A	100%	100%	100%	Research, development and commercialization of innovative therapies
Transcenta Therapeutics (Guangzhou) Co., Ltd.* (創勝生物醫藥(廣州)有限公司) *(note iv)*	The PRC/ 24 June 2020	RMB42,000,000	N/A	100%	100%	100%	Research, development and commercialization of innovative therapies

* *English name for identification purpose only*

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at 31 December 2019 and 2020 and 31 March 2021.

Notes:

i The statutory financial statements of these subsidiaries for the year ended 31 December 2019 were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Richful CPA Limited. The statutory financial statements of these subsidiaries for the year ended 31 December 2020 have not been prepared as they are not due for issue.

ii No statutory financial statements have been prepared for these subsidiaries, as there is no statutory audit requirement.

iii The statutory financial statements of these subsidiaries for the years ended 31 December 2019 and 2020 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

iv No statutory financial statements have been prepared for these subsidiaries, since their respective date of establishment as they are not required for issue.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Loss allocated to non-controlling interests				Accumulated non-controlling interests as at 31 December		
		31/12/2019	31/12/2020	31/3/2021	31/12/2019	31/12/2020	31/3/2020	31/3/2021	31/12/2019	31/12/2020	31/3/2021
					RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
HJB Hangzhou *(note)*	The PRC	17.34%	0%	0%	(26,003)	(6,274)	(1,902)	–	31,076	–	–
Mabspace Suzhou	The PRC	6.08%	0%	0%	(16,666)	–	–	–	12,777	–	–

Note: the fair value of the non-controlling shareholders of HJB Hangzhou as of 31 December 2019 and 2020 and 31 March 2021 is RMB184,683,000, RMB nil and RMB nil.

Summarized financial information in respect of HJB Hangzhou and its subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000 (note)*	*RMB'000 (note)*
Current assets	91,782	NA	NA
Non-current assets	549,894	NA	NA
Current liabilities	171,096	NA	NA
Non-current liabilities	291,370	NA	NA
Equity attributable to owners of the Company	148,134	NA	NA
Non-controlling interests	31,076	NA	NA

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	89,268	109,541	6,957	NA
Expenses	(239,222)	(173,058)	(17,792)	NA
Loss for the year/period	(149,954)	(63,517)	(10,835)	NA
Loss and total comprehensive expenses attributable to:				
Owners of the Company	(123,951)	(57,243)	(8,933)	NA
Non-controlling interests	(26,003)	(6,274)	(1,902)	NA
Loss and total comprehensive expenses for the year/period	(149,954)	(63,517)	(10,835)	NA

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash (outflow) inflow from operating activities	(115,356)	135,539	(15,178)	NA
Net cash outflow from investing activities	(152,172)	(94,576)	(1,704)	NA
Net cash inflow (outflow) from financing activities	212,766	(36,855)	(3,587)	NA
Effect of exchange rate changes	668	2,377	1,824	NA
Net cash (outflow) inflow	(54,094)	6,485	(18,645)	NA

Summarized financial information in respect of Mabspace Suzhou and its subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	At 31 December		At 31 March
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current assets	121,551	NA	NA
Non-current assets	636,511	NA	NA
Current liabilities	270,112	NA	NA
Non-current liabilities	277,737	NA	NA
Equity attributable to owners of the Company	197,436	NA	NA
Non-controlling interests	12,777	NA	NA

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	44,140	NA	NA	NA
Expenses	(318,331)	NA	NA	NA
Loss for the year/period	(274,191)	NA	NA	NA
Loss and total comprehensive expenses attributable to:				
Owners of the Company	(257,525)	NA	NA	NA
Non-controlling interests	(16,666)	NA	NA	NA
Loss and total comprehensive expenses for the year/period	(274,191)	NA	NA	NA

	Year ended 31 December		Three months ended 31 March	
	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Net cash outflow from operating activities	(243,055)	NA	NA	NA
Net cash outflow from investing activities	(398,107)	NA	NA	NA
Net cash inflow from financing activities	517,697	NA	NA	NA
Effect of exchange rate changes	1,509	NA	NA	NA
Net cash outflow	(121,956)	NA	NA	NA

Note: As at 30 December 2020 and 31 March 2021, both Mabspace Suzhou and HJB Hangzhou have become wholly-owned subsidiaries of the Company. As such, no summarized financial information for Mabspace Suzhou or HJB Hangzhou was presented.

43. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group entered into major non-cash transactions as followings:

a) in the process of acquiring respective equity interests in Mabspace Suzhou and HJB Hangzhou from certain non-controlling shareholders, the consideration payable amounting to RMB158,045,000 and RMB nil, respectively, for the years ended 31 December 2019 and 2020 were offset against the subscription receivables of the Company in connection with issuance of corresponding preferred shares;

b) The acquisition of intangible assets from Lilly as disclosed in Note 17 was partially satisfied by the Company's issuance of 2,797,514 Series B-5 Preferred Shares with fair value of US$4,000,000 (equivalent to RMB27,902,000); and

c) The exercise prices of 32,840,878 share options exercised as disclosed in Note 36 were paid by the optionees with promissory notes amounting to RMB77,250,000.

44. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's assets and 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 statement of cash flows as cash flows from financing activities.

	Bank borrowings	Interest payable	Financial liabilities at FVTPL	Capital injection to subsidiaries from non-controlling Shareholders	Consideration payable for acquiring non-controlling interests	Consideration payable for repurchase and cancelation of shares	Consideration receivable for exercising share options	Consideration receivable for issuance of ordinary shares	Lease liabilities	Amount due to a director	Accrued issue costs	Transaction cost payable for issuance of Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	120,931	–	1,314,580	–	–	–	–	–	7,644	–	–	–	1,443,155
Financing cash flow	128,340	(9,697)	429,285	–	–	–	–	–	(7,123)	708	–	–	541,513
Payment for right-of-use assets	–	–	–	–	–	–	–	–	(7,893)	–	–	–	(7,893)
Finance cost	–	9,766	–	–	–	–	–	–	642	–	–	–	10,408
New leases entered/lease modified	–	–	–	–	–	–	–	–	16,179	–	–	–	16,179
Preferred Shares issued for acquisition of intangible assets	–	–	27,902	–	–	–	–	–	–	–	–	–	27,902
Exchange difference	452	–	–	–	–	–	–	–	–	–	–	–	452
Fair value changes	–	–	37,162	–	–	–	–	–	–	–	–	–	37,162
Transaction costs for issuance of Preferred Shares	–	–	–	–	–	–	–	–	–	–	–	8,270	8,270
At 31 December 2019	249,723	69	1,808,929	–	–	–	–	–	9,449	708	–	8,270	2,077,148
Financing cash flow	(11,004)	(15,532)	1,035,476	236,871	(574,806)	(37,890)	3,471	3,327	(8,370)	–	(560)	(10,811)	620,172
Share capital	–	–	–	–	–	2	(2)	–*	–	–	–	–	–
Reserve	–	–	–	–	–	37,888	(3,469)	(3,327)	–	(708)	–	–	30,384
Acquisition of non-controlling interests	–	–	–	–	19,999	–	–	–	–	–	–	–	19,999
Finance cost	–	15,463	–	–	–	–	–	–	607	–	–	–	16,070
New leases entered/lease modified	–	–	–	–	–	–	–	–	15,363	–	–	–	15,363
Exchange difference	(1,469)	–	–	–	(14,310)	–	–	–	–	–	–	–	(15,779)
Fair value changes	–	–	(37,926)	–	–	–	–	–	–	–	–	–	(37,926)
Reorganization of group structure	–	–	(332,246)	(236,871)	569,117	–	–	–	–	–	–	–	–
Accrued issue costs	–	–	–	–	–	–	–	–	–	–	1,764	–	1,764
Transaction costs for issuance of Preferred Shares	–	–	–	–	–	–	–	–	–	–	–	9,560	9,560
At 31 December 2020	237,250	–	2,474,233	–	–	–	–	–	17,049	–	1,204	7,019	2,736,755

	Bank borrowings	Interest payable	Financial liabilities at FVTPL	Capital injection to subsidiaries from non-controlling Shareholders	Consideration payable for acquiring non-controlling interests	Consideration payable for repurchase and cancelation of shares	Consideration receivable for exercising share options	Consideration receivable for issuance of ordinary shares	Lease liabilities	Amount due to a director	Accrued issue costs	Transaction cost payable for issuance of Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financing cash flow	19,528	(2,841)	278,292	–	–	–	–	–	(2,681)	–	(530)	(478)	291,290
Finance cost	–	2,912	–	–	–	–	–	–	146	–	–	–	3,058
New Lease entered/lease modified	–	–	–	–	–	–	–	–	2,422	–	–	–	2,422
Exchange difference	(1,678)	–	–	–	–	–	–	–	–	–	–	–	(1,678)
Fair value changes	–	–	21,381	–	–	–	–	–	–	–	–	–	21,381
Accrued issue cost	–	–	–	–	–	–	–	–	–	–	2,534	–	2,534
At 31 March 2021	255,100	71	2,773,906	–	–	–	–	–	16,936	–	3,208	6,541	3,055,762
At 31 December 2019	249,723	69	1,808,929	–	–	–	–	–	9,449	708	–	8,270	2,077,148
Financing cash flow	8,553	(3,142)	376,507	–	(172,295)	–	2,707	3,327	(2,522)	–	–	–	213,135
Share capital	–	–	–	–	–	–	(1)	–*	–	–	–	–	(1)
Reserve	–	–	–	–	–	–	(2,706)	(3,327)	–	(708)	–	–	(6,741)
Finance cost	–	3,073	–	–	–	–	–	–	156	–	–	–	3,229
New Leases entered/lease modified	–	–	–	–	–	–	–	–	11,949	–	–	–	11,949
Exchange difference	–	–	–	–	–	–	–	–	–	–	–	–	–
Fair value changes	–	–	(6,685)	–	–	–	–	–	–	–	–	–	(6,685)
Reorganization of group structure	–	–	(172,295)	–	172,295	–	–	–	–	–	–	–	–
At 31 March 2020 (unaudited)	258,276	–	2,006,456	–	–	–	–	–	19,032	–	–	8,270	2,292,034

* Amount is less than RMB1,000.

45. SUBSEQUENT EVENTS

Saved as disclosed in elsewhere in this report, the following significant events took place after the Track Record Period:

On 22 June 2021, the Company issued 2,965,785 ordinary shares to Success Reach International Limited and 4,500,000 shares to Success Link International L.P. to hold on behalf of future participants of the Pre-IPO Equity Incentive Plan of the Company.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2021 and up to the date of this report.

The information set forth 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 2020 and the three months ended 31 March 2021 (the "Track Record Period") (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth 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 the section headed "Financial Information" in this prospectus and the consolidated financial statements set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for the purpose of illustrating the effect of the proposed Hong Kong public offering and international offering of the Shares of the Company (the "Global Offering") as if the Global Offering had taken place on 31 March 2021.

This unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021 or at any further dates following the Global Offering. The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021**	**Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company per Share as at 31 March 2021**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*HK$ (Note 4)*
Based on an Offer Price of HK$16.00 per Share	(1,450,369)	488,692	(961,677)	(6.97)	(8.39)
Based on an Offer Price of HK$15.80 per Share	(1,450,369)	482,263	(968,106)	(7.02)	(8.45)

Notes:

(1) The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021 is arrived at after deducting intangible assets of RMB95,646,000 and goodwill of RMB471,901,000 from the audited consolidated net liabilities of RMB882,822,000 attributable to owners of the Company as at 31 March 2021 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the issue of the new shares pursuant to the Global Offering are based on 40,330,000 Shares at the Offer Price of HK$15.80 and HK$16.00 per Share, being the low-end and high-end of the stated Offer Price Range, after deduction of the estimated underwriting fees and commissions and other listing related expenses not yet recognised in profit or loss up to 31 March 2021. It does not take into account of any share (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 under Pre-IPO Equity Incentive Plan; or (iii) under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

For the purpose of this unaudited pro forma statement, the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.8304, which was the exchange rate prevailing on 30 August 2021 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company per Share is arrived at on the basis that 137,954,043 Shares were in issue assuming that the Global Offering had been completed on 31 March 2021 and without taking into account of any share (i) which may be allotted and issued upon the exercise of the Over-allotment Option; or (ii) any share which may be issued or repurchased by the Company under Pre-IPO Equity Incentive Plan; or (iii) under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or the conversion of the Preferred Shares.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.8304, which was the exchange rate prevailing on 30 August 2021 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2021 to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2021. In particular, the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to owners of the Company as shown on page II-1 have not been adjusted to illustrate the effect of the conversion of 297,241,644 Preferred Shares in issue as at 31 March 2021. The conversion of Preferred Shares upon completion of the Global Offering would then have reclassified financial liabilities at fair value through profit or loss amounting to RMB2,773,906,000 as at 31 March 2021. The conversion of Preferred Shares would have increased the total share in issue based on the assumption as stated in note 3 by 297,241,644 shares to a total of 435,195,687 shares in issue. Assuming the Offer Price is HK$16.00 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the conversion of Preferred Shares would be RMB1,812,229,000, or RMB4.16 per Share (equivalent to HK$5.01 per Share). Assuming the Offer Price is HK$15.80 per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after the conversion of Preferred Shares would be RMB1,805,799,000, or RMB4.15 per Share (equivalent to HK$5.00 per Share).

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report receiving from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our 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 Transcenta Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Transcenta Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") prepared 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 liabilities as at 31 March 2021 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 14 September 2021 (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 Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 March 2021 as if the proposed Global Offering had taken place at 31 March 2021. 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 the years ended 31 December 2019 and 2020 and the three months ended 31 March 2021, 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 March 2021 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
14 September 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was incorporated in the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 18, 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified 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 general meeting of the holders of the shares of that class. The provisions of the Articles relating to general

meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date 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;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, 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 Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resign;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board 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 among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. 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.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) 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 his close associate(s) has/have himself/themselves assumed responsibility in whole or in part 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 his close associate(s) 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 the adoption, modification or operation of either:

(A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(B) any of a pension fund or retirement, death or disability benefits scheme which relates 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 his close associate(s) 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 his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are 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.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is 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. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that 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.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 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 must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) 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 holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(e) 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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members 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 Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. 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.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are 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 in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the British Virgin Islands on August 20, 2010 and continued in the Cayman Islands as an exempted company on March 26, 2021 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the 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, the following:

(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) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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 issued shares of the company other than shares held as treasury shares. In addition, 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.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from June 4, 2021.

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 for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right 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.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are 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 member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 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 that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the 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 members.

3.19 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the BVI on August 20, 2010, and continued in the Cayman Islands as an exempted company with limited liability on March 26, 2021. Upon our incorporation, the maximum number of authorised shares was 50,000 ordinary shares with a nominal value of US$1 each.

Our registered office address is at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 15, 2021 under the same address with the Registrar of Companies in Hong Kong. Ms. Ho Wing Tsz Wendy and Ms. Leung Kwan Wai have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. Changes in share capital of our Company

The following sets out the changes in our Company's issued share capital within the two years immediately preceding the date of this document:

(a) On June 20, 2019, our Company issued the following fully paid-up Preferred Shares to the following shareholders:

Shareholder	Preferred Shares
LAV Acuity Limited	4,258,557 Series A-3 Preferred Shares
	396,046 Series B-3 Preferred Shares
LAV Altitude Limited	8,517,114 Series A-3 Preferred Shares
	792,092 Series B-3 Preferred Shares
TLS Beta Pte. Ltd.	14,548,621 Series B-3 Preferred Shares

(b) On December 2, 2019, our Company issued the following fully paid-up Series B-5 Preferred Shares to the following shareholders:

Shareholder	Series B-5 Preferred Shares
ELI LILLY AND COMPANY	2,797,514
LAV Biosciences Fund V, L.P.	13,987,569
TLS Beta Pte. Ltd.	5,595,028
HH JBC (HK) Holdings Limited	3,891,544
Teng Yue Partners Master Fund, L.P.	3,354,367
Teng Yue Partners RDLT II, LP	349,689
SCC Venture VI Holdco, Ltd.	699,378
ARCH Venture Fund VIII, L.P.	174,845
FALCON RISE GLOBAL LIMITED	10,490,677
Epiphron Capital Fund V L.P.	4,196,271

(c) On January 9, 2020, our Company issued the following fully paid-up Preferred Shares to LAV Brassicanapus, L.P.: 8,858,800 Series A-2 Preferred Shares, 7,300,383 Series A-3 Preferred Shares, 832,505 Series B-3 Preferred Shares and 386,726 Series B-4 Preferred Shares.

(d) On February 14, 2020, our Company issued 279,751 fully paid-up Series B-5 Preferred Shares to Epiphron Capital Fund V L.P..

(e) On March 10, 2020, our Company issued the following fully paid-up Shares to the following shareholders: 425,000 Shares to Dr. Xueming Qian, 325,000 Shares to Guangliang Greg Pan which was transferred to Dr. Xueming Qian on the same day, and 220,000 Shares to Yuntao Wan which was transferred to Dr. Xueming Qian on the same day.

(f) On June 2, 2020, our Company issued 567,808 fully paid-up Series A-3 Preferred Shares to BEST ELITE INVESTMENT LIMITED (創光投資有限公司) and 1,469,558 fully paid-up Series B-4 Preferred Shares to CHAMPION RICHES LIMITED.

(g) On August 10, 2020, our Company issued the following fully paid-up Shares to the following shareholders: 2,000,000 Shares to Dr. Xueming Qian, 255,000 Shares to Guangliang Greg Pan, and 100,000 Shares to Yuntao Wan.

(h) On November 13, 2020, our Company issued the following fully paid-up Shares to the shareholders below, which were subsequently transferred to Success Link International L.P. on February 10, 2021.

Shareholder	Shares
Xueming Qian	8,554,376
Christopher Hwang	1,532,122
Jane Qin Xia	240,000
Yi Gu	1,000,000
Jianming Wang	480,000
Michael Ming Shi	2,000,000
Fan Zhang	300,000
Junjie Lisa Zheng	300,000
Frank Feng Ye	1,569,128
Liming Shi	240,000
Li Xu	1,500,000
Lingmin Lu	400,000
Xiao-Ming Yang	1,532,122
Yingjie Huang	300,000
Yining (Jonathan) Zhao	12,893,130

(i) On November 25, 2020, our Company repurchased 3,088,302 Shares from Dr. Xueming Qian (as nominee shareholder for the benefit of other shareholders), and issued the following fully paid-up Series C-1 Preferred Shares to the following shareholders:

Shareholder	Series C-1 Preferred Shares
HEYDAY SURGE LIMITED (盛濤有限公司)	10,717,992
Titan Stage Project Company Limited	2,679,498
Humble Easy Limited	2,679,498
LAV Biosciences Fund V, L.P.	2,679,498
Teng Yue Partners Master Fund, L.P.	1,071,799
SCC Venture VI Holdco, Ltd.	568,054
Superstring Capital Master Fund L.P.	113,926
BOCI Financial Products Limited	2,679,498
Parkway Limited	803,849
J&K Biotech Investment Co. Ltd	803,849
HUA YUAN INTERNATIONAL LIMITED (華圓管理諮詢(香港)有限公司)	2,679,498
CLOUDBAY CAPITALS LLC	830,778

(j) On December 10, 2020, our Company issued 8,038,494 fully paid-up Series C-1 Preferred Shares to QH OIL INVESTMENTS LLC.

(k) On December 23, 2020, our Company issued the following fully paid-up Preferred Shares to the following shareholders:

Shareholder	Preferred Shares
Hangzhou Fulin Venture Capital Investment Partnership (LP) (杭州復林創業投資合夥企業(有限合夥))	1,257,288 Series A-3 Preferred Shares
Hangzhou Economic & Technological Development Zone Venture Capital Co., Ltd. (杭州經濟技術開發區創業投資有限公司)	4,490,315 Series B-2 Preferred Shares
TK Biologics Limited	8,082,567 Series B-3 Preferred Shares 3,673,894 Series B-4 Preferred Shares
China Securities Cooperation (Shenzhen) Strategic Emerging Industry Equity Investment Fund Partnership(Limited Partnership) (中信建投(深圳)戰略新興產業股權投資基金合夥企業(有限合夥))	3,496,892 Series B-5 Preferred Shares
Cold Spring Harbor (Guangzhou) Bio-Pharmaceutical Industry Investment Fund L.P. (冷泉港(廣州)生物醫藥產業投資基金合夥企業(有限合夥))	4,196,271 Series B-5 Preferred Shares
CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥))	5,595,028 Series B-5 Preferred Shares
CEG Resources Co., Ltd.	3,496,892 Series B-5 Preferred Shares
FC Bio Pathfinder Limited	10,434,923 Series B-5 Preferred Shares

(l) On February 5, 2021, our Company issued the following fully paid-up Shares to the following shareholders:

Shareholder	Shares
James Chi-Yeung Leung	141,445
Ziliang Chen	29,150
Jenny Wan-Chen Hsiung	141,445
Qiwei Wu	50,000

(m) On February 10, 2021, our Company issued 2,670,445 fully paid-up Shares to Success Reach International Limited.

(n) On February 26, 2021, our Company issued the following fully paid-up Series C-1 Preferred Shares to the following shareholders:

Shareholder	Series C-1 Preferred Shares
EverestLu Holding Limited (永祿控股有限公司)	16,076,988
CCT China Merchant Buyout Fund (深圳國調招商併購股權投資基金合夥企業(有限合夥)	5,358,996
Suzhou Industrial Park Investment Fund L.P. (蘇州工業園區產業投資基金(有限合夥))	1,607,699

(o) On June 22, 2021, our Company issued 2,965,785 fully paid-up Shares to Success Reach International Limited and 4,500,000 fully paid-up Shares to Success Link International L.P.

Save as disclosed above and in the section headed "– Resolutions of our Shareholders dated June 18, 2021" below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the share capital of members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 42 to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of members of our Group within the two years immediately preceding the date of this document:

- On December 19, 2019, the registered capital of MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司) increased to US$1,536,494.39.

- On December 18, 2019, the registered capital of HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司) increased to RMB208,232,160.

- On February 27, 2020, the registered capital of MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司) increased to US$1,636,350.39.

- On May 22, 2019, Transcenta Therapeutics (Shanghai) Co., Ltd. (創勝生物醫藥(上海)有限公司) was incorporated with a registered capital of US$5,000,000.

- On March 6, 2020, the registered capital of Transcenta Therapeutics (Shanghai) Co., Ltd. (創勝生物醫藥(上海)有限公司) increased to US$12,500,000.

- On June 24, 2020, the registered capital of MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司) increased to US$1,657,153.39.

- On June 24, 2020, Transcenta Therapeutics (Guangzhou) Co., Ltd. (創勝生物醫藥(廣州)有限公司) was incorporated with a registered capital of RMB42,000,000.

- On September 21, 2020, Mabspace Biotechnology (Beijing) Co., Ltd. (邁博斯生物科技(北京)有限公司)was incorporated with a registered capital of RMB20,000,000.

Save as disclosed above, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated June 18, 2021

Resolutions of our Shareholders were passed on June 18, 2021, pursuant to which, among others, conditional upon the conditions of the Global Offering (as set out in this document) being fulfilled (or, if applicable, waived):

(a) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the Listing on the Listing Date;

(b) the Global Offering, Listing and Over-allotment Option were approved, and our Directors were authorised to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);

(c) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of Global Offering (excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the Over-allotment Option and Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme);

(d) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the 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 Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares to be sold, or issued and allotted pursuant to the exercise of the Over-allotment Option and Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme);

(e) the Sale Mandate was extended by the addition to the total number of 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 total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering;

(f) all of the authorized Preferred Shares (including all the then existed issued and outstanding Preference Shares) be re-designated and re-classified into ordinary Shares of our Company each with effect from Listing Date;

(g) the authorized share capital of the Company be increased from US$87,937.5218 to US$1,000,000;

(h) the dual foreign name of the Company be changed to 創勝集團醫藥有限公司; and

(i) the Post-IPO Share Award Scheme was approved and adopted with effect from the Listing Date and our Directors were authorized to make such changes to the Post-IPO Share Award Scheme as may be required by the Stock Exchange and/or which they deem necessary and/or desirable and to grant options and/or awards thereunder (as applicable) and to allot, issue and deal with Shares pursuant thereto, and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Post-IPO Share Award Scheme.

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory statement on repurchase of our own securities

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 445,331,917 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme), could accordingly result in up to approximately 44,533,191 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have 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.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the 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 the issuer to announce its 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), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that 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 Stock Exchange.

Status of repurchased Shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

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. 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.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

Save as disclosed in this document, we have not made any repurchases of our Shares in the previous six months.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) a cornerstone investment agreement dated September 12, 2021 entered into between the Company, LAV Amber Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which LAV Amber Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$8,000,000;

(b) a cornerstone investment agreement dated September 12, 2021 entered into between the Company, Aranda Investments Pte. Ltd., Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which Aranda Investments Pte. Ltd. agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$5,000,000;

(c) a cornerstone investment agreement dated September 12, 2021 entered into between the Company, QH Oil Investments LLC, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which QH Oil Investments LLC agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$25,000,000;

(d) a cornerstone investment agreement dated September 12, 2021 entered into between the Company, China Structural Reform Fund Corporation Limited, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Renaissance Securities (Hong Kong) Limited, pursuant to which China Structural Reform Fund Corporation Limited agreed to subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US$30,000,000; and

(e) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Registration number	Registration date	Place of registration
1.	迈博斯	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	11911846	May 28, 2014	PRC
2.	创胜	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	37530179	February 7, 2020	PRC
3.	创胜	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	37524634	March 28, 2020	PRC

No.	Trademark	Registered owner	Registration number	Registration date	Place of registration
4.	创胜	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	37509803	December 7, 2019	PRC
5.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33651705	September 14, 2019	PRC
6.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33650101	September 14, 2019	PRC
7.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33632597	September 28, 2019	PRC
8.	TRANSCENTA BIOTHERAPEUTICS	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33650137	July 14, 2019	PRC
9.	TRANSCENTA BIOTHERAPEUTICS	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33646632	September 28, 2019	PRC
10.	TRANSCENTA BIOTHERAPEUTICS	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	33636913	September 14, 2019	PRC
11.	奕安济世	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	22767070	February 21, 2018	PRC
12.	奕安济世	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	22766633	February 21, 2018	PRC
13.	Just. 奕安济世	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	22766919	April 14, 2018	PRC
14.	Just biotherapeutics 奕安济世生物药业有限公司	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	22766885	April 21, 2018	PRC
15.	创胜集团 TRANSCENTA 创胜集团 TRANSCENTA 創勝集團 TRANSCENTA 創勝集團 TRANSCENTA	Transcenta Holding Limited	305394394	September 18, 2020	Hong Kong

No.	Trademark	Registered owner	Registration number	Registration date	Place of registration
16.	HJB 奕安济世生物	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	45728032	March 7, 2021	PRC
17.	奕安济世生物	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	45698209	January 7, 2021	PRC
18.	T—BLOC	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	42285584	September 7, 2020	PRC
19.	T—BLOC	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	42274923	September 14, 2020	PRC
20.	HJB 奕安济世生物 A TRANSCENTA Company	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	41589852	October 14, 2020	PRC

Trademark applications

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Applicant	Application number	Application date	Place of application
1.	迈博斯生物	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	51350281	November 17, 2020	PRC
2.	TRANSCENTA HOLDING	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54658861	March 25, 2021	PRC
3.	TRANSCENTA	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54637176	March 25, 2021	PRC
4.	创胜 TRANSCENTA	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54489246	March 19, 2021	PRC
5.	TRANSCENTA	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54467162	March 19, 2021	PRC

No.	Trademark	Applicant	Application number	Application date	Place of application
6.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54464230	March 19, 2021	PRC
7.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54463962	March 19, 2021	PRC
8.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	54452325	March 19, 2021	PRC
9.		MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	51319529	November 17, 2020	PRC
10.		MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	51350293	November 17, 2020	PRC
11.		MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	51341317	November 17, 2020	PRC
12.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	53571218	February 4, 2021	PRC
13.		HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	53548774	February 4, 2021	PRC
14.	Transcenta Holding	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	53567810	February 4, 2021	PRC
15.	Transcenta Holding	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	53567818	February 4, 2021	PRC
16.		MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576631	March 12, 2021	USA
17.		MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576655	March 12, 2021	USA

No.	Trademark	Applicant	Application number	Application date	Place of application
18.	TRANSCENTA	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576707	March 12, 2021	USA
19.	TRANSCENTA	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576717	March 12, 2021	USA
20.	INNOVATE TO EXCEL	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576672	March 12, 2021	USA
21.	INNOVATE TO EXCEL	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)	90576698	March 12, 2021	USA
22.	创胜	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	90576783	March 12, 2021	USA
23.	创胜	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	90576803	March 12, 2021	USA

Copyrights

As at the Latest Practicable Date, we had registered the following software copyright which we consider to be or may be material to our business:

No.	Software copyright	Registered owner	Registration number	Registration date	Place of registration
1.	HJB Hangzhou Sample Delivery System version 1.0 (奕安濟世樣品送檢系統V1.0)	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	2020SR0408384	May 6, 2020	PRC

No.	Software copyright	Registered owner	Registration number	Registration date	Place of registration
2.	HJB Hangzhou automatic data sorting software for peptide map of monoclonal antibody version 1.0 (奕安濟世單抗肽圖數據自動分類整理軟件 V1.0)	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	2021SR0438133	March 23, 2021	PRC
3.	HJB Hangzhou data analysis fast classification and processing software for N sugar of monoclonal antibody version 1.0 (奕安濟世單抗N糖分析數據快速分類處理軟件 V1.0)	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)	2021SR0438132	March 23, 2021	PRC

Patents

For details of the granted patents or patent applications by us or our strategic partners that we consider to be or may be material to our business, see "Business – Intellectual property".

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner
1.	mabspacebio.com	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
2.	betifisolimab.cn	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
3.	betifisolimab.com	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
4.	betifisolimab.com.cn	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
5.	betifisolimab.hk	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)

No.	Domain name	Registered owner
6.	betifisolimab.net	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
7.	betifisolimab.org	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
8.	osemitamab.cn	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
9.	osemitamab.com	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
10.	osemitamab.com.cn	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
11.	osemitamab.hk	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
12.	osemitamab.net	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
13.	osemitamab.org	MabSpace Biosciences (Suzhou) Co., Ltd. (邁博斯生物醫藥(蘇州)有限公司)
14.	justbiochina.cn	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
15.	justbiochina.com	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
16.	justbiochina.net	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
17.	justbiochina.org	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
18.	justbiochina.biz	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
19.	justbiochina.info	HJB (Hangzhou) Co., Ltd. (杭州奕安濟世生物藥業有限公司)
20.	transcenta.com	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
21.	transcenta.cn	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
22.	transcenta.com.cn	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
23.	transcentabio.com	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
24.	hjbinternational.com	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
25.	hjbinternational.cn	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
26.	hjbinternational.com.cn	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
27.	hjbbio.com	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
28.	hjbbio.com.cn	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)
29.	hjbbio.net	YJ Biosciences Co., Ltd. (杭州奕健生物科技有限公司)

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Directors

Each of Dr. Michael Ming Shi and Mr. Albert Da Zhu entered into a service contract with our Company on June 22, 2021. The term of appointment shall be for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party terminating the agreement by giving not less than three months' written notice. Under these service contracts, Dr. Michael Ming Shi and Mr. Albert Da Zhu are not entitled to any director's fee.

Dr. Xueming Qian entered into an executive employment agreement with our Company on January 1, 2020 and amended on June 22, 2021. The term of appointment shall be for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) shall be automatically renewed for successive periods of three (3) years until terminated in accordance with the terms and conditions of the agreement. Dr. Qian is entitled to a base annual salary of US$320,000 in addition to an annual bonus and share-based awards. In addition, where the Company enters into a definitive agreement that contemplates a transaction or series of related transactions that, upon closing of such transaction or transactions, would constitute a change of control, or where any change of control occurs, the Company shall pay Dr. Qian a sum equal to 5% of the total consideration or transaction value of such transaction(s).

Non-executive Director

Dr. Yining (Jonathan) Zhao entered into a service agreement with our Company on July 1, 2020 and amended on June 22, 2021. The term of appointment shall be for an initial term of three years from the date of appointment and (subject to re-election as and when required under the Articles of Association) shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service agreement. Dr. Zhao is entitled to a base annual salary of US$180,000. In addition, where the Company enters into a definitive agreement that contemplates a transaction or series of related transactions that, upon closing of such transaction or transactions, would constitute a change of control, or where any change of control occurs, the Company shall pay Dr. Zhao a sum equal to 5% of the total consideration or transaction value of such transaction(s).

Independent non-executive Directors

Each of our independent non-executive Directors entered into an appointment letter with our Company on June 10, 2021. The term of appointment shall be for an initial term of three years from the Listing Date and (subject to re-election as and when required under the Articles of Association) may be terminated by giving not less than three months' written notice.

The director's fees of our independent non-executive Directors payable by us under their respective appointment letters is RMB200,000 per annum and share based compensation equivalent to 30,000 Shares subject to (among others) certain vesting conditions.

2. Remuneration of Directors

(a) Save as disclosed in this document, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group in respect of the year ended December 31, 2020 was approximately RMB79,499,000.

(c) Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the years ended December 31, 2021 are approximately RMB14,064,000.

3. Disclosure of interests

Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which 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 entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name of director	Nature of interest	Number of Shares and underlying Shares	Approximate percentage of interest in our Company immediately after the Global Offering[(1)]
Xueming Qian	Interest in a controlled corporation[(2)], Beneficial owner[(3)]	57,177,906	12.84%
Michael Ming Shi	Beneficial owner[(4)]	2,000,000	0.45%
Albert Da Zhu	Beneficial owner[(5)]	1,809,759	0.41%
Yining (Jonathan) Zhao	Interest in a controlled corporation[(6)], Beneficial owner[(7)]	13,987,937	3.14%

Note:

(1) The calculation is based on the total number of 445,331,917 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding any shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme).

(2) This includes 22,411,376 Shares held by Qian Dynasty Irrevocable Trust, 22,411,376 Shares held by Shi Dynasty Irrevocable Trust, and 830,778 Shares held by Cloudbay Capitals LLC. With regards to the Qian Dynasty Irrevocable Trust, the beneficiaries are Dr. Qian and his children and their descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. With regards to the Shi Dynasty Irrevocable Trust, the beneficiaries are Ms. Shi Xiaohong and the child of Ms. Shi and Dr. Qian and his descendants, the investment advisor is Dr. Qian and the trustee is HSBC Trust Company (Delaware) National Association. Cloudbay Capitals LLC is held by HSBC Trust Company (Delaware) National Association as trustee of the Qian Dynasty Irrevocable Trust and is managed by Dr. Qian.

(3) Includes Dr. Qian's entitlement to receive up to 8,554,376 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.

(4) Includes Dr. Michael Ming Shi's entitlement to receive up to 2,000,000 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.

(5) Includes Mr. Albert Da Zhu's entitlement to receive up to 1,809,759 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.

(6) This includes 1,094,807 Shares held by VI Holding Limited which is wholly-owned by Dr. Yining (Jonathan) Zhao.

(7) Includes Dr. Yining (Jonathan) Zhao (趙奕寧)'s entitlement to receive up to 12,893,130 Shares pursuant to the share awards granted to him under the Pre-IPO Equity Incentive Plan.

Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see "Substantial Shareholders".

D. SHARE SCHEMES

1. Pre-IPO Equity Incentive Plan

The following is a summary of the principal terms of the Pre-IPO Equity Incentive Plan of the Company effective since January 1, 2019 and as amended from time to time. The terms of the Pre-IPO Equity Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules. The Pre-IPO Equity Incentive Plan is intended to grant options to, and to incentivise, employees of the Company other than the management.

Eligibility

Those eligible to participate in the Pre-IPO Equity Incentive Plan include employees, directors and consultants of the Group as determined, authorized and notified by the Board or a committee authorized by the Board (the "**Committee**"). The Board or the Committee may, from time to time select from among all eligible individuals ("**Participants**") to whom awards ("**Awards**") in the form of options ("**Options**") and restricted share units ("**RSU**"), will be granted ("**Grantees**") and will determine the nature and amount of each grant.

Offer and Grant of Awards

The Board shall be entitled to make an offer to any Participant as the Board may in its absolute discretion select to take up Options in respect of such number of Shares and at any price per Share ("**Strike Price**") as the Board may determine. The details of the offer shall be set out in a letter, the form of which shall be approved by the Board and entered into by and among the Company and a Grantee regarding the offer of an Award ("**Offer Letter**").

Awards may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the Board may determine, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the Pre-IPO Equity Incentive Plan.

A Grantee is not required to pay for the grant of any Option. The consideration to be paid (if any) for each Share subject to an RSU is determined by the Board and shall be set forth in the Offer Letter for such RSUs and may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion and permissible under applicable law. RSUs may be awarded for zero consideration if permitted under applicable law.

Administration

The Pre-IPO Equity Incentive Plan is administered by the Board or the Committee and the decision of the Board shall be final and binding on all parties. The Board or the Committee shall have the right to:

(i) interpret and construe the provisions of the Pre-IPO Equity Incentive Plan;

(ii) determine the persons who will be awarded under the Pre-IPO Equity Incentive Plan, the number and Strike Price and other terms (e.g., any performance conditions to which the exercise or settlement of an Award is subject) of Awards awarded thereto;

(iii) make such appropriate and equitable adjustments to the terms of Awards granted under the Pre-IPO Equity Incentive Plan as it deems necessary;

(iv) amend, add to and/or delete any of the provisions of this Pre-IPO Equity Incentive Plan, provided that no such amendment, addition or deletion shall adversely affect the rights of any Grantee in respect of any Awards granted to such Grantee;

(v) adopt such procedures and rules as are necessary or appropriate to permit participation in the Pre-IPO Equity Incentive Plan by eligible employees who are foreign nationals or employed outside the PRC (provided that Board approval will not be necessary for immaterial modifications to the Pre-IPO Equity Incentive Plan or any Offer Letter that are required for compliance with the laws of the relevant foreign jurisdiction); and

(vi) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO Equity Incentive Plan.

Share Limit

The maximum number of Shares in respect of which Awards may be granted under this Pre-IPO Equity Incentive Plan shall not exceed 69,325,254 Shares in the aggregate, subject to any adjustments in the event of any alteration in the capital structure of the Company.

The Pre-IPO Equity Incentive Plan may be altered in any respect by the prior approval of the Board provided that no such alteration shall operate to affect adversely the terms of issue of any Award granted or agreed to be granted prior to such alteration, except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Memorandum and Articles for the time being of the Company for a variation of the rights attached to the Shares.

Price

The Strike Price and vesting of Options and RSUs shall be approved by the Board and shall be set out in the Offer Letter.

Exercise and Settlement of Awards

Unless otherwise specified in the Offer Letter, any Award shall become exercisable or settleable upon vesting. The exercise or settlement shall be conditioned upon full compliance with all applicable laws and regulations such Grantee or the Company is then subject to in connection with the exercise or settlement of the Award.

Option Shares and RSU Shares will be subject to the provisions of the Company's Memorandum and Articles for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of exercise or settlement of the Award. The holders will be entitled to participate in all dividends or other distributions paid or made on or after the date of exercise or settlement of the Award. When the date of settlement of the Award falls on a date which the register of members is closed then the settlement of the Award shall become effective on the first business day on which the register of members is re-opened.

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. Cancelled Options may be re-issued after such cancellation has been approved as long as it is granted in compliance with the Pre-IPO Equity Incentive Plan terms and applicable law.

Restrictions on transfer

An Award shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Award or attempt to do so unless otherwise approved by the Board.

Term of the Pre-IPO Equity Incentive Plan

The term of the Pre-IPO Equity Incentive Plan commenced on January 1, 2019 and will expire on its tenth anniversary. Upon expiry of the Pre-IPO Equity Incentive Plan, no further Awards will be granted but any Award that is outstanding shall remain in force according to the terms of the Pre-IPO Equity Incentive Plan and the Awards shall be exercised or settled in accordance with the terms upon which the Awards are granted.

Lapse on termination for cause

If the Board determines that if any Grantee ceases to be an employee due to termination for cause, then any Award (whether vested or unvested) held by the Grantee shall immediately lapse or be cancelled except as otherwise resolved by the Board in its sole discretion.

Lapse for death or illness

In the event of the Grantee ceasing to be an employee by reason of his or her death, disability or for any other reason that the Board considers valid, an Option granted to an employee shall expire no earlier than one year after the employee becomes disabled or dies(or such longer period of time as determined by the Board and set forth in the applicable Award).

Lapse on cessation for other reason

If a Grantee ceases to be an eligible employee for any reason other than due to termination for cause or termination for death or illness, then the Options granted to an employee shall expire no earlier than thirty days and no later than three months after the employee ceases to be an employee (or such longer period of time as determined by the Board and set forth in the Award).

Lapse on a Corporate Transaction

In the event of (i) a significant sale or other disposition of the assets or the securities of the Group or certain forms of merger, consolidation or similar transaction, or (ii) the liquidation, dissolution or winding up of the Company (a "**Corporate Transaction**"),

then, notwithstanding any other provision of the Pre-IPO Equity Incentive Plan, the Board may take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) any Option shall become vested and immediately exercisable, in whole or in part;

(ii) any RSU shall become non-forfeitable, in whole or in part;

(iii) any Option shall be assumed by the successor corporation or cancelled in exchange for substitute share options;

(iv) any Option that is not exercised as of the date of the Corporate Transaction shall be cancelled for no consideration;

(v) any Option shall be cancelled in exchange for cash and/or other substitute consideration with a value equal to (A) the number of Shares subject to that Option, multiplied by (B) the difference, if any, between the fair market value per Share on the date of the Corporate Transaction or the per share consideration payable to the Company's shareholders in the Corporate Transaction (such per share consideration, the "**Transaction Consideration**") and the exercise price of that Option; provided, that if the fair market value per Share on the date of the Corporate Transaction or the Transaction Consideration does not exceed the exercise price of any such Option, the Administrator may cancel that Option without any payment of consideration therefor;

(vi) any RSU shall be cancelled in exchange for restricted share units in respect of the capital stock of any successor corporation; or

(vii) any RSU shall be cancelled in exchange for cash and/or other substitute consideration with a value equal to (i) the fair market value per Share on the date of the Corporate Transaction or (ii) the Transaction Consideration.

Termination

The Board may at any time terminate the operation of the Pre-IPO Equity Incentive Plan and in such event no further Options or RSUs will be granted. The Pre-IPO Equity Incentive Plan will automatically terminate in relation to Options (but not RSUs) upon Listing. In both events of termination, the provisions of the Pre-IPO Equity Incentive Plan will remain in full force and effect in all other respects.

Outstanding grants and awards under the Pre-IPO Equity Incentive Plan

The overall limit on the number of underlying Shares pursuant to the Pre-IPO Equity Incentive Plan is 69,325,254 Shares, representing approximately 15.57% of the issued Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan). As of the Latest Practicable Date, our Company had conditionally granted options and awards under the Pre-IPO Equity Incentive Plan to 215 grantees to subscribe for an aggregate of 61,859,469 Shares, a portion of which (i) corresponding to 35,511,323 Shares has been issued and are held by Success Reach International Limited and Success Link International L.P. (as detailed below), and (ii) 3,687,040 Options have been exercised and issued to certain Grantees. No consideration was paid for the grant of Options under the Pre-IPO Equity Incentive Plan. No awards in the form of options under the Pre-IPO Equity Incentive Plan will be granted after the Listing Date. On June 22, 2021, our Company issued 2,965,785 fully paid-up Shares to Success Reach International Limited and 4,500,000 fully paid-up Shares to Success Link International L.P. to hold on behalf of future participants of the Pre-IPO Equity Incentive Plan.

On November 13, 2020, options and awards amounting to an aggregate of 2,670,445 Shares granted to certain participants (the "**Trust Participants**") under the Pre-IPO Equity Incentive Plan were transferred to Success Reach International Limited, and 2,670,445 Shares were issued to Success Reach International Limited on February 10, 2021. The entire share capital of Success Reach International Limited is held by Trident Trust Company (HK) Limited in trust which serves as the trustee of the Success Reach Trust. Success Reach Trust is an irrevocable trust established by the Company on November 13, 2020 for the benefit of Trust Participants, including Mr. Albert Da Zhu. The trust deed provides that the Trident Trust Company (HK) Limited, as trustee, shall act in accordance with instructions given by the administrator who is designated the board of directors of the Company. To the knowledge of the Company and save for the Mr. Albert Da Zhu, the Trust Participants are Independent Third Parties.

On November 13, 2020, options and awards amounting to an aggregate of 32,840,878 Shares granted to certain participants, including among others Dr. Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia (the "**ELP Participants**" and together with the Trust Participants, the "**Equity Incentive Plan Participants**") under the Pre-IPO Equity Incentive Plan were early-exercised, the exercise price of such share options were paid by delivering a promissory note to the Company payable by each of the ELP Participants, and such 32,840,878 shares were transferred to Success Link International L.P. on February 10, 2021 pursuant to the amended and restated exempted limited partnership agreement dated February 8, 2021 for the benefit of ELP Participants. Success Link International L.P. is an exempted limited partnership and established for the benefit of the ELP Participants. Success Link International L.P. is controlled by its general partner, Success Link GP Inc., which shall be determined or approved by the board of directors of the Company from time to time as provided for in the governing documents of Success Link International L.P. The current directors of Success Link GP Inc. are Albert Da Zhu (朱達), an executive Director and Weikang Zhu (朱衛康), an employee of our

Group. To the knowledge of the Company and save for Dr. Qian, Michael Ming Shi, Yining (Jonathan) Zhao, Frank Feng Ye, Christopher Hwang, Jerry Xiaoming Yang, Yi Gu and Jane Qin Xia, the ELP Participants are Independent Third Parties.

The remaining 22,661,106 Shares underlying the outstanding options granted to 210 grantees under the Pre-IPO Equity Incentive Plan represent 5.09% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and excluding any shares to be issued under the Pre-IPO Equity Incentive Plan). Assuming full issuance of such remaining 22,661,106 Shares underlying the outstanding options granted under the Pre-IPO Equity Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) will be diluted by approximately 4.84%. As the Group incurred losses for the year ended December 31, 2020, the dilutive potential ordinary shares, namely the share options, were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2020 was the same as basic loss per share for the corresponding period.

Director, senior management, connected person(s) and employees or former employees who have been granted outstanding options to subscribe for 300,000 shares or above

The table below shows the details of the directors, senior management or connected persons who are grantees of outstanding share options, or employees and former employees who have been granted outstanding options to subscribe for 300,000 shares or above, under the Pre-IPO Equity Incentive Plan (excluding share awards where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.):

Name	Address	Date of grant	Option period	Exercise price[(1)]	Number of Shares	Approximate percentage of issued shares immediately after completion of the Global Offering[(1)]
Directors						
Albert Da Zhu	Room 503, No. 171 Feng Yuan Road Guangzhou China	September 28, 2016 to November 18, 2020	10 years	US$0.0879 per Share to US$1.13 per Share	1,065,780	0.24%
Senior management						
Frank Feng Ye	Room 1004, Unit 2, Building 3, Platinum Yuexi Lake Suzhou Industrial Park Jiangsu China	November 18, 2020	10 years	US$1.13 per Share	500,000	0.11%

Name	Address	Date of grant	Option period	Exercise price[1]	Number of Shares	Approximate percentage of issued shares immediately after completion of the Global Offering[1]
Christopher Hwang	79 Saint Marys Street Newton, MA 02462 USA	November 18, 2020	10 years	US$1.13 per Share	400,000	0.09%
Jerry Xiaoming Yang	Room 501, Unit 2, Building 9, Jinji Xiaolu, Qianjiang New Town, Jianggan District Hangzhou China	November 18, 2020	10 years	US$1.13 per Share	500,000	0.11%
Yi Gu	6251 Belmont Trail Ct., San Diego, CA 92130 USA	November 18, 2020	10 years	US$1.13 per Share	300,000	0.07%
Jane Qin Xia	1395 Feather Hill Court, Thousand Oaks, CA 91320 USA	November 18, 2020	10 years	US$1.13 per Share	360,000	0.08%
Other connected persons of the Company						
Weikang Zhu[2]	Room 124, Building 3, No. 368 Linquan Street, Industrial Park Suzhou China	July 3, 2019 to April 25, 2021	10 years	US$0.1 per Share to US1.14 per Share	205,000	0.05%
Other employees and former employees beneficially interested in 300,000 shares or above						
Li Xu	3 Independence Way, Suite 114, Princeton, NJ 08540, USA	July 3, 2019	10 years	US$0.34 per Share	2,500,000	0.56%
Jason Yingjie Huang	218 Bullock Dr. Princeton NJ, 08540. USA	July 3, 2019 to November 18, 2020	10 years	US$0.3575 per Share to US$1.13 per Share	1,450,000	0.33%
Wei Zhu	382 NE 191st Street, Miami, Florida, 33179, USA	July 27, 2018	10 years	US$0.4688 per Share	1,310,495	0.29%

Name	Address	Date of grant	Option period	Exercise price[1]	Number of Shares	Approximate percentage of issued shares immediately after completion of the Global Offering[1]
Greg Pan	4680 Oakdale Street, Union City, CA 94587, USA	July 3, 2019	10 years	US$0.1 per Share to US$1 per Share	950,000	0.21%
Steve Landau	44 Tanglewood Road Wellesley, MA 02481-2606, USA	October 12, 2017	10 years	US$0.4102 per Share	819,059	0.18%
Xichen Zhang	2317 Gillingham Circle, Thousand Oaks, CA 91362, USA	November 18, 2020	10 years	US$1.13 per Share	700,000	0.16%
Yuntao Wan	950 Sunset Ridge, Bridgewater, NJ, 08807, USA	July 3, 2019	10 years	US$0.001 per Share to US$1 per Share	440,000	0.10%
Steven Yu	1803, Unit 2, Building 8, Poyuexihu, Suzhou Industrial Park, China	June 13, 2021	10 years	US$1.14 per Share	300,000	0.07%
Yufeng Li	12 Landon Way, Exton, PA, 19341, USA	April 2, 2019	10 years	US$0.3575 per Share	300,000	0.07%
Subtotal					**12,100,334**	**2.72%**

Notes:

(1) It is assumed that the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

(2) Weikang Zhu (朱衛康) was previously a director of a subsidiary of our Company until December 2020, and therefore is a connected person of our Company.

Consultants

The table below shows the details of the consultants who are grantees of outstanding share options under the Pre-IPO Equity Incentive Plan:

Name [2]	Address	Date of grant	Option period	Exercise price [1]	Number of Shares	Approximately percentage of issued shares immediately after completion of the Global Offering [1]
Willard H. Dere	35 East 100 South Unit 302, Salt Lake City, Utah 84101 USA	September 28, 2016	10 years	US$0.0879 per Share	226,312	0.05%
Hingge Hsu	35 Stetson Street, Brookline, MA 02446 USA	September 28, 2016	10 years	US$0.0879 per Share	282,890	0.06%
Dan Wu	150 Harbour Close Unit 412, New Haven, CT 06519, USA	September 28, 2016	10 years	US$0.0879 per Share	339,468	0.08%
Tse Wen Chang	No. 99, Lane 130, Sec. 1, Academia Rd, C520, Building C, Nangang District, Taipei City, Taiwan 11517	October 12, 2017	10 years	US$0.4102 per Share	68,255	0.02%
Andrew Zhu	265 Dean Road, Brookline, Massachusetts 02445 USA	July 3, 2019 to June 13, 2021	10 years	US$0 per Share to US$0.34 per Share	120,000	0.03%
Ling Su	Room 502, No.477, Yongjia Road, Xuhui District, Shanghai, China	July 3, 2019 to June 13, 2021	10 years	US$0 per Share to US$0.34 per Share	120,000	0.03%
Briggs Morrison	14 Rittenhouse Circle, Newtown, PA, 18940 USA	November 16, 2020	10 years	US$0.41 per Share	600,000	0.13%
Subtotal					**1,756,925**	**0.39%**

Notes:

(1) It is assumed that the Over-allotment Option is not exercised and excluding Shares to be issued under the Pre-IPO Equity Incentive Plan.

(2) The seven consultants of the Group (who are not employees or former employees of the Group) who had been granted options under the Pre-IPO Equity Incentive Plan (the "**Consultants**") are members or former members of the Group's Scientific Advisory Board ("**SAB**"). The Consultants are Willard H. Dere, Hingge Hsu, Dan Wu, Tse Wen Chang, Andrew Zhu, Ling Su and Briggs Morrison. As part of the relevant SAB consulting agreements signed between the member or former member of the Group's SAB and the Group, the agreement would provide for a mix of cash compensation and/or equity-based compensation in return for the Consultants providing advisory services, including business and strategic ideas for the Company in the Consultants' area of expertise and to promote the objectives of the Company. To the knowledge of the Company, the Consultants are Independent Third Parties.

Other grantees

The table below shows the details of outstanding options granted to the remaining grantees (being the other grantees who are not Directors, members of senior management, connected persons, consultants (who are not employees or former employees of the Group) or employees and former employees who have been granted outstanding options to subscribe for 300,000 shares or above) under the Pre-IPO Equity Incentive Plan (excluding share awards where the underlying Shares have been issued to Success Reach International Limited and Success Link International L.P.):

Range of Shares underlying the Pre-IPO Equity Incentive Plan	Total number of grantees	Total number of Shares	Date of grant	Vesting period[2]	Exercise price[1]	Approximate percentage of issued shares immediately after completion of the Global Offering[1]
0 shares to 19,999 shares	87	825,551	July 27, 2018 to April 25, 2021	1-4 years	US$0.41 per Share to US$1.14 per Share	0.19%
20,000 shares to 99,999 shares	68	3,572,408	September 28, 2016 to June 13, 2021	3-4 years	US$0.0879 per Share to US$1.14 per Share	0.80%
Over 100,000 shares	32	4,405,888	September 28, 2016 to June 13, 2021	3-4 years	US$0.0001 per Share to US$1.14 per Share	0.99%
Subtotal	**187**	**8,803,847**				**1.98%**

Notes:

(1) It is assumed that the Over-allotment Option is not exercised and no Shares are granted under the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme.

(2) The exercise period of the options granted under Pre-IPO Equity Incentive Plan shall commence from the vesting commencement date of the relevant options and end on the 10th anniversary of the grant date, subject to the terms of the Pre-IPO Equity Incentive Plan and the share award agreement signed by the grantee.

2. Post-IPO Share Award Scheme

The following is a summary of the principal terms of the Post-IPO Share Award Scheme conditionally adopted by our Shareholders at the Shareholders' meeting on June 18, 2021. The Post-IPO Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. The Company may appoint one or more trustees ("**Trustee(s)**") to administer the Post-IPO Share Award Scheme with respect to the grant of any award by the Board (an "**Award**") which may vest in the form of Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO Share Award Scheme.

(a) Eligible Persons to the Post-IPO Share Award Scheme

Any individual, being an employee or director (including executive directors, non-executive directors and independent non-executive directors) of any member of the Group or any affiliate of the Group (including nominees and/or trustees of any employee benefit trust established for them), and any officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate of the Group who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO Share Award Scheme.

(b) Purpose of the Post-IPO Share Award Scheme

The purpose of the Post-IPO Share Award Scheme is to align the interests of Eligible Persons' with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

(c) Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

(d) Grant of Award

(i) Making the grant

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairperson of the board of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

(ii) Restrictions on grants and timing of grants

The Board and its delegate(s) may not grant any Award Shares to any selected participant in any of the following circumstances:

(A) where any requisite approval from any applicable regulatory authorities has not been granted;

(B) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Post-IPO Share Award Scheme, unless the Board determines otherwise;

(C) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(D) where such grant of Award would result in a breach of the Post-IPO Share Award Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(E) where an Award is to be satisfied by way of issue of new Shares to the Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;

(F) where any Director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by Directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(G) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(H) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(e) Maximum Number of Shares to be Granted

The aggregate number of Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 42,403,891 Shares without Shareholders' approval (the "**Post-IPO Share Award Scheme Limit**"), provided that the total number of Shares that could be issued under the Post-IPO Share Award Scheme in any financial year shall not exceed 3% of the total number of issued Shares at the relevant time, and the total number of Shares issued and to be issued to a grantee in any 12-month period would not exceed 1% of the total number of issued Shares at the relevant time.

(f) Scheme Mandate

To the extent that the Post-IPO Share Award Scheme Limit is subsequently increased by way of alteration of the Post-IPO Share Award Scheme and the Company is required to issue and allot new shares to satisfy any Awards in excess of any amount previously approved by the Shareholders, the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

(i) the maximum number of new Shares that may be issued for this purpose; and

(ii) that the Board has the power to issue, allot, procure the transfer of and otherwise deal with the Shares in connection with the Post-IPO Share Award Scheme.

The mandate will remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

(g) Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participants even though the Award Shares have not yet vested, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the Award Shares vest.

Neither the selected participant nor a Trustee may exercise any voting rights in respect of any Award Shares that have not yet vested.

(h) Rights attached to the Shares

Any Award Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and the Articles and will form a single class with the fully paid Shares in issue on the relevant date.

(i) Issue of Shares and/or transfer of funds to the Trustee

The Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the Trustee under the specific mandate sought from Shareholders during the general meeting and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

(j) Assignment of Awards

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award Shares granted under the Post-IPO Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

(k) Vesting of Awards

The Board or its delegate(s) may from time to time while the Post-IPO Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested. Vesting of any Award shall be, where

the selected participant is an employee, conditional upon the selected participant being in full compliance with the Non-compete Obligation (as defined above) as of the Vesting Date (unless the requirement to comply with the Non-compete Obligation is waived by the Board or its delegate(s)).

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

(l) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Post-IPO Share Award Scheme rules for the purpose of the Post-IPO Share Award Scheme.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by the Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO Share Award Scheme for the selected participants. The Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(m) Cessation of employment and other events

If a selected participant ceases to be an Eligible Person by reason of retirement of the selected participant, any outstanding Award Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person by reason of (i) death of the selected participant, (ii) termination of the selected participant's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement, (iii) termination of the selected participant's employment or contractual engagement with the Group by reason of redundancy, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by the Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been found to have engaged in any Misconduct (as defined above) as determined in good faith by the Board or its delegate(s) for the administration of the Post-IPO Share Award Scheme, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(n) Alteration of the Post-IPO Share Award Scheme

The Post-IPO Share Award Scheme may be altered in any respect (save for the Post-IPO Share Award Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Post-IPO Share Award Scheme, except:

(i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all Award Shares granted by not yet vested on that date; or

(ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all Award Shares granted by not yet vested on that date.

(o) Termination

The Post-IPO Share Award Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the Listing Date except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Post-IPO Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Post-IPO Share Award Scheme; and

(ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

(p) Administration of the Post-IPO Share Award Scheme

The Board has the power to administer the Post-IPO Share Award Scheme in accordance with the rules of the Post-IPO Share Award Scheme and, where applicable, the Trust deed, including the power to construe and interpret the rules of the Post-IPO Share Award Scheme and the terms of the Awards granted under the Post-IPO Share Award Scheme. The Board may delegate the authority to administer the Post-IPO Share Award Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the Post-IPO Share Award Scheme as they think fit.

(q) Grant of Shares under the Post-IPO Share Award Scheme

As of the date of this document, no Shares had been granted or agreed to be granted under the Post-IPO Share Award Scheme.

An application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the Post-IPO Share Award Scheme.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

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 of US$600,000 for acting as the sponsor for the Listing.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Zhong Lun Law Firm	Qualified PRC Lawyers
Walkers (Hong Kong)	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
China Insights Industry Consultancy Limited	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company, save for commissions paid with respect to our Pre-IPO Investments; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed "– Other information – Consent of experts" received any such payment or benefit.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in the part headed "– Other information – Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and

(ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in the section headed "Statutory and general information – Other information – Consent of experts" in Appendix IV; and

(c) copies of the material contracts referred to in the section headed "Statutory and general information – Further information about our business – Summary of material contracts" in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the material contracts referred to in the section headed "Statutory and general information – Further information about our business – Summary of material contracts" in Appendix IV;

(c) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and general information – Further information about our Directors – Particulars of Directors' service contracts and appointment letters" in Appendix IV;

(d) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in the section headed "Industry Overview";

(e) the PRC legal opinions issued by Zhong Lun Law Firm, our PRC Legal Adviser on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;

(f) the Accountants' Report on our Group and the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II;

(g) the audited consolidated financial statements of our Group for the two financial years ended December 31, 2019 and 2020 and the three months ended March 31, 2021;

(h) the letter of advice prepared by Walkers (Hong Kong), our legal adviser on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix III;

(i) the Cayman Companies Act;

(j) the written consents referred to in the section headed "Statutory and general information – Other information – Consent of experts" in Appendix IV; and

(k) the terms of the Pre-IPO Equity Incentive Plan and Post-IPO Share Award Scheme and a list of grantees under the Pre-IPO Equity Incentive Plan.

创胜集团
TRANSCENTA

Transcenta Holding Limited
創勝集團醫藥有限公司