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Application Proof of

BIOCYTOGEN PHARMACEUTICALS (BEIJING) CO., LTD.

百奧賽圖（北京）醫藥科技股份有限公司

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

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BIOCYTOGEN PHARMACEUTICALS (BEIJING) CO., LTD.

百奧賽圖（北京）醫藥科技股份有限公司

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

[REDACTED]

Total Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED] and adjustment)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**

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The **[REDACTED]**, on behalf of the **[REDACTED]**, may, with the consent of our Company, reduce the number of **[REDACTED]** and/or the indicative **[REDACTED]** below that stated in this document at any time prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **https://www.biocytogen.com.cn/** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the **[REDACTED]**. For further information, please refer to the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

We are incorporated and a substantial majority of our business and assets are located in the PRC. Potential **[REDACTED]** should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risk factors relating to **[REDACTED]** in PRC-incorporated companies. Potential **[REDACTED]** should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulatory Overview" in this document and in Appendix IV, Appendix V and Appendix VI to this document.

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to **[REDACTED]** *in the* **[REDACTED]**. *In particular, we are a clinical-stage biopharmaceutical and revenue-generating pre-clinical research services company, seeking to* **[REDACTED]** *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with* **[REDACTED]** *in companies such as ours. In addition, we have incurred significant operating losses since our inception, and we expect to remain loss making in the near term. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and do not intend to pay any dividends in the near future. Your* **[REDACTED]** *decision should be made in light of these considerations.*

There are risks associated with any **[REDACTED]**. *Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a clinical-stage biopharmaceutical and revenue-generating pre-clinical research services company, empowered by our proprietary gene editing technology, transgenic mice platforms, comprehensive animal disease models and *in vivo* antibody discovery platform. We have two Core Products, YH003 and YH001, and 10 other pipeline product candidates. YH003 is a recombinant humanized agonistic anti-Cluster of Differentiation 40 (CD40) Immunoglobulin G2 (IgG2) monoclonal antibody and YH001 is a recombinant humanized anti-CTLA-4, a protein receptor expressed constitutively on T cells that functions as an immune checkpoint and downregulates immune responses, Immunoglobulin G1 (IgG1) monoclonal antibody. Our Core Products are primarily being developed for advanced solid tumor, pancreatic cancer, programmed cell death protein 1 (PD-1) refractory melanoma, hepatocellular carcinoma (HCC) and non-small-cell lung carcinoma (NSCLC). Since our inception in 2009, we have also established fully integrated research and development capabilities ranging from early target validation and antibody generation to clinical development. Our capabilities are validated through our years of services to multinational companies and domestic biotechnology companies and evidenced by our in-house clinical-stage drug candidates.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCTS.

We face fierce competition from existing products and product candidates under development in the entire oncology market. In addition to approved oncology therapies, there are a large number of competing drug candidates currently under different clinical stages.

According to Frost & Sullivan, currently there are 10 CD40 agonists combination therapies and eight CD40 antibody candidates as monotherapy at clinical stage globally. Ipilimumab (Yervoy) is currently the only anti-CTLA-4 antibody drug approved globally, which was approved in China in June 2021. Currently, there are 17 anti-CTLA-4 mAbs combination therapies at clinical stage globally.

OUR DRUG CANDIDATES

As of the Latest Practicable Date, we had strategically designed and built a selective antibody drug pipeline of 12 drug candidates, including four clinical stage candidates, six pre-clinical stage candidates and two out-licensed candidates. The following table summarizes our pipeline and the development status of each clinical stage drug candidate and selected pre-clinical stage drug candidates as of the Latest Practicable Date.

SUMMARY

	Candidate	Target	Combination	Indication	Pre-clinical	IND	Phase I	Phase II	Phase III	Upcoming Milestone	Rights
Clinical-stage Drug Candidates	★ YH003	CD40	PD-1	Melanoma	Global MRCT					2022 Q4 Complete Recruitment	Global
			PD-1	Pancreatic cancer (1L&2L)	Global MRCT					2022 Q4 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Recruitment	
			PD-1+ YH001	Solid tumors	Global MRCT					2023 Q1 Complete Recruitment	
			PD-1	Mucosal melanoma	China					2022 Q3 Patient Recruitment	China
	★ YH001	CTLA-4	PD-1	Non-small-cell lung cancer (NSCLC) (1L)	Global MRCT					2023 Q1 Complete Recruitment	Global
			PD-1	Hepatocellular carcinoma (HCC) (2L)	Global MRCT					2023 Q1 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Site Visit	
			PD-L1	Sarcoma	Global MRCT					2022 Q3 Patient Recruitment	TRACON [1]
	YH002	OX40	Monotherapy	Solid tumors	Australia					2022 Q3 Complete Phase I Trial	Global
			Monotherapy	Solid tumors	China					Launch based on clinical results in Australia	
			YH001	Solid tumors	China/Australia					2023 Q1 Complete Recruitment	
	YH004	4-1BB	PD-1	Hematological malignancies	Australia					2023 Q4 Complete Recruitment	Global
			PD-1	Solid tumors	Australia					2023 Q4 Complete Recruitment	
	YH005-ADC	Claudin18.2-ADC		Solid tumors	Australia						RemeGen 荣昌生物 [2]
Preclinical Drug Candidates	YH008	PD-1/CD40 (bispecific antibody)		Solid tumors	CMC						Global
	YH006	CTLA-4/ OX40 (bispecific antibody)		Solid tumors	CMC						Global
	YH009	RSV		Prevention/ Treatment for RSV infection	CMC						Global
	YH010	PD-L1/IL12		Solid tumors	Discovery						Global
	YH011	PD-L1/ cytokine		Solid tumors	Discovery						启德医药 GeneQuantum Healthcare [3]
	YH012	Bispecific antibody ADC		Solid tumors	CMC						Global
	YH013	Bispecific antibody ADC		Solid tumors	CMC						Global

Notes: ★ Core Product; Co-development; Out-licensing; Oncology; Non-oncology

1. We co-develop YH001 with Tracon for selected indications in the North American regions (the United States, Canada and Mexico) and are entitled to collect double-digit percentage royalties on net sales in North America once commercialized. We remain development/commercialization rights in regions other than the North American regions.
2. We are entitled to collect licensing fee from RemeGen for the out-license of YH005.
3. We are entitled to collect licensing fee from GeneQuantum for our PD-L1 antibody and co-own the intellectual property rights.
4. Full term of each abbreviation used:

   CD40: Cluster of Differentiation 40
   CTLA-4: Cytotoxic T-Lymphocyte-Associated protein 4
   OX40: also known as TNFRSF4, Tumor Necrosis Factor Receptor Superfamily, member 4
   4-1BB: also known as TNFRSF9, Tumor Necrosis Factor Receptor Superfamily, member 9 PD-1: Programmed Death-1
   RSV: Respiratory Syncytial Virus
   PD-L1: Programmed Death-1 Ligand 1
   IL12: Interleukin 12
   ADC: Antibody Drug Conjugate
   MRCT: Multi-Center Clinical Trial
   CMC: Chemistry, Manufacturing, and Controls
   MRCT: Multi-regional Clinical Trial(s)
   1L: First-line
   2L: Second-line

Source: Company data

Core Products

- YH003: a recombinant, humanized agonistic anti-CD40 IgG2 monoclonal antibody (mAb). We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability, efficacy and pharmacokinetics of YH003 in combination with toripalimab in patients with advanced solid tumors, which has reached the primary end-point of the trial with the recommended Phase II dose (RP2D) identified in April 2021. Data from the Phase I clinical trial demonstrated a favorable safety and efficacy profile of YH003. We have initiated a Phase II multi-regional clinical trial (MRCT) of YH003 in the United States and have completed the dosing of the first patient in Australia in December 2021. We received the IND approval from the FDA in June 2021, the TGA in August 2021 and the NMPA in October 2021. We are applying for IND approval from the Taiwan FDA. We expect to commence (first subject in) the Phase II MRCT in mainland China and the United States in the first half of 2022. In addition, we plan to apply for a Phase I dose escalation trial in Australia to evaluate the safety, tolerability, preliminary efficacy and pharmacokinetics of YH001 and YH003 in combination with toripalimab in patients with advanced solid tumors. We will also further explore the expansion of YH003 for the treatment of other solid tumor indications.

- YH001: a recombinant humanized anti-CTLA-4 IgG1 monoclonal antibody. We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH001 when combined with toripalimab in patients with advanced solid tumors, which reached the primary end-point of the trial with the RP2D identified in April 2021. Clinical data demonstrate robust anti-tumor activities of YH001 in combination with toripalimab. Preliminary data from the Phase I clinical trial show a favorable safety and efficacy profile of YH001. We expect to initiate a Phase II MRCT of YH001 in combination with toripalimab for the treatment of advanced NSCLC or HCC in the United States, mainland China, Taiwan and Australia. In addition, we intend to conduct a clinical trial of YH001 in combination with YH002 in patients with advanced solid tumors in China and Australia. Moreover, we plan to apply for a Phase I dose escalation in Australia to evaluate the safety, tolerability, preliminary efficacy and pharmacokinetics of YH001 and YH003 in combination with toripalimab in patients with advanced solid tumors.

Other Clinical or IND Stage Candidates

- YH002: a recombinant humanized IgG1 antibody that targets the human OX40 receptor, which is expressed on activated T cells and gives costimulatory signals to promote T cell division and survival.

- YH004: a humanized IgG1 anti-4-1BB agonist. 4-1BB is a receptor expressed on activated T cells and NK cells which gives costimulatory signals to promote T cell division and survival, activate cytotoxic effects and help form memory T cells.

Selective Pre-Clinical Stage Candidates

In addition to our clinical stage candidates, we mainly have six drug candidates at the pre-clinical stage, including YH008, YH009, YH006, YH010, YH012 and YH013. We expect to submit IND applications for these six drug candidates in the next 12 to 18 months.

- YH008: an anti-PD-1/CD40 bi-specific antibody for the treatment of solid tumors.
- YH009: an innovative monoclonal antibody that we are developing for the prevention and treatment of respiratory syncytial virus (RSV) infection.
- YH006: a CTLA-4/OX40 bi-specific antibody for the treatment of solid tumors.
- YH010: a fully human PD-L1/IL-12 bi-specific antibody for the treatment of solid tumors.
- YH012 and YH013: two bi-specific ADCs developed using our RenLite platform, which are intended for the treatment of solid tumor.

Selective Collaboration Pre-Clinical Stage Candidates

In addition to our clinical stage candidates and pre-clinical stage candidates, we have two main drug candidates under collaboration with third parties at the pre-clinical stage, namely YH005 ADC, an anti-Claudin 18.2 antibody generated using our Claudin 18.2 knock-out (i.e. the process of having a specific single gene inactivated or removed by genetic manipulation) mice, and YH011, a novel bifunctional molecule. See "Business – Selective Pre-Clinical Stage Candidates in Collaboration with Third Parties" for further details.

ADDRESSABLE MARKETS AND COMPETITIVE LANDSCAPE

We primarily focus on the research and development of oncology and autoimmune disease therapeutics, including but not limited to drugs therapies related to CD40 agonistic antibodies, CTLA-4 antibodies and OX40 agonistic antibodies, which will compete with existing and new drugs covering the same targets or indications.

For the competitive landscape of our Core Product YH003, a summary of the global competitive landscape of CD40 agonists combination therapies, as well as their indications of interest, are set forth below.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Combination
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Unresectable/metastatic melanoma, pancreatic ductal adenocarcinoma	Phase 2	Sep-2021	N/A	Toripalimab (PD-1)
			Advanced Solid Tumors	Phase 1/2	Jul-2020	Australia	Toripalimab (PD-1)
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Budigalimab (PD-1)
			Locally Advanced or Metastatic Solid Tumors	Phase 1	Mar-2019	Global	ABBV-368, Budigalimab and/or Chemotherapy
			Metastatic Pancreatic Cancer	Phase 2	Mar-2021	Global	Modified FOLFIRINOX with/without Budigalimab
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Pembrolizumab, gemcitabine and nab-paclitaxel
APX005M	Monoclonal antibody	Apexigen	Resectable Esophageal and Gastroesophageal Junction Cancers	Phase 2	May-2017	U.S.	Chemoradiation
			Unresectable or Metastatic Melanoma	Phase 2	April-2020	Global	Radiation therapy
Mitazalimab (ADC-1013)	Monoclonal antibody	Alligator Bioscience	Metastatic Pancreatic Ductal Adenocarcinoma	Phase 1b/2	May-2021	Global	Chemotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced Tumors	Phase 1	Nov-2020	U.S.	LVGN3616, LVGN6051 (PD-1, CD137)
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	CDX-301(FLT3L), Pembrolizumab
Selicrelumab (RG7876)	Monoclonal antibody	Hoffmann-La Roche	Advanced and/or Metastatic Solid Tumors	Phase 1	Dec-2014	Global	Atezolizumab
			Advanced/Metastatic Solid Tumors	Phase 1	Jan-2016	Global	Vanucizumab Bevacizumab
RO7300490	Bispecific antibody		Advanced Solid Tumors	Phase 1	April-2021	Global	Atezolizumab
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	A check point inhibitor

Notes:

1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

The following table presents the status of CD40 antibody candidates as monotherapy at the clinical stage globally.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Therapy Type
APX005M	Monoclonal antibody	Apexigen	Unresectable/Metastatic Melanoma	Phase 2	April-2020	Global	Monotherapy
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Monotherapy
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	Monotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced/Metastatic Tumors	Phase 1	Nov-2020	U.S.	Monotherapy
					Oct-2021	China	Monotherapy
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Late-Stage Solid Tumors	Phase 1	Jul-2021	China	Monotherapy
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Monotherapy
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	Monotherapy
RO7300490	Bispecific antibody	Hoffmann-La Roche	Advanced Solid Tumors	Phase 1	April-2021	Global	Monotherapy

Notes:

1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

For the competitive landscape of our Core Product YH001, Ipilimumab (Yervoy) is currently the only anti-CTLA-4 antibody drug approved globally, and was recently approved in China in June 2021. However, the use of Ipilimumab (Yervoy) has been limited due to its toxicity.

Approved and Marketed Anti-CTLA-4 mAb Drug

Brand Name	Generic Name	Company	Indications Approved	Year of Initial Approval	Authorities of Approval
Yervoy	Ipilimumab	Bristol Myers Squibb	• Unresectable or metastatic melanoma, advanced renal cell carcinoma in combo with Nivolumab, colorectal cancer in combo with Nivolumab, hepatocellular carcinoma in combo with Nivolumab, metastatic or recurrent NSCLC in combo with Nivolumab	2011	FDA
			• Unresectable or metastatic melanoma in combo with Nivolumab, advanced renal cell carcinoma in combo with Nivolumab, metastatic NSCLC in combo with Nivolumab, unresectable malignant pleural mesothelioma, colorectal cancer in combo with Nivolumab	2011	EMA
			• Unresectable non-epithelial malignant pleural mesothelioma in combo with Nivolumab	2021	NMPA

Source: FDA, EMA, NMPA, Frost & Sullivan Analysis

A summary of the global competitive landscape of anti-CTLA-4 mAbs and anti-CTLA-4 mAbs combination therapies, as well as their indications of interest, is set forth below.

SUMMARY

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
Tremelimumab (CP-675206)	AstraZeneca	SCLC	Phase 3	Oct-2018	Global	Durvalumab (PD-L1)
		advanced urothelial cancer	Phase 3	Sep-2018	Global	Durvalumab (PD-L1)
		HCC	Phase 3	Oct-2017	Global	Durvalumab (PD-L1)
		pediatric malignancies	Phase 1/2	Feb-2019	Global	Durvalumab (PD-L1)
		advanced NSCLC	Phase 3	Apr-2018	China	Platinum-based Chemotherapy
		advanced SCLC	Phase 3	May-2018	China	Platinum-based Chemotherapy
Quavonlimab	MSD/Eisai	advanced clear cell RCC	Phase 3	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
	MSD	advanced HCC	Phase 2	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
		MSI-H/dMMR advanced CRC	Phase 2	May-2021	Global	Pembrolizumab (PD-1)
YH-001	Biocytogen/ Eucure Biopharma	HCC, NSCLC	Phase 2		Global	Toripalimab (PD-1)
		advanced solid tumor	Phase 1	Apr-2020	Australia	
		advanced solid tumor	Phase 1	Dec-2020	China	
BMS-986218	Bristol-Myers Squibb	advanced tumor	Phase 1/2	Apr-2017	Global	Nivolumab (PD-1)
BMS-986249		advanced solid tumor	Phase 1/2	Dec-2017	Global	Nivolumab (PD-1)
AGEN1181	Agenus	advanced tumor	Phase 1/2	Mar-2019	U.S.	AGEN2034 (PD-1)
AGEN1884		cervical cancer	Phase 1/2	Apr-2018	Global	AGEN2034 (PD-1)
HBM4003	Harbor BioMed	advanced solid tumor	Phase 1	Oct-2019	Global	
		NSCLC	Phase 1	Apr-2021	China	PD-1
		advanced melanoma	Phase 1	Dec-2020	China	Toripalimab (PD-1)
Nurulimab (BCD-145)	Biocad	melanoma	Phase 1	Mar-2018	Russia	
ONC-392	OncoC4	advanced solid tumor	Phase 1	Oct-2019	U.S.	Pembrolizumab (PD-1)
KN044	Alphamab	advanced solid tumor	Phase 1	Jun-2019	China	
ADG126	Adagene	advanced/metastatic tumor	Phase 1	Nov-2020	Australia	
ADG116		advanced solid tumor	Phase 1	Aug-2020	Australia	
				Oct-2019	U.S.	
Ipilimumab Biosimilar						
IBI310	Innovent	acral melanoma after surgery	Phase 3	Feb-2020	China	Sintilimab (PD-1)
		advanced HCC	Phase 3	Jan-2021	China	Sintilimab (PD-1)
		advanced cervical cancer	Phase 2	Oct-2020	China	Sintilimab (PD-1)
HL06	Hualan Genetic Engineering	unresectable/metastatic melanoma	Phase 1/2	Sep-2019	China	
CS1002	CStone Pharmaceuticals	advanced solid tumor	Phase 1	Dec-2019	China	
		advanced solid tumor	Phase 1	May-2018	Australia	CS1003 (PD-1)
MV049	Mab-Venture Biopharm	advanced solid tumor	Phase 1	Jul-2019	China	

Notes:

1. *By July 2021.*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*
3. *BMS-986249 is a probody of Ipilimumab.*
4. *HBM4003 is a heavy chain antibody, KN044 is a single domain Fc fusion protein.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

MARKETING AND BUSINESS DEVELOPMENT

We adopted a global research and development strategy for our Core Products to penetrate into the market. We plan to adopt localized commercialization strategies for both domestic and overseas markets. For the domestic market, we plan to partner with principal investigators with high industry influence and expertise, publish our clinical trial results in academic conferences and journals for physician education, recruit market analysts and product promotion specialists to tailor commercializing strategies for each of our Core Product candidates, engage distributors that have broad hospital coverage, and assemble a full-fledged in-house commercialization team with expertise in medical, sales and marketing, regulatory and supply chain areas. For the overseas market, we plan to partner with local pharmaceutical companies to utilize their local sales networks and other resources to achieve win-win results and maximize the commercial value of our Core Products.

During the Track Record Period and up to the Latest Practicable Date, we had not commercialized any of our Core Products. We have not yet formulated any definitive pricing policy for our Core Products. When our Core Product candidates progress to commercialization in the future, we will determine their prices based on various factors such as our Core Products' advantages, costs and the prices of competing products. We plan to conduct extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our Core Products, and intend to take into account various factors such as feedback collected from these parties, our production costs, the differences in safety and efficacy profiles, the estimated demand for our Core Products, and the clinical value we bring to the patients to price our Core Products.

We will also consider seeking inclusion of our Core Products into the NRDL and other reimbursement programs. Inclusion into the NRDL is evaluated and determined by the relevant government authorities and we may face significant competition for successful inclusion. If we fail to have our Core Products included in the NRDL after commercialization, our sales channels may be limited and our revenue from commercial sales will be highly dependent on patient self-payments, which could make our products less competitive. Additionally, even if our Core Products are included into the NRDL, our profit margins from the sale of these Core Products could be negatively impacted by bidding competition, price control or other reasons.

OUR PRE-CLINICAL RESEARCH SERVICES

Our pre-clinical research services primarily include services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development. We have significant expertise in testing novel therapeutics such as monoclonal antibody (mAbs), chimeric antigen receptor T-cells (CAR-Ts), gene therapy and other therapeutic modalities to support drug discovery and development worldwide. Our services utilize a large collection of genetically humanized mouse models for checkpoint inhibitors and cytokine/cytokine receptors as well as highly immune-deficient B-NDG mice (i.e. a gene

edited mouse strain with an ultra-immunodeficient phenotype, generated by deleting the IL2rg gene from NOD-scid mice) generated by us and their variants. Our pre-clinical pharmacology services include *in vivo* efficacy, pharmacokinetics/pharmacodynamics (PK/PD), biomarker assessments, toxicology and safety evaluation, *in vitro* immune cell and cytokine profiling and cell functional assays. Our pre-clinical pharmacology studies have supported a number of IND applications and clinical trials. During the Track Record Period, our revenue was mainly generated from our pre-clinical research services. We are generally entitled to collect fees for services provided and animal models sold.

OUR STRENGTHS

We believe that the following competitive strengths help differentiate us from our competitors:

- Clinical and pre-clinical pipeline of novel and differentiated antibody drug candidates;
- Proven gene editing technology platform serving as the foundation of our antibody discovery mouse models and disease animal models;
- Project Integrum (千鼠萬抗): Our unique and innovative large scale antibody drug discovery program;
- RenMice platforms for generation of a diverse repertoire of fully human antibodies;
- Extensive portfolio of animal models, large-scale animal production and *in vivo* efficacy studies; and
- Seasoned management team with global vision, in-depth know-how, and a proven track record of efficient execution.

OUR STRATEGIES

We will continue to increase our investment in novel drug development. Leveraging our RenMice platform with proprietary IP rights and full-chain drug development platform, we plan to continue to explore monoclonal antibodies, bi-specific antibodies and ADC therapies, with a focus on oncology and autoimmune disease therapeutics, to complete the vital transformation from a R&D-focused biotechnology company to a fully-integrated biopharmaceutical company. We are committed to the discovery, development and commercialization of novel and differentiated antibody therapeutics to address significant unmet medical needs globally. We aim to achieve our goal and mission through the following strategies:

- Enhance our business development and strengthen global partnerships;

- Accelerate Project Integrum with a focus on the discovery of novel and differentiated antibodies;
- Strategically deploy the development of bi-specific antibodies and bi-specific ADC drugs from our RenLite fully-human antibody mouse platform;
- Rapidly advance clinical development to accelerate the commercialization of pipeline products;
- Promote pre-clinical research services through our gene edited animal models as well as Project Integrum, and continue to explore overseas markets; and
- Creatively develop new technology platform and initiate a new field of innovative drug research and development.

RESEARCH AND DEVELOPMENT

We are committed to providing innovative services to support our customers' groundbreaking and complex new drug research and development projects in China and around the world. Towards this goal, we have constantly invested in improving our technologies and advancing our service capabilities, as well as actively participated in major government-sponsored research projects. Such investments have allowed us to remain at the forefront of the latest technology trend in our industry, develop novel solutions for our customers and maintain our competitive position. We strive to further enhance our technical capability through internal research and development, cooperation with universities and research institutions, collaboration with our partners and customers as well as through acquisition of technologies that create synergies with ours.

We are dedicated to enhancing our pipeline by leveraging our leading in-house research and development capabilities, which spans from early drug discovery to clinical development. As of the date of this Document, our research and development team has discovered and/or developed our current pipeline of 12 drug candidates.

To cultivate a high-quality talent pool and ensure delivery of professional services, we have developed on-site training programs that provide training courses on a variety of cutting-edge scientific and technical topics, as well as also tracking, evaluating and reporting each employee's training progress.

We have a dedicated team of 813 research and development personnel in charge of specific research and development projects, as of the Latest Practicable Date. In 2020 and 2021, our research and development expenses amounted to RMB276.3 million and RMB558.5 million, respectively. Our research and development expenses incurred for our Core Products, YH003 and YH001, were RMB43.4 million and RMB92.9 million in 2020 and 2021, respectively.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had 208 registered trademarks, 89 registered patents and four software copyrights, and filed 254 patent applications in 17 countries or regions. As of the Latest Practicable Date, we had two issued patents and 30 filed patent applications in relation to our Core Products. We currently do not own any material granted patent in respect of the RenMice platforms. All of the Company's material patents and pending patent applications are self-owned.

The following table sets forth an overview of our material patents and patent applications in connection with our Core Products as of the Latest Practicable Date:

Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
YH001	PCT/ CN2017/102816	Invention	Eucure (Beijing)	ANTI-CTLA-4 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2017/09/21	Pending	N/A
	U.S. Patient No. 11,034,764	Utility	Encure (Beijing)	ANTI-CTLA-4 ANTIBODIES AND USES THEREOF	U.S.	2017/09/21	Granted	September 2037
YH003	PCT/ CN2018/096494	Invention	Eucure (Beijing)	ANTI-CD40 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2018/07/20	Pending	N/A
	U.S. Patent No. 11,142,582	Utility	Eucure (Beijing)	ANTI-CD40 ANTIBODIES AND USES THEREOF	U.S.	2018/07/20	Granted	July 2038

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not a party to any legal or administrative proceedings in connection with intellectual property rights or otherwise, and we are not aware of any instances of infringement of any third parties' intellectual property rights by us which could materially and adversely affect our business.

MANUFACTURING

Drug Candidate Manufacturing

We currently outsource the production of drug candidates to a limited number of highly reputable contract development manufacturing organizations (CDMOs). For example, MabPlex International (煙台邁百瑞國際生物醫藥有限公司) is the main CDMO we have engaged to provide YH001, YH002, YH003 and YH004 manufacturing services. Service contract and quality agreement have been signed with MabPlex. A series of procedures have been adopted in the quality agreement to ensure that the production qualifications, facilities and processes of our CDMOs comply with the relevant regulatory requirements and our internal standard operating procedures (SOPs). We select our CDMOs by reviewing a number of factors, including their qualifications, relevant expertise, production capacity, geographic proximity, reputation, track record, product quality, reliability in meeting delivery schedules and the financial terms offered by them. We commission these CDMOs to develop and manufacture drug substances and drug products to support our clinical development. To monitor and evaluate the services performed by our CDMOs, we set a series of predefined specifications on in-process control and release tests, and review manufacturing related documents, including batch records and quality control test results, to ensure specifications are met. In addition, we conduct annual audits and when there is major deviation from process protocol, special ad hoc audits might be initiated on our CDMOs. We are constructing our CMC manufacture base in Haimen, China. Upon completion by end of 2022, it will have two 200L manufacturing lines, two 500L manufacturing lines and two 2,000L manufacturing lines. We believe our Haimen manufacture base will strengthen our manufacture capabilities.

Animal Model Production

We have established model animal production centers, including three animal facilities encompassing a total of 55,500 sq.m. animal facilities, with an annual supply capacity of 800,000 gene edited mice. Our large facilities allow us to have a broad set of genetically engineered mice, disease mouse models and aged small animal with a significant cost advantage.

OUR CUSTOMERS

Our pre-clinical research services have a large, high-quality, loyal and expanding customer base. Most of our customers are pharmaceutical and biotechnology companies, including Chinese and global leading pharmaceutical companies and small-to-medium-sized biotechnology companies. The total number of customers we served annually increased from 782 in 2020 to 796 in 2021. During the Track Record Period, we worked with nine of the top ten largest pharmaceutical companies globally, according to Frost & Sullivan. We have also provided services to a growing number of innovative biotechnology companies. As we have not yet marketed any of our drug candidates as of the Latest Practicable Date, all of our customers are customers of our pre-clinical research services.

As of December 31, 2021, we had served our top five customers for an average of over three years. Our experience and capabilities in gene editing has also allowed us to attract our existing customers to our growing pre-clinical pharmacology and efficacy evaluation and animal models selling and related services. As we continue to expand our service capability and geographic footprint, we have helped Chinese customers with global drug applications and overseas customers with their drug applications in both China and overseas. In particular, with our global standards, world-class service quality and advanced technology, equipment and facilities, we have become an attractive pre-clinical research service provider for overseas customers to perform complex non-clinical studies in China for their overseas drug applications. The number of overseas customers we served grew from 166 in 2020 to 215 in 2021.

We did not have any substantial customer concentration during the Track Record Period. The total revenues generated from our five largest customers increased from RMB48.3 million in 2020 to RMB81.6 million in 2021. In 2020 and 2021, our five largest customers together accounted for 19.0% and 23.0%, respectively, of our total revenues, and our largest customer accounted for 6.0% and 11.2%, respectively, of our total revenues during such periods. For risks related to any loss of key customers, see "Risk Factors – Risks Relating to Our Business and Industry – We face increasing competition. If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers. Our inability to compete effectively may result in downward pricing pressure and reduced demand for our products and services."

OUR SUPPLIERS

In light of our comprehensive services offerings, we procure a wide variety of supplies such as general experimental consumables, equipment and research models, and rodents, mainly for our non-clinical services and laboratory services. In addition, we procure CRO and CDMO services for our clinical and pre-clinical pipelines, such as clinical research services, pre-clinical CMC and antibody safety evaluation services. The general experimental consumables, such as reagents, and equipment are available from various suppliers in quantities adequate to meet our needs. During the Track Record Period, we had not experienced any material difficulty in procuring a sufficient supply of general experimental consumables or equipment.

Our major suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. In 2020 and 2021, we spent RMB837.5 million and RMB833.6 million, respectively, in procuring various supplies from our suppliers.

The total amount purchased from our five largest suppliers amounted to RMB503.7 million and RMB314.5 million for 2020 and 2021, respectively. In 2020 and 2021, the total amount purchased from our five largest suppliers together accounted for 60.1% and 37.7%, respectively, of our total procurements amount during such periods.

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct annual on-site audits.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS, CONTROLLING PARTIES AND CONCERT PARTIES

Our single largest group of Shareholders consists of the Controlling Parties and the Employee Incentive Platforms, which are controlled by Dr. Shen as sole general partner and sole managing partner. They are also the Concert Parties.

Our Controlling Parties, namely Dr. Shen and Dr. Ni, were founders of our Group and have always been the only natural persons ultimately controlling our operations and management since the establishment of our Company in November 2009. Dr. Shen and Dr. Ni are spouses.

The Employee Incentive Platforms, which are limited liability partnerships established in the PRC for employee incentive purpose, are parties to the AIC Agreement together with the Controlling Parties. They are therefore the Concert Parties. For details, please see the section headed "History, Reorganization and Corporate Structure - AIC Agreement" in this Document.

As at the Latest Practicable Date and immediately prior to the completion of the **[REDACTED]**, our single largest group of Shareholders were, and shall continue to be, interested in approximately 29.4% of our total issued share capital collectively. For details of the shareholding of our single largest group of Shareholders immediately prior to and following the completion of the **[REDACTED]**, please refer to the section headed "History, Reorganization and Corporate Structure" in this Document.

OUR [REDACTED]

Since 2012, we have secured **[REDACTED]** of an aggregate amount of approximately RMB2,018 million pursuant to the respective capital increase agreements. Our **[REDACTED]** include, among others, State Development & Investment Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)), which is a Sophisticated Investor. After the **[REDACTED]**, it is expected that SDIC Shanghai will hold approximately **[REDACTED]** in the total share capital of our Company. Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all current Shareholders (including the **[REDACTED]**) could not dispose of any of the Shares held by them. Please refer to the section headed "History, Reorganization and Corporate Structure – Detailed Terms of the **[REDACTED]**" in this Document.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical financial information set forth below has been derived from and should be read in conjunction with our consolidated financial information, including the accompanying notes set forth in the Accountants' Report included in Appendix I to this Document, as well as the information in "Financial Information" included in this Document. Our financial information was prepared in accordance with IFRS.

Summary of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth our key consolidated statements of profit or loss items indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Document.

	Years ended 31 December,					
	2020			2021		
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**253,542**	**–**	**253,542**	**354,555**	**–**	**354,555**
Cost of sales	(86,549)	–	(86,549)	(107,115)	–	(107,115)
Gross profit	**166,993**	**–**	**166,993**	**247,440**	**–**	**247,440**
Other gains and losses, net	8,748	–	8,748	25,569	–	25,569
Net change in fair value of biological assets	–	19,211	19,211	–	9,812	9,812
Selling and marketing expenses	(31,656)	–	(31,656)	(42,032)	–	(42,032)
General and administrative expenses	(245,416)	–	(245,416)	(188,120)	–	(188,120)
Research and development expenses	(276,306)	–	(276,306)	(558,485)	–	(558,485)

	Years ended 31 December,					
	2020			2021		
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loss from operations	**(377,637)**	**19,211**	**(358,426)**	**(515,628)**	**9,812**	**(505,816)**
Finance costs	(22,537)	–	(22,537)	(39,425)	–	(39,425)
Changes in the carrying amount of financial instruments issued to investors	(95,815)	–	(95,815)	–	–	–
Share of profit/(loss) of an associate	87	–	87	(402)	–	(402)
Loss before taxation	**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Income tax	–	–	–	–	–	–
Loss for the year	**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Attributable to:						
Equity shareholders of the company			(428,091)			(545,576)
Non-controlling interests			(48,600)			(67)
Other comprehensive income for the year/ period (after tax)						
- Exchange differences on translation of financial statements of foreign operations			1,903			581
Total comprehensive loss for the year			**(474,788)**			**(545,062)**

During the Track Record Period, our revenue was mainly generated from pre-clinical research services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development. We currently have no product approved for commercial sale and have not generated any revenue from product sales. We have incurred operating losses during the Track Record Period. Our loss before taxation was RMB476.7 million and RMB545.6 million in 2020 and 2021, respectively. Substantially all of our loss resulted from research and development expenses and general and administrative expenses.

Our biological assets mainly consist of mice for breeding and mice for selling. Our biological assets are measured at initial recognition and at the end of each reporting period with their fair value less costs to sell, except where the fair value cannot be measured reliably. The feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for raising mice are capitalized until mice begin to mate and transfer to our mice camp for breeding. Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in profit or loss for relevant financial periods.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional appraiser, and we intend to continue such engagement for fair values evaluation going forward. In valuing our biological assets, the independent appraiser has relied on a number of major parameters and assumptions which may vary from time to time. The fair value of our biological assets as of December 31, 2020 and 2021 was RMB53.8 million and RMB68.1 million, respectively. As of December 31, 2020 and 2021, the fair value of our biological assets represented 2.3% and 3.0% of our total assets, respectively. For 2020 and 2021, the net effect of biological assets fair value adjustments on our profit for the year were positive of RMB19.2 million and positive of RMB9.8 million, respectively. See "Financial Information – Valuation of Biological Assets" for details.

Our research and development expenses increased from RMB276.3 million in 2020 to RMB558.5 million in 2021. Such increase was primarily due to (i) our increased staff costs as a result of the increasing number of research and development employees, (ii) our increased commission service fee of Eucure, (iii) our increased direct material costs and (iv) our increased depreciation and amortization expenses. We expect to incur significant expenses, in particular increasing research and development expenses, and operating losses for at least the next several years as we further our pre-clinical research and development efforts, continue the clinical development of, and seek regulatory approval for, our product candidates, launch commercialization of our pipeline products, and add personnel necessary to operate our business. Subsequent to the **[REDACTED]** we expect to incur costs associated with operating as a **[REDACTED]**. We expect that our financial performance will fluctuate from period to period due to the development status of our product candidates, regulatory approval timeline and commercialization of our product candidates after approval.

For more details, see "Financial Information – Description of Selected Statements of Profit or Loss Items" in this Document.

Summary of Our Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the date indicated, which have been derived from the Accountants' Report set out in Appendix I to this Document.

	At December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	1,135,591	1,390,945
Intangible assets	2,428	6,055
Interests in associates	10,087	9,685
Other non-current assets	30,774	21,860
	1,178,880	1,428,545
Current assets		
Inventories	7,980	15,140
Contract costs	20,816	41,812
Biological assets	53,845	68,131
Trade receivables	67,226	103,089
Prepayments and other receivables	47,727	79,621
Other financial assets	200,000	100,000
Cash at bank and on hand	750,044	466,445
	1,147,638	874,238
Current liabilities		
Trade and bills payables	87,599	102,441
Contract liabilities	47,512	61,581
Other payables	179,248	255,640
Lease liabilities	14,106	26,897
	328,465	446,559
Net current assets	**819,173**	**427,679**
Total assets less current liabilities	**1,998,053**	**1,856,224**
Non-current liabilities		
Deferred income	90,121	92,797
Lease liabilities	66,812	62,902
Long-term payables	382,879	448,554
	539,812	604,253
Net assets	1,458,241	1,251,971
Non-controlling interests	4,830	4,763

For more details, see "Financial Information – Discussion of Selected Consolidated Statements of Financial Position Items" in this Document.

Summary of Our Consolidated Statements of Cash Flows

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

	For the years ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Operating cash flows before changes in working capital	(196,077)	(355,600)
Net cash used in operating activities	(225,313)	(365,778)
Net cash (used in)/generated from investing activities	(188,180)	(84,131)
Net cash generated from/ (used in) financing activities	868,442	219,440
Net increase (decrease) in cash and cash equivalents	454,949	(230,469)
Cash and cash equivalents at January 1	246,384	697,294
Effect of foreign exchange rate changes	(4,039)	(380)
Cash and cash equivalents at December 31	697,294	466,445

Our net cash used in operation activities was RMB225.3 million and RMB365.8 million for 2020 and 2021, respectively. During the Track Record Period, we incurred negative cash flows from our operations, and substantially all of our operating cash outflows have resulted from our research and development expenses. As our business develops and expands, we expect to generate more cash flow from our operating activities, through our services offering of gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development, as well as from launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

During the Track Record Period, we derived our cash inflows from financing activities primarily from capital injections by our shareholders. Our management closely monitors the use of cash and cash balances and has maintained a healthy liquidity for our operations. As our business develops and expands, we expect to generate more cash flow from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency. Specifically, we will (i) further increase our sales of our pre-clinical research service, (ii) rapidly advance our pipeline products towards commercialization to generate revenue from product sales and (iii) enhance working capital management efficiency.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets, and lease payments. We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** million in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and assuming

an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the low-end of the indicative **[REDACTED]** in this Document. Assuming an average cash burn rate going forward of 2.0 times the level in 2021, we estimate that our cash at bank and on hand and other financial assets (RMB100.0 million certificate of deposit which can be sold before maturity) as of December 31, 2021 will be able to maintain our financial viability for 25 months from December 31, 2021 taking into account the estimated **[REDACTED]** from the **[REDACTED]**. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

Key Financial Ratios

The following table sets forth the current ratio of our Group as of the dates indicated.

	As of December 31,	
	2020	**2021**
Current ratio[(1)]	3.49	1.96
Quick ratio[(2)]	3.47	1.92

Notes:

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

(2) Quick ratio equals current assets excluding inventories, divided by current liabilities.

The decrease in current ratio and quick ratio as of December 31, 2021 as compared to those as of December 31, 2020 were primarily due to a decrease in our current assets, in which cash at bank and on hand decreased significantly.

[REDACTED]

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the near future. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions and contractual restrictions.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

USE OF [REDACTED]

We estimate that the aggregate net **[REDACTED]** to our Company from the **[REDACTED]** (after deducting **[REDACTED]** and estimated expenses in connection with the **[REDACTED]** payable by us and assuming that the **[REDACTED]** is not exercised and an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** stated in this Document) will be approximately HK$**[REDACTED]**. We currently intend to apply such net **[REDACTED]** for the following purposes:

We intend to use the net **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

Allocation of the estimated net [REDACTED]	Proposed main purposes
[REDACTED]%, or HK$**[REDACTED]**	Fund further clinical research and development of our Core Products, YH003 and YH001;
[REDACTED]%, or HK$**[REDACTED]**	Fund our antibody drug discovery and development in connection with our Project Integrum;
[REDACTED]%, or HK$**[REDACTED]**	Fund pre-clinical and clinical development of our other pipeline products, YH002, YH004, YH008, YH009, YH006, YH010, YH012 and YH013; and
[REDACTED]%, or HK$**[REDACTED]**	Working capital and other general corporate purposes

For further details, see "Future Plans and Use of **[REDACTED]**" in this Document.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. For further details about these risks, please see the section headed "Risk Factors" in this Document. Some of the major risks we face include:

- We face fierce competition from existing products and product candidates under development in the entire oncology market and competition in therapeutic areas such as oncology and to which our products belong is extremely fierce. Our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do. If we fail to effectively compete with our competitors, our competitive position in our target markets may be undermined, our drug candidates, if and when approved, may fail to be commercially successful and our business, financial condition, results of operations and prospects could suffer.

- Our business and prospects depend substantially on the success of our Project Integrum. If we are unable to successfully complete the antibody therapeutic discovery, enter into collaboration with third parties to successfully develop our drug candidates, or if these third parties do not successfully carry out their contractual duties or meet expected timelines, our business and profitability may be affected.

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

- We invest substantial resources in research and development to develop our drug candidates and enhance our technologies but we cannot assure you that our research and development efforts will be successful. Furthermore, failures in our research and development efforts may reduce demand for our products and harm our business and future prospects.

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

- The actual market size of our drug candidates might be smaller than expected and our future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community that would be necessary for their commercial success.

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

- We have entered into collaborations with our partners and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our collaboration partners, which could adversely affect our business operations and financial condition.

- A reduction in customer demand for or spending on gene editing services, animal models, pre-clinical pharmacology and efficacy evaluation services, and other services could have a material adverse effect on our business, financial condition, results of operations and prospects.

- All material aspects of the provision of research and development services and the research, development, manufacturing and commercialization of our drug candidates are heavily regulated.

- We currently do not own any material granted patent in respect of the RenMice platforms. If we are unable to obtain and maintain patent protection for our technology and drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us.

- We have incurred significant net losses since our inception, and we expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. **[REDACTED]** are at risk of losing substantially all of their **[REDACTED]** in our Shares.

[REDACTED]

[REDACTED] mainly comprise legal and other professional fees paid and payable to the professional parties, **[REDACTED]** payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** for the **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including (i) **[REDACTED]** and incentive fees of approximately HK$**[REDACTED]** and (ii) **[REDACTED]** expenses of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of legal advisors and accountants of approximately HK$**[REDACTED]** and (b) other fees and expenses of approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]**), which represents approximately **[REDACTED]**% of the gross **[REDACTED]** we expect to receive from this **[REDACTED]** assuming no Shares are issued pursuant to the **[REDACTED]**. HK$**[REDACTED]** were recognized and charged to our consolidated statements of profit or loss in 2021. After December 31, 2021, approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and

approximately HK$**[REDACTED]** is expected to be charged against equity upon the **[REDACTED]**. The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

CERTAIN WAIVER FROM COMPLIANCE WITH THE LISTING RULES

[REDACTED]

RECENT DEVELOPMENTS

Clinical Development Status

Our IND application to the NMPA to conduct Phase II MRCTs of YH001 (in combination with toripalimab) in China had been accepted on August 26, 2021. Additionally, in October 2021, we received the NMPA approval for Phase II MRCT of YH003 and the Taiwan FDA approval for Phase II MRCT of YH001.

Regulatory Updates

On November 19, 2021, the CDE introduced the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》), or the Guiding Principle, for anti-tumor drugs, which states that the fundamental purpose of the drug market is to address the needs of patients, and emphasizes that drug research and development should be based on patient needs and clinical value. The Guiding Principle discourages repetitive research and development of "me-too drugs" (drugs with identical mechanisms of actions) and excessive waste.

The Guiding Principle encourages drug companies to develop potentially best-in-class and first-in-class anti-tumor drugs, which we believe will significantly benefit biopharmaceutical companies dedicated to the research and development of "me-better drugs" and "first-in-class drugs." In the long run, the Guiding Principle is expected to lead to a healthier pharmaceutical industry primarily focusing on value creation instead of price competition which is driven by the proliferation of "me-too drugs." We believe that the Guiding Principle will accelerate anti-tumor drug development in China by directing resources to true innovation.

Our research and development philosophy has been consistent with the Guiding Principle, and thus we do not expect to encounter any material difficulties to comply with it. For

example, we adopted dose escalation therapies of the Core Products and PD-1 on a combined basis in the clinical trial designs, which are the latest and most pro-patient clinical design worldwide, according to Frost & Sullivan, and such designs echo the spirit of the Guiding Principle. We believe the Guiding Principle will have a beneficial rather than material adverse effect to us in the mid- to long-term, as we have been following the latest international standards, including performing global MRCTs, and are firmly committed to the discovery, development and commercialization of first-in-class and/or best-in-class antibody therapeutics. In addition, the Guiding Principle would be less competitive to recruit patients eligible for clinical trials, as projects failing to meet the Guiding Principle will be likely fading out, which in turn is likely to accelerate the commercialization of our pipeline products as a result of easier recruitment of patients for clinical trials.

Impact of the COVID-19 Outbreak

The outbreak of COVID-19 since the end of 2019 did not have a material and adverse impact on our business, financial condition and results of operations. In particular, as of the Latest Practicable Date, we had not experienced any suspension of our business operations, any early termination of our clinical trials or necessitated removal of any patients enrolled in our clinical trials, or any cancellation of services from our customers. Our Directors believe that, based on information available as of the date of this Document, the outbreak of COVID-19 is unlikely to result in a material adverse impact on our business, financial condition or results of operations, based on the following:

- *Our clinical development.* Although we experienced minor delays in the patient enrollment process and data entry at the beginning of the COVID-19 outbreak, the situation has since improved due to the enhanced containment policies and the gradual control of the COVID-19 outbreak. To minimize the temporary impacts of the COVID-19 outbreak during its early phase, we have mobilized resources and leveraged our research and development capabilities to catch up development programs and strive to re-mediate the temporary disruption caused by the COVID-19 outbreak. As of the Latest Practicable Date, we had resumed the normal patient enrollment and data entry for our clinical trials, and had not encountered any material adverse effects on our collaboration with third party service providers for our clinical development,

- *Our daily operation*. We have resumed our normal operations since February 2020 and most of our employees returned to work from office. Since the COVID-19 outbreak from the end of 2019 and up to the Latest Practicable Date, we had no suspected or confirmed COVID-19 cases on our premises or among our employees in China. To prevent any spread of COVID-19 in our offices, we have adopted various disease prevention measures, which include, among others, regularly sterilizing and ventilating our offices, screening the body temperature of our employees, and providing face masks and hand sanitizers to employees in our offices.

- *Supply chain and cooperation with third parties*. Since the COVID-19 outbreak and up to the Latest Practicable Date, save for higher logistics costs which do not have a material impact on our operations, we had not experienced any material disruption to our supply chain or adverse effect on our cooperation with third parties due to the COVID-19 outbreak.

- *Regulatory affairs.* To the knowledge of our Directors, in the early phase of the COVID-19 outbreak, the evaluation process of the NMPA for applications were slower than usual, but the NMPA has resumed their normal review process since May 2020. In addition, as the foreign competent government authorities, particularly the FDA and the TGA, are currently in normal operations, we expect that our communications and filings with these authorities will not be significantly affected by the outbreak of COVID-19.

No Material Adverse Change

Our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2021, the end of the period reported in the Accountants' Report set out in Appendix I to this Document.

In this Document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Document.

"affiliate"	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
"AIC Agreement(s)"	collectively, the concert party agreements dated December 4, 2017, July 25, 2019, and September 24, 2020 entered into among the Concert Parties, each an "AIC Agreement"
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix VI in this Document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Baiao Changsheng"	Beijing Baiao Changsheng Technology Development Center (Limited Partnership) (北京百奧常盛科技發展中心（有限合夥）), a limited partnership established in the PRC on June 24, 2019, of which Dr. Shen is the sole general partner, and a member of a Concert Party
"Baiao Evergreen"	Beijing Baiao Evergreen Technology Development Center (Limited Partnership) (北京百奧常青科技發展中心（有限合夥）), a limited partnership established in the PRC on April 12, 2016, of which Dr. Shen is the sole general partner, and a member of a Concert Party
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
	[REDACTED]
"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 Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China excluding, for the purpose of this Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"China Resources Biopharm"	China Resources Biopharmaceutical Co., Ltd. (華潤生物醫藥有限公司)
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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"	Biocytogen Pharmaceuticals (Beijing) Co., Ltd.* (百奧賽圖（北京）醫藥科技股份有限公司), a limited liability company incorporated in the PRC on November 13, 2009 and converted into a joint stock limited liability company incorporated in the PRC on December 29, 2020 whose predecessor was Beijing Biocytogen Gene Biotechnology Co., Ltd.* (北京百奧賽圖基因生物技術有限公司)
"Concert Parties"	refers to members of the single largest group of Shareholders immediately prior to the completion of the **[REDACTED]**, namely, the Controlling Parties and the Employee Incentive Platforms, each a "Concert Party"
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Parties"	Dr. Shen and Dr. Ni, being the natural persons ultimately controlling the management and operations of our Group, and members of our single largest group of Shareholders

"Core Products"	YH001 and YH003, the designated "core products" as defined under Chapter 18A of the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CSDCC"	China Securities Depository and Clearing Corporation Limited* (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
"Dr. Ni"	Dr. Ni Jian (倪健), the founder of our Company and an executive Director, the spouse of Dr. Shen, a Controlling Party, and a Concert Party
"Dr. Shen"	Dr. Shen Yuelei (沈月雷), the founder of our Company, chairman of the Board, an executive Director, the spouse of Dr. Ni, a Controlling Party, and a Concert Party
"Dr. Yu"	Dr. Yu Changyuan (喻長遠), an independent non-executive Director
"Dr. Zhang"	Dr. Zhang Haichao (張海超), an executive Director
"Dr. Zhou"	Dr. Zhou Kexiang (周可祥), a non-executive Director
"Dragon Boat Biopharmaceutical"	Dragon Boat Biopharmaceutical (Shanghai) Co., Ltd. (寶船生物醫藥科技(上海)有限公司)
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) adopted by the Tenth National People's Congress on March 16, 2007, and effective on January 1, 2008

"Employee Incentive Schemes"	the employee incentive schemes of our Company approved and adopted by our Board, a summary of the principal terms of which is set forth in "Appendix VII – Statutory and General Information – Further Information About Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes" in this Document
"Employee Incentive Platforms"	Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng
"Eucure Changsheng"	Beijing Eucure Changsheng Technology Development Center (Limited Partnership) (北京祐和常盛科技發展中心（有限合夥）), a limited partnership established in the PRC on September 1, 2020, of which Dr. Shen is the sole general partner, and a Concert Party
"Eucure Evergreen"	Beijing Eucure Evergreen Technology Development Center (Limited Partnership) (北京祐和常青科技發展中心（有限合夥）), a limited partnership established in the PRC on May 9, 2020, of which Dr. Shen is the sole general partner, and a Concert Party
"Exchange Participant"	a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FRC"	Financial Reporting Council
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
"Frost & Sullivan Report"	the report commissioned by the Company and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this Document

"GeneQuantum"	GeneQuantum Healthcare (Suzhou) Co. Ltd. (啟德醫藥科技(蘇州)有限公司)
	[REDACTED]
"Group," "our Group," "we" or "us"	our Company and our subsidiary
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which is/are to be subscribed for and traded in HK dollars and to be **[REDACTED]** on the Hong Kong Stock Exchange
	[REDACTED]
"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" or "HK"	the Hong Kong Special Administrative Region of the PRC
	[REDACTED]

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

"IFRS"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"independent third party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

[REDACTED]

[REDACTED]

"Joint Sponsors"	Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited
"Latest Practicable Date"	February 25, 2022 being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication
	[REDACTED]
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
	[REDACTED]
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Mabworks Biotech"	Beijing Mabworks Biotech Company Limited (北京天廣實生物技術股份有限公司)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on September 29, 1994
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Hua"	Mr. Hua Fengmao (華風茂), an independent non-executive Director
"Mr. Huang"	Mr. Huang Xiaolu (黃小魯), a non-executive Director
"Mr. Wei"	Mr. Wei Yiliang (魏義良), a non-executive Director
"Ms. Liang"	Ms. Liang Xiaoyan (梁曉燕), an independent non-executive Director
"NDRC"	the 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 (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"North China Pharmaceutical"	North China Pharmaceutical Group New Drug R&D Co., Ltd. (華北製藥集團新藥研究開發有限責任公司)
	[REDACTED]

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities
"PRC Legal Advisor"	Zhong Lun Law Firm, our legal advisor as to PRC laws

[REDACTED]

"Property Valuation Report"	the text of a letter, the summary of values and valuation certificates from Asia-Pacific Consulting and Appraisal Limited, as set out in Appendix III to this Document
	[REDACTED]
"Province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"Qualified Institutional Buyer" or "QIB"	a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"RemeGen"	RemeGen Co., Ltd. (榮昌生物製藥(煙台)股份有限公司)
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (國家税務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"Shanghai Institute of Biological Products"	Shanghai Institute of Biological Products Co., Ltd. (上海生物製品研究所有限責任公司)

"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each, comprising our Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program to be developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shenzhen
"Sophisticated Investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the periods comprising the two financial years ended December 31, 2020 and 2021

[REDACTED]

"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange, and Domestic Shares
"Unlisted Foreign Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar", "US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S. FDA" or "FDA"	U.S. Food and Drug Administration
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

* *For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

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

"AAALAC"	Association for Assessment and Accreditation of Laboratory Animal Care
"ADA"	anti-drug antibody, an antibody triggered by the use of a biological anti-cancer drug. ADA may affect the efficacy and safety of the drug
"ADC"	antibody-drug-conjugates, a new class of highly potent biological drugs built by attaching a small molecule anticancer drug or another therapeutic agent to an antibody, with either a permanent or a labile linker
"ADCC"	antibody-dependent cell-mediated cytotoxicity, a mechanism of cell-mediated immune defense whereby an effector cell of the immune system actively lyses a target cell, whose membrane-surface antigens have been bound by specific antibodies
"AE" or "adverse event"	any untoward medical occurrences in a patient or clinical investigation subject who has been administered with a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"animal model"	a non-human species used in medical research to mimic aspects of a disease found in humans, so as to obtain information about a disease and its prevention, diagnosis, and treatment
"APC"	Antigen-presenting cell(s)
"B-cell" or "B cell"	a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies
"BLA"	biologics license application
"B-NDG"	a single knockout mouse with an ultra-immunodeficient phenotype, generated by Biocytogen by deleting the IL2rg gene from NOD-scid mice

"CAR(s)"	chimeric antigen receptor(s), receptor proteins that have been engineered to give T cells the new ability to target a specific protein
"CAR-T" or "CAR T"	chimeric antigen receptor T-cell, T cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy
"CD40"	Cluster of Differentiation 40, a costimulatory protein found on antigen-presenting cells, essential in mediating immune and inflammatory responses
"CD47"	Cluster of Differentiation 47, a transmembrane protein involved in apoptosis, proliferation, adhesion, and migration
"CDC"	complement-dependent cytotoxicity, an effector function of IgG and IgM antibodies
"CDE"	Center for Drug Evaluation , an institution under the NMPA
"CDMO(s)"	contract development manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CDX"	cell derived xenograft
"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 therapeutic agents for a single disease
"CRISPR/Cas9"	a gene-editing technology which edits genes by precisely cutting DNA and letting natural DNA repair processes to take over

"CRISPR/EGE"	Extreme Genome Editing, a site-specific gene editing system based on the CRISPR/Cas9 gene targeting platform developed by Biocytogen
"CRO(s)"	contract research organization(s), a company which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis
"CTLA-4"	a protein receptor expressed constitutively on T cells that functions as an immune checkpoint and downregulates immune responses
"C57BL/6"	a common inbred strain of laboratory mouse
"DLT"	dose-limiting toxicity, a toxicity that prevents further administration of the agent at that dose level
"DNA"	deoxyribonucleic acid, a molecule that codes genetic information for the transmission of inherited traits
"DOR"	duration of response, the length of time that a tumor continues to respond to treatment without the cancer growing or spreading
"ELISA"	enzyme-linked immunosorbent assay, a plate-based assay technique for detecting and quantifying soluble substances such as peptides, proteins, antibodies, and hormones
"EMA"	European Medicines Agency
"ES"	embryonic stem cells, stem cells derived from the undifferentiated inner mass cells of an embryo
"ESC/HR"	Embryonic Stem Cell/Homologous Recombination, the process of obtaining embryonic stem cells that have undergone targeted gene editing using the principle of homologous recombination. HR is a metabolic process in which genetic information is exchanged between two similar or identical molecules of double-stranded or single-stranded nucleic acids
"FDA"	Food and Drug Administration

"first-line"	with respect to any disease, the first line therapy, 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
"GCP"	good clinical practice
"Gene Editing"	a type of genetic engineering in which DNA is inserted, deleted, modified or replaced in the genome of a living organism
"GLP"	good laboratory practice
"gRNA"	Guide RNA, a piece of RNAs that function as guides for RNA- or DNA-targeting enzymes, which they form complexes with
"GVHD"	Graft versus Host Disease, a condition that might occur after an allogeneic transplant
"H2H"	head-to-head, a methodology used to test a drug candidate against others that are already on the market
"HAMA"	Human Anti-Murine Antibodies, antibodies found in humans which reacts to immunoglobins found in mice
"IgG"	Immunoglobulin G, the most common type of antibody found in blood circulation, created and released by plasma B cells.
"IgG1"	Immunoglobulin G1, the most abundant IgG subclass in human sera and is important for mediating antibody responses against viral pathogens
"IgG2"	Immunoglobulin G2, predominantly responsible for anticarbohydrate IgG responses against bacterial capsular polysaccharides
"IIT"	investigator-initiated trial, clinical studies sponsored and conducted by independent investigators
"immunotherapy"	a type of therapy that uses substances to stimulate or suppress the immune system for the treatment of diseases
"immune checkpoint(s)"	modulator(s) of the anti-tumor T cell immune response that are present on T cells, antigen-presenting cells and tumor cells; their interaction activates either inhibitory or activating immune signaling pathways

"immune checkpoint target(s)"	site(s) of attack of immune checkpoint inhibitors
"*in situ*"	in the normal location (site of origin) and has not invaded neighboring tissue or gone elsewhere in the body.
"*in vitro*"	a category of study conditions which are performed with microorganisms, cells, or biological molecules outside their normal biological context
"*in vivo*"	a category of study conditions in which the effects of various biological entities are tested on whole, living organisms or cells, usually animals, including humans, and plants, as opposed to a tissue extract or dead organism
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"MOA"	Mechanism of Action, the specific biochemical interaction through which a drug substance produces its pharmacological effect
"mRNA"	Messenger RNA, is read by a ribosome in the process of synthesizing a protein
"knockin"	the process of targeted insertion of an exogenous gene at a specific locus in the genome
"knockout"	the process of having a specific single gene inactivated or removed by genetic manipulation
"lymphocytes"	a sub-type of white blood cells, such as T cells, B cells and NK cells which determine the specificity of the immune response to infectious microorganisms and other foreign substances
"mAb" or "monoclonal antibody"	antibodies that are made by identical immune cells which are all clones belonging to a unique parent cell
"MRCT(s)"	multi-regional clinical trial(s)

"MTD"	maximum tolerated dose, the highest dose of a drug or treatment that does not cause unacceptable side effects
"monotherapy"	therapy that uses a single drug to treat a disease or condition
"NDA"	new drug application
"NK"	natural killer cell, the human body's first line of defense due to their innate ability to rapidly seek and destroy abnormal cells
"NKC"	natural killer cells
"NMPA"	National Medical Products Administration
"NRDL"	National Reimbursement Drug List
"NSCLC"	non-small-cell lung cancer
"oncology"	a branch of medicine that deals with tumors, including study of their development, diagnosis, treatment and prevention
"open-label"	a situation in clinical trials when both the researcher and the participant in a research study know the treatment the participant is receiving
"ORR"	overall response rate, the proportion of patients who have a partial or complete response to therapy
"OX40"	a receptor expressed on activated T cells which gives costimulatory signals to promote T cell division and survival
"PBMC"	Peripheral Blood Mononuclear Cell, any peripheral blood cell having a round nucleus.
"PCC"	pre-clinical candidate compound
"PCT"	Patent Cooperation Treaty

"PD" or "pharmacodynamics"	the branch of pharmacology concerned with the effects of drugs and the mechanism of their action
"PD-1"	programmed cell death protein 1 or programmed death receptor 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
"PFS"	progression-free survival, the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works
"Phase I clinical trial"	a study in which the researchers test an experimental drug or treatment in a small group of people for the first time. The researchers evaluate the treatment's safety, determine a safe dosage range, and identify side effects.
"Phase II clinical trial"	a study in which the experimental drug or treatment is given to a larger group of people to see if it is effective and to further evaluate its safety
"PIs"	principal investigators
"PK" or "pharmacokinetics"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug
"PR"	partial response
"pre-clinical studies"	pre-clinical 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

"RNA"	Ribonucleic Acid, a polymeric molecule essential in coding, decoding, regulation and expression of genes.
"RP2D"	recommended Phase II dose
"SD"	stable disease
"sgRNA"	Single Guide RNA, artificially programmed combination of two RNA molecules
"single-arm"	a clinical trial design where a sample of individuals with the targeted medical condition is given the experimental therapy and then followed over time to observe their response
"SIRPa"	Signal Regulatory Protein α, a regulatory membrane glycoprotein from SIRP family expressed mainly by myeloid cells and also by stem cells or neurons
"SPF"	Specific Pathogen Free, for laboratory animals that are guaranteed free of particular pathogens
"second-line" or "2L"	with respect to any disease, the therapy or therapies that are tried when the first-line (initial) treatments do not show adequate efficacy
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas
"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
"TAA target(s)"	tumor-associated antigens target(s), target(s) for antigenic substances produced in tumor cells
"target"	a cell or organ that is affected by a particular agent, such as a hormone or drug
"Target KO"	target knockout
"T-cell" or "T cell"	a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T-cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T-cell receptor on the cell surface

"TCR"	T-cell receptor, a protein complex found on the surface of T cells that is responsible for recognizing fragments of antigen as peptides bound to major histocompatibility complex molecules
"TEAE"	treatment emergent adverse event
"TNFR"	Tumor Necrosis Factor Receptor, membrane proteins that act as communication pathways that activate cell death pathways or induce the expression of genes involved in cellular differentiation and survival
"TNFα"	Tumor Necrosis Factor-α, an inflammatory cytokine produced by macrophages during acute inflammation, leading to necrosis or apoptosis
"Tol2"	an autonomously active transposon, containing a gene encoding a complete and functional transposase that is capable of identifying, excising, and reinserting the DNA element defined by its inverted terminal repeats (ITR) or other elements with the same ITRs
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals
"treatment-related adverse event" or "TRAE"	undesirable events not present prior to medical treatment or an already present event that worsens in intensity or frequency following the treatment
"UCA"	an in vitro method to determine sgRNA activity based on the Single Strand Annealing mechanism developed by Biocytogen
"3+3 dose escalation design"	a rule-based dose escalation schedule that starts by allocating lowest dosage level to first cohort, then adaptively escalates or de-escalates based on observed DLTs, and repeats until MTD is obtained or when trial is stopped
"4-1BB"	a receptor expressed on activated T cells and NK cells which gives costimulatory signals to promote T cell division and survival, activate cytotoxic effects and help form memory T cells

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains forward-looking statements and information relating to us and our subsidiary that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would," "vision," "aspire," "target," "schedules," and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

(a) our operations and business prospects;

(b) our ability to maintain relationship with, and the actions and developments affecting, our major customers, suppliers and subcontractors;

(c) future developments, trends and conditions in the industries and markets in which we operate or plan to operate;

(d) general economic, political and business conditions in the markets in which we operate;

(e) changes to the regulatory environment in the industries and markets in which we operate;

(f) the effects of the on-going COVID-19 crisis;

(g) our ability to maintain the market leading positions;

(h) the actions and developments of our competitors;

(i) our ability to effectively contain costs and optimize pricing;

(j) the ability of third parties to perform in accordance with contractual terms and specifications;

(k) our ability to retain senior management and key personnel and recruit qualified staff;

(l) our business strategies and plans to achieve these strategies, including our service and geographic expansion plans;

(m) our ability to defend our intellectual rights and protect confidentiality;

(n) the effectiveness of our quality control systems;

(o) change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and

(p) capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this Document.

In this Document, statements of or references to our intentions or those of our Directors are made as of the date of this Document. Any such information may change in light of future developments.

An **[REDACTED]** *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* **[REDACTED]** *in our Shares. 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* **[REDACTED]**. *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.*

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 is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this Document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to our financial position and need for additional capital, (iii) risks relating to our doing business in China and (iv) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks Relating to the Research and Development of Our Drug Candidates

We face fierce competition from existing products and product candidates under development in the entire oncology market and competition in therapeutic areas such as oncology and to which our products belong is extremely fierce. Our competitors may discover, develop or commercialize competing drugs earlier or more successfully than we do. If we fail to effectively compete with our competitors, our competitive position in our target markets may be undermined, our drug candidates, if and when approved, may fail to be commercially successful and our business, financial condition, results of operations and prospects could suffer.

We face fierce competition from existing products and product candidates under development in the entire oncology market, in particular in the CD40 and anti-CTLA-4 market, and in addition to approved oncology therapy options. There are a large number of competing drug candidates currently under different clinical stages, and our competitors include major pharmaceutical companies, specialty pharmaceutical companies and biopharmaceutical companies worldwide. There are a number of large pharmaceutical companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of oncology

diseases or other indications for which we are developing our drug candidates. Some of these competitors have better resources and expertise than us. Potential competitors also include academic institutions, government agencies, and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available.

Our current and future competitors may have significantly greater financial, technical and human resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Competition may increase further as a result of advances in the commercial applicability of new or disruptive technologies. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any drugs that we may develop or commercialize. Our competitors also may obtain approval from the NMPA, FDA, or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. They may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our drug candidates.

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

Our business and prospects depend substantially on the success of our Project Integrum. If we are unable to successfully complete the antibody therapeutic discovery, enter into collaboration with third parties to successfully develop our drug candidates, or if these third parties do not successfully carry out their contractual duties or meet expected timelines, our business and profitability may be affected.

Our ability to generate revenue and realize profitability is dependent on our Project Integrum, which includes the successful completion of knockouts of a thousand targets to discovery the antibodies and consequent collaboration with third parties to develop our drug candidates. We have invested a significant portion of our efforts and financial resources in Project Integrum, and we expect to continue to incur substantial and increasing expenditures for the discovery of antibodies and development of our drug candidates. However, as our Project Integrum applied a revolutionary mechanism for antibody therapeutic discovery, we

cannot guarantee that we will be successful in discovering antibodies and identifying potential drug candidates. Although we continue to design, evaluate and select optimal candidates and continue to enrich our pipeline, we cannot guarantee that we will be successful in identifying potential drug candidates. Research programs pursuing the development of our drug candidates for additional indications and identifying new drug candidates and drug targets require substantial technical, financial and human resources. Our research programs may initially show promising results in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for several reasons, including but not limited to the following factors:

- the research methodology used may not be successful in identifying potential indications and/or new drug candidates;

- potential drug candidates may, after further study, be shown to have adverse effects or other characteristics that indicate they are unlikely to achieve desired efficacy; or

- may take greater resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates, thereby limiting our ability to diversify and expand our drug portfolio.

We may focus our efforts and resources on potential drug candidates or other potential programs that ultimately prove to be unsuccessful. Accordingly, there can be no assurance that we will be able to identify new drug candidates or additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs, the failure of which could materially adversely affect our future growth and prospects.

We may also pursue collaboration with third parties in the discovery and development of potential drug candidates, but we cannot assure you that such collaboration will be able to deliver the intended results. If these third parties do not successfully carry out their contractual duties or meet expected timelines, we could experience significant delays in developing our drug candidates, which would materially and adversely affect our business.

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

Clinical testing is expensive, can take multiple years to complete, and involves inherent uncertainty in its outcomes. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to complete these trials or procedures successfully in a timely and cost-effective manner could have a material adverse effect on our prospects.

Furthermore, clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. 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. In addition, initial or interim results of a trial may not be predictive of the final results. Failure can occur at any time during the clinical trial process. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. In addition, there can be significant variability in safety and/or efficacy results between different trials of the same drug or drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, differences in physical conditions, and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites or additional countries and languages involved in such trials. Even if our future clinical trial results show favorable efficacy and impressive durability in anti-tumor responses, not all patients may benefit. The uncertainty of these outcomes does not allow us to assure you of guaranteed clinical success, and any failures in the trial process may have a material adverse effect on our prospects.

We invest substantial resources in research and development to develop our drug candidates and enhance our technologies but we cannot assure you that our research and development efforts will be successful. Furthermore, failures in our research and development efforts may reduce demand for our products and harm our business and future prospects.

To keep pace with the evolution of the global pharmaceutical industry, we must continually invest in research and development to maintain our competitive position. In 2020 and 2021, our research and development expenses amounted to RMB276.3 million and RMB558.5 million, respectively. We expect to continue to invest significant amounts of human and financial resources to develop our drug candidates, enhance our technologies, and increase the scope and quality of our services. These efforts will be capital and time intensive, but we cannot assure you that these efforts will be successful. Furthermore, we cannot assure you that we will be able to adapt to new technologies and methodologies, successfully identify new research and development opportunities, or obtain sufficient patent or other intellectual property protection for such new or enhanced research. Any failure to do so may diminish our technological advantage, which could reduce the competitiveness of our offerings, lowering demand for our products or services and harming our business prospects, results of operations, and financial condition.

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities may be delayed or otherwise adversely affected and this may have a material adverse effect on our prospects.

The successful and timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who

remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including but not limited to:

- the size and nature of the patient population;
- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit investigators with the appropriate competencies and experience;
- clinicians' and patients' perceptions of the potential advantages and side effects of the drug candidate being studied compared to other available therapies, including any new drugs or treatments that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials will not complete a clinical trial.

In addition, our clinical trials may compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use. This will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Further, given the novelty of our drug candidates, patients and medical personnel may need substantial education and training. Potential patients and their physicians may be inclined to use conventional standard-of-care treatments rather than trying out a novel approach. 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. This could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Risks Relating to Commercialization of Our Drug Candidates

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

To obtain regulatory approvals for the commercial sale of any drug candidate for a target indication, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. In addition to pre-clinical and clinical data, the NDA or biologics license application must include significant information regarding the chemistry, manufacturing and controls for the drug candidate. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and approval may not be obtained. If we submit an NDA to the NMPA, the NMPA decides whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA.

We may also 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 but not limited to: 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; manufacturing issues relating to our third-party CMOs or in the future, problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a drug candidate for use in a clinical trial; clinical trials of our drug candidates may produce negative or inconclusive results, and additional clinical trials or abandoning drug development programs may be required; 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 higher rate than we anticipate; our third-party contractors 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; the cost of clinical trials of our drug candidates may be greater than we anticipate; and the supply 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.

Regulatory authorities outside China, such as the FDA of the United States and the TGA of Australia, also have requirements for approval of drugs for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements and approval processes can vary widely from country to country and could delay or prevent the introduction of our drug candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country

does not mean that regulatory approval will be obtained in any other country. Seeking foreign regulatory approval could require additional nonclinical studies or clinical trials, which could be costly and time consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

The process to develop, obtain regulatory approval for and commercialize drug candidates is long, complex and costly, and approval is never guaranteed. Following any approval for commercial sale of our drug candidates, certain changes to the drug, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA and comparable regulatory authorities. Also, regulatory approval for any of our drug candidates may be withdrawn.

As of the Latest Practicable Date, all of our drug candidates were in various phases of clinical trials and pre-clinical studies. Therefore, we have limited experience in filing for regulatory approval for our drug candidates, and we have not yet demonstrated the ability to receive regulatory approval for our drug candidates. As a result, our ability to successfully obtain regulatory approval for our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in obtaining regulatory approvals. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our drug candidates will be harmed.

The actual market size of our drug candidates might be smaller than expected and our future approved drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community that would be necessary for their commercial success.

The potentially addressable patient population for our drug candidates may be limited or may not be amenable to treatment with our drug candidates. Even if we obtain significant market shares for our drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications.

Furthermore, our drug candidates may fail to gain sufficient market acceptance in the medical community and physicians, patients or third-party payers may prefer other products to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The degree of market acceptance of our drug candidates, if 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, medical treatment centers and patients considering our drug candidates;
- efficacy and safety of our drug candidates;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payers and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any approved drug candidates that we commercialize fail to achieve market acceptance among physicians, patients, hospitals, medical treatment centers or others in the medical community, we will not be able to generate significant revenue. Even if our future approved drug candidates achieve market acceptance, we may not be able to maintain such market acceptance over time if new products or technologies are introduced that are more favorably received than our drug candidates, are more cost-effective or render our drug candidates obsolete. Our failure to achieve or maintain market acceptance for our future approved drug candidates could materially adversely affect our business, financial condition, results of operations and prospects.

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

We are initially seeking approval of some of our drug candidates' certain indications, such as YH001 in combination with toripalimab as a second-line therapy for patients with

HCC, and as a first-line therapy for patients with NSCLC; and YH003 in combination with toripalimab as a first-line and second-line therapy for patients with pancreatic ductal adenocarcinoma, and as a first-line therapy for patients with unresectable/metastatic melanoma. However, there is no guarantee that our drug candidates will be approved in that setting. Our Core Products are primarily being developed as first- and second-lines of treatment of their respective target indications.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and estimates and may prove to be inaccurate.

Further, new studies may change the estimated incidence or prevalence of these diseases. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our drugs and drug candidates may be limited or may not be amenable to treatment with our drugs and drug candidates. Even if we obtain significant market share for our drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications, including use as a first or second-line therapy.

The commercialization of our drug candidates, if approved, may be subject to uncertainties from national, provincial or other third-party drug reimbursement practices and unfavorable drug pricing policies or regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from jurisdiction to jurisdiction. In China and some other markets, the pricing of drugs and biologics remains subject to continuing governmental control even after initial approval, and the pricing negotiations can take considerable time. As a result, the commercial launch of our drug candidates can be delayed due to price regulation, which will negatively impact our revenues. Our ability to commercialize any approved drug candidates 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.

A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, third-party payers 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 approved drug candidates 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 approved drug candidates that we commercialize.

Obtaining or maintaining reimbursement for our future approved drug candidates 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 candidates 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, the FDA, the 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 payers 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 U.S. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payers for any future approved drug candidates or any new drugs that we develop could have a material adverse effect on our business, our results of operation, and our overall financial condition.

We have no experience in launching and marketing drug candidates. If we are unable to build and manage our sales and marketing capabilities either by ourselves or through third parties, we may not be able to successfully generate product sales revenue.

Since none of our drug candidates have reached the commercialization stage, we have not yet demonstrated an ability to launch and commercialize drug candidates. Given our lack of experience, we may require a longer time frame or be less cost-efficient in the commercialization process than a company with more experience launching and marketing drug candidates. This inexperience may subject our business operations to greater risk. Although we are optimistic about our ability to develop business, sales and marketing capacities, we nonetheless cannot assure you that we will succeed in the commercialization process.

Furthermore, if we are unable to, or decide not to, further develop internal sales, marketing and commercial distribution capabilities for any or all of our drug candidates, we will likely pursue collaborative arrangements regarding the sales and marketing of our drug candidates. 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. If we choose to go down this path, 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 also face competition in our search for third parties to assist us with the sales and marketing efforts for our drug candidates. We will have to compete with other pharmaceutical companies to recruit, hire, train and retain marketing and sales personnel and any revenue we receive will depend upon the efforts of such third parties. Therefore, we cannot assure you that we will be able to further develop and successfully maintain in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party partners to successfully commercialize any product. As a result, we may not be able to generate product sales revenue.

Risks Relating to Our Reliance on Third Parties

We have entered into collaborations with our partners and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our collaboration partners, which could adversely affect our business operations and financial condition.

We have in the past formed, and may in the future seek and form, strategic alliances, joint ventures or other collaborations, including entering into licensing arrangements with third parties that we believe will complement or augment our research and development efforts with respect to our drug candidates and any future drug candidates that we may develop, as well as the services we provide and may provide in the future. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders or disrupt our management and business.

Our strategic collaboration with partners involves numerous risks. We may not achieve the revenue and cost synergies expected from the transaction. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the synergies from our collaboration with partners may be offset by other costs incurred in the collaboration, increases in other expenses, operating losses or problems in the business unrelated to our collaboration. As a result, there can be no assurance that these synergies will be achieved.

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 of 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 or commercial viability. Further, any agreement that we do enter into may not result in the anticipated benefits. Disputes may arise between us

and our current or future collaboration partners. Such disputes may cause delay or termination of the research, development or commercialization of our drug candidates, or may result in costly litigation or arbitration that diverts management attention and resources.

Global markets are an important component of our growth strategy. If we fail to obtain licenses or enter into collaboration arrangements with third parties in other markets, or if a third-party partner is not successful, 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;

- difficulty of effective enforcement of contractual provisions in local jurisdictions;

- third-party partners may not properly obtain, maintain, protect or enforce our patent, trade secret and other intellectual property rights and regulatory exclusivity for our drug candidates or may use our intellectual property in such a way as to invite litigation or other intellectual property-related proceedings that could jeopardize or invalidate our intellectual property or expose us to potential litigation or other intellectual property-related proceedings;

- difficulty of ensuring that third-party partners do not infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property and proprietary rights of others;

- unexpected changes in or imposition of trade restrictions, such as tariffs, sanctions or other trade controls, and similar regulatory requirements;

- economic weakness, including inflation;

- compliance with tax, employment, immigration and labor laws for employees traveling abroad;

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

- currency fluctuations, which could result in increased operating expenses and reduced revenue;

- workforce uncertainty and labor unrest;

- failure of our employees and contracted third parties to comply with U.S. Department of the Treasury's Office of Foreign Assets Control rules and regulations and the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"); and

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

These and other risks may materially adversely affect our ability to procure equipment and raw material and to attain or sustain any future revenue from international markets.

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

We have worked with and plan to continue to work with third-party partners and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that our studies and productions are conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our collaboration with third parties does not relieve us of our regulatory responsibilities. We, our partners for our clinical programs and our investigators are required to comply with GCP, which are regulations and guidelines enforced by the NMPA, the FDA, and other comparable regulatory authorities for all of our drug candidates in clinical development. If we or any of our partners or investigators fail to comply with applicable GCP, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA, the FDA, or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. In addition, we and our partners are required to comply with extensive the NMPA, the FDA and comparable regulatory authority requirements, including, in the United States, ensuring that quality control and manufacturing procedures conform to cGMP regulations. Our products and manufacturing processes are also required to meet certain quality standards. If our partners fail to manufacture our products to the necessary quality standards, it could harm our business and reputation, and our revenue and profitability could be adversely affected.

If any of our relationships with these third-parties terminate, we may not be able to enter into arrangements with alternative partners or to do so on commercially reasonable terms or in a timely effective manner. In addition, our partners are not our employees, and except for remedies available to us under our agreements with such partners, we cannot control whether

or not they devote sufficient time and resources to our ongoing pre-clinical studies, clinical and non-clinical programs and manufacturing processes. If partners do not successfully carry out their contractual duties or obligations or meet expected timelines, if they need to be replaced or if the quality or accuracy of the clinical data partners or our investigators obtain is compromised due to failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated, and we may fail 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, our costs could increase and our ability to generate revenues could be delayed.

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

Our future revenues rely on our ability to work effectively with the third-party partners to develop our drug candidates, including to obtain regulatory approval. Our arrangements with such partner will be critical to successfully bringing our drug candidates to market and commercializing them. We rely on third-party partners in various respects, including to undertake research and development programs and conduct clinical trials, manage or assist with the regulatory filings and approval process and to assist with our commercialization efforts. If we lose our relationships with these third-party service providers or our partners fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. We cannot guarantee the satisfactory performance of any of our partners and if any of our partners breach or terminate their agreements with us, we may not be able to successfully commercialize the licensed product, which could materially and adversely affect our business, financial condition, cash flows and results of operations.

Furthermore, 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.

We depend on a stable and adequate supply of equipment, consumables and other goods and services from our suppliers. A significant price increase or interruption of such supplies could potentially disrupt our operations.

Our business operations require a substantial amount of high-tech equipment, high-quality research models, standard consumables and other goods and services to deliver our services. In some cases, we perform our non-clinical studies on research models purchased from third-party suppliers. In the event of significant price increases for such supplies, we may

have to incur additional cost or pass the increased costs to our customers. However, we cannot assure you that we will be able to raise the prices of our services and products sufficiently to cover increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability.

The total amount purchased from our five largest suppliers amounted to RMB503.7 million and RMB314.5 million for 2020 and 2021, respectively. In 2020 and 2021, the total amount purchased from our five largest suppliers together accounted for 60.1% and 37.7%, respectively, of our total procurements amount, and our largest supplier accounted for 26.9% and 22.7%, respectively, of our total procurement amount during such periods. See "Business – Our Suppliers" for more information about our major suppliers.

We cannot assure you that we will be able to secure a stable supply of our supplies. Our suppliers may reduce or cease their supply to us at any time in the future. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruptions in their business operations, which in turn may result in a shortage of products and services supplied to us. If the supply of materials, research models are interrupted, our services would be delayed or terminated. If any such event occurs, our operations and financial position will be adversely affected.

In addition, while we have not experienced material shortages of supplies during the Track Record Period, we cannot assure you that we will not experience such shortages in the future. If we are not able to procure supplies at reasonable prices, our research and development will be delayed or even terminated, which will adversely affect our reputation, business, operating results and prospects.

Risks Relating to Providing Our Services

A reduction in customer demand for or spending on gene editing services, animal models, pre-clinical pharmacology and efficacy evaluation services, and other services could have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our business depends primarily on the number and size of service contracts with our customers. Over the past several years, we have benefited from increasing demand for our services from our customers because of the continued growth of the global pharmaceutical market, increasing research and development budgets of our customers, and a greater degree of outsourcing by our customers. There can be no assurance that these industries will continue to grow at the rates we expect. Any slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services. Furthermore, if investments in pharmaceutical industries were to decrease, the demand for outsourced biopharmaceutical research and development services from companies in such industries may also decrease.

In addition to the foregoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their capacity to acquire in-house capabilities, their spending priorities, their budgetary policies and practices, their ability to comply with laws applicable to them, and their need to develop new pharmaceutical products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, testing, development and commercial manufacturing initiatives, anticipated market updates and clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including their research and development departments and their budgets. If our customers reduce their spending on our services because of any of these or other factors, our business, financial condition, results of operations and prospects would be materially and adversely affected.

We face increasing competition. If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers. Our inability to compete effectively may result in downward pricing pressure and reduced demand for our products and services.

We face competition in several areas, including price, quality of services, breadth and flexibility of services, capacity, timeliness of delivery of services, compliance with regulatory standards and customer relationships.

We compete with a significant number of large, established, multinational CROs that are capable of providing a wide range of services to meet the demands of numerous complex and challenging projects simultaneously, from drug discovery to commercial release. There are also a significant number of international and domestic, small to medium-sized CROs that compete for market share. We expect increased competition as additional companies enter our market.

In addition, we also compete with the in-house discovery, testing, development and commercial manufacturing functions of pharmaceutical and biotechnology companies. We expect increased competition as additional companies enter our market. Some of our competitors may have more financial resources, better research and technical capabilities, greater pricing flexibility, stronger sales and marketing efforts, longer track record and better brand recognition. In addition, our competitors may improve the performance of their services, introduce new services with lower prices, or adapt more quickly to new technologies and market developments in customer demand and requirements, any of which could reduce the demand for our services and thus reduce our revenues. Furthermore, increased competition could create pricing pressure on our services, and as the CRO business becomes more commoditized in the future, we may face increasing downward pricing pressure from our customers. If we fail to compete effectively with existing and new competitors, our business, financial condition and results of operations could be materially and adversely affected.

We cannot assure you that we will always be able to deliver the quality of services that meets our customers' standards and evolving needs. In addition, we cannot assure you that we will be able to pass all customer audits and inspections. If our customers determine that their expenditures on our services do not generate the expected results, they may allocate a portion or all of their budgets to our competitors, and reduce or terminate their business with us. Therefore, we cannot assure you that customers that have utilized our services in the past will continue to spend at similar levels, or that they will continue to use our services at all in the future. We may not be able to replace customers which decrease or cease their purchase of our services with new customers that spend at similar levels or more on our services. As a result, we may suffer from a loss of customers and may fail to attract new customers, and our ability to maintain and/or grow our revenues will be materially and adversely affected.

Delay or failure of payment by our customers could harm our cash flows and profitability.

We generally grant our customers credit terms up to 90 days. As of December 31, 2020 and 2021, our trade receivables were RMB67.2 million and RMB103.1 million, respectively. If any of our customers' cash flow, working capital, financial condition or results of operations deteriorates, it may be unable, or it may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial default or delay of a customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations. Any substantial default or delay of a major customer's payment obligations may materially and adversely affect our working capital, financial condition and results of operations.

Animal testing may expose us to potential liabilities and oppositions by special-interest groups, which might disrupt our facilities or tarnish our reputation.

A substantial portion of our non-clinical studies utilize research models in the assessment of the safety and efficacy of pharmaceuticals, primarily including rodents. The use of research models at our facilities must be conducted in compliance with applicable laws and regulations in the jurisdictions in which those activities are conducted. If our equipment, facilities, laboratories or processes fail to comply with applicable standards, relevant authorities may issue inspection report documenting the deficiencies and setting deadlines for any required corrective actions. For noncompliance, relevant authorities may take action against us that may include fines or confiscation of laboratory animals. Any such noncompliance with legal, regulatory or third-party accreditation requirements may also result in the limitation, termination, suspension or revocation of any licenses, permits, authorizations, assurances or certificates necessary for the conduct of our business. Any determination of noncompliance, report or other action by a regulatory authority could adversely affect our business, financial condition and results of operations.

In addition, certain special-interest groups object to the use of animals for research purposes. Any threats directed against our animal research activities or any negative media

attention could impair our ability to operate our business efficiently. Although we have not experienced such oppositions or negative media attention directed towards our facilities, we cannot assure you that this would not happen in the future. In addition, if regulatory authorities were to mandate a significant reduction in safety testing procedures that utilize laboratory animals, as has been advocated by certain groups, our business could be materially and adversely affected.

Risks Relating to Extensive Governmental Regulations

All material aspects of the provision of research and development services and the research, development, manufacturing and commercialization of our drug candidates are heavily regulated.

All jurisdictions in which we intend to provide research and development services and develop and commercialize our drug candidates regulate these activities in great depth and detail. We intend to focus our activities in China and the United States, while pursuing global opportunities. These places all strictly regulate the pharmaceutical industry. Accordingly, they employ broadly similar regulatory strategies, including regulation of the development, approval, manufacturing, marketing, sales and distribution of products and provision of biopharmaceutical services. 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 maintaining compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Any recently enacted and future legislation may increase the difficulty and cost of us to obtain regulatory approval of, and commercialize, our drug candidates, and affect the prices we may obtain. Changes in government regulations or in practices relating to the pharmaceutical industry, such as a relaxation in regulatory requirements; the introduction of simplified approval procedures, which would lower the entry barrier for potential competitors; or an increase in regulatory requirements, which may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations, and prospects.

Failure to comply with the applicable requirements at any time during the drug development process or approval process, or after approval, may subject us to administrative or judicial sanctions. These sanctions could include, but are not limited to, a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any occurrence of the foregoing could therefore materially adversely affect our business, financial condition, results of operations and prospects.

The regulatory approval processes for pharmaceutical products are time consuming, costly and inherently unpredictable. Any failure to comply with existing or future regulations and industry standards or any adverse actions by the drug-approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

The time required to obtain approval by the NMPA and other comparable regulatory authorities is unpredictable and takes many years following the commencement of pre-clinical studies and clinical trials. The process depends on numerous factors and involves substantial discretion of the regulatory authorities. Our drug candidates could fail to receive regulatory approval for many reasons, including but not limited to:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that our drug candidate is safe, pure and potent for its proposed indications;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from pre-clinical studies or clinical trials;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

The NMPA or a comparable regulatory authority may require more information, including additional analyzes, reports, data, non-clinical studies and clinical trials, or questions regarding interpretations of data and results, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development programs.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical

trial. The policies of the NMPA and other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

Any failure to obtain, maintain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operation.

We are required to obtain and maintain numerous approvals, licenses, assurances, accreditations, permits, registrations and certificates from relevant authorities to operate our business. For example, we currently have Laboratory Animal Production Licenses and Laboratory Animal Usage Licenses to operate certain business and are required to obtain and maintain these license in our future business. Any failure by us or our business partners to obtain approvals, registrations, licenses, assurances, accreditations, permits and certificates necessary for our operations or to comply with the terms, conditions, and requirements thereunder, may result in enforcement actions against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

If any of our drug candidates receive regulatory approval in the future, it will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including requirements of regulatory authorities in China, the United States and other jurisdictions.

As such, we are and will be subject to continual review and inspections by the regulators for their assessment of our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other comparable regulatory authorities. Drugs may be marketed only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses. A company that is found to have improperly promoted off-label uses may be subject to significant liability. The NMPA or a comparable regulatory authority may also require a risk evaluation and mitigation strategy program as a condition of approval of our drug candidates or following approval. In addition, if the NMPA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements, including,

for example, submissions of safety and other post-marketing information and reports, registration, as well as compliance with current Good Manufacture Practices ("cGMP") and Good Clinical Practice ("GCP"), for any clinical trials that we conduct post-approval.

Accordingly, we and other parties with whom we collaborate must continue to expand time, money and efforts in all areas of regulatory compliance, including manufacturing, production and quality control. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China, the United States, the European Union or other jurisdictions, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability.

In addition, some of these approvals, licenses, assurances, accreditations, permits, registrations, and certificates are subject to periodic renewal by the relevant authorities, and the standards of such renewals may change from time to time. There can be no assurance that we will successfully procure such renewals. Any failure by us to obtain the necessary renewals and otherwise maintain all approvals, licenses, registrations, assurances, accreditations, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

Safety, efficacy or other adverse issues arising with our drug candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Our strategy to develop new drugs depends on the safety and efficacy of each component of our drugs. If the NMPA, the FDA, the TGA or another comparable regulatory agency revokes or denies its approval of a drug candidate, in either the clinical design, clinical administration, therapy approval or commercialization stage, we will be forced to terminate or redesign the clinical trials, experience significant regulatory delays or stop our commercialization efforts. In addition, we may fail our commercialization effort because products that facilitate the use of our drug candidates incur safety, efficacy or availability issues.

Other undesirable adverse events caused by our drug candidates, or caused by our drug candidates when used in combination with other drugs, could potentially cause significant negative consequences, including but not limited to:

- regulatory authorities could interrupt, delay or halt pending clinical trials;

- we may suspend, delay or alter development or marketing of our drug candidates;

- regulatory authorities may order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications if results of our trials reveal a high and unacceptable severity or prevalence of certain adverse events;

- regulatory authorities may delay or deny approval of our drug candidates;

- regulatory authorities may withdraw approvals or revoke licenses of an approved drug candidate, or we may determine to do so even if not required;

- regulatory authorities may require additional warnings on the label of an approved drug candidate or impose other limitations on an approved drug candidate;

- we may be required to develop a risk evaluation mitigation strategy for the drug candidate, or, if one is already in place, to incorporate additional requirements under the risk evaluation mitigation strategy, or to develop a similar strategy as required by a comparable regulatory authority;

- we may be required to conduct post-market studies;

- we could be subject to litigation proceedings and held liable for harm caused to patients exposed to or taking our drug candidates may suffer from adverse events related to the treatment and patients;

- the patient enrollment may be insufficient or slower than we anticipate or patients may drop out or fail to return for post-treatment follow-up at a higher rate than anticipated; and

- the costs of clinical trials of our drug candidates may be substantially higher than anticipated.

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

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

During the pre-clinical and clinical trials, we routinely collect and maintain medical data treatment records and other personal details of enrolled subjects. As such, we are subject to the relevant local, state, national and international data protection and privacy laws, directives

regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations. Relevant instruments include the Health Insurance Portability and Accountability Act of 1996 in the United States and General Data Protection Regulation in the European Economic Area. These data protection and privacy law regimes continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Although we have taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials, including setting internal rules requiring our employees and business partners to maintain the confidentiality of our subjects' medical records, we cannot assure you that such measures are effective in ensuring compliance with the relevant laws and regulations. For example, the information technology systems could be hacked, and personal information could leak due to theft or misuse of personal information arising from misconduct or negligence. In some cases, our clinical trials also involve professionals from third-party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always comply with our data privacy measures. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure to protect the confidentiality of subjects' medical records and personal data, or any restriction on or liability as a result of our use of medical data, could result in enforcement action against us, including fines, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

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

Healthcare providers, physicians and other related personnel play a primary role in the recommendation and prescription of any products for which we may obtain regulatory approval in the future. If we obtain approval from the NMPA, the FDA, the EMA, or other comparable regulatory authorities for any of our drug candidates and begin commercializing those drugs in China, the United States or other target markets, our operations may be subject to various fraud and abuse laws in China and the United States, including, without limitation, the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), PRC Criminal Law (《中

華人民共和國刑法》), the Federal Anti-Kickback Statute and the Federal False Claims Act, and the Physician Payments Sunshine Act. These laws may impact, among other things, our proposed sales, marketing and education programs.

In addition, we are subject to similar healthcare laws in other jurisdictions, some of which may be broader in scope than others and may apply to healthcare services reimbursed by any source, which may include not only governmental payers, but also private insurers. There are ambiguities as to what is required to comply with any of these requirements, and if we fail to comply with any such requirement, we could be subject to penalties.

Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from federal and state healthcare programs such as Medicare and Medicaid and debarment from contracting with the U.S. government. In addition, private individuals have the ability to bring actions on behalf of the U.S. government under the Federal False Claims Act as well as under the false claims laws of several states. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions. These include exclusions from government-funded healthcare programs, which may also adversely affect our business.

Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Government authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and have a significant impact on our businesses and results of operations.

Changes in government regulations or in practices relating to healthcare industry, including healthcare reform and compliance with new regulations may result in additional costs.

The healthcare industry is heavily regulated globally. Changes in government regulations or in practices relating to the healthcare industry, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures that will lower the entry barrier for potential competitors, or an increase in regulatory requirements that may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects.

In China, the United States and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our drug candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any drug candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures that may result in more rigorous coverage criteria and downward pressure on the price we fix for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from generating revenue, attaining profitability, or commercializing our products.

Risks Relating to Our Intellectual Property Rights

We currently do not own any material granted patent in respect of the RenMice platforms. If we are unable to obtain and maintain patent protection for our technology and drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us.

Our success depends in large part on our ability to protect our proprietary technology, products and drug candidates from competition by obtaining, maintaining, protecting and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and drug candidates that we consider commercially important by filing patent applications in the PRC, the U.S. and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries.

Patent applications in China, the U.S. and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Under the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC, as amended, unless requested by the applicant to publish its patent application earlier, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date or priority date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. Therefore, we cannot be certain that we were the first to claim the invention by patents or pending patent applications or that we were the first to file for patent protection of such inventions.

On November 19, 2021, the CDE introduced the Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (《以臨床價值為導向的抗 腫瘤藥物臨床研發指導原則》), or the Guiding Principle, for anti-tumor drugs, which states that the fundamental purpose of the drug market is to address the needs of patients, and emphasizes that drug research and development should be based on patient needs and clinical value. The Guiding Principle discourages repetitive research and development of "me-too drugs" (drugs with identical mechanisms of actions) and excessive waste. If we are unable to comply with, or are deemed to be in violation of its detailed provisions and principles, our clinical development activities and overall business operations may be materially adversely affected.

Furthermore, the PRC and, more recently, the U.S. have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, even after reasonable investigation we may still be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon misappropriated or otherwise violated the intellectual property rights of others, because such third party may have filed a patent application while we are still developing the relevant product, and the term of patent protection starts from the filing date of such third-party patent application, instead of the date of issuance. Therefore, our issued patents and pending patent applications may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, under PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the CNIPA, USPTO and other patent offices in several stages during the lifetime of a patent. The CNIPA, USPTO and other patent offices require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. Although an inadvertent lapse

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 noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Our current or any future patent applications may not be successful and any patent rights we or our licensing partners have may be challenged and invalidated even after issuance, which would materially adversely affect our ability to successfully commercialize any product or technology.

The patent position of pharmaceutical and biopharmaceutical companies is generally highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future owned and licensed patent applications may not result in the issuance of patents at all, and even if were granted patents, they may not be issued in a form, or with a scope of claims, that provides us with any meaningful protection, prevent competitors or other third parties from competing with us or otherwise provide us with any competitive advantage. In addition, the coverage claimed in a patent application can be significantly narrowed before the patent is issued, and it also can be redefined after issuance.

Any patents that we own or in-license may be challenged, narrowed, circumvented or invalidated by third parties. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will successfully result in the issuance of any patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient protection from competitors or other third parties.

The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, the U.S., the EU, and other countries. We may be subject to a third-party preissuance submission of prior art to the CNIPA, USPTO, EPO, or other related intellectual property offices, or be involved in post-grant proceedings such as invalidation, opposition, counterclaim, derivation, revocation and re-examination, or inter partes review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could narrow the coverage of, or invalidate, our patent rights, allow third parties to commercialize our technology, products or drug candidates and compete directly with us without payment to us. Moreover, we may have to participate the proceedings at the CNIPA, USPTO, EPO, or other related intellectual property offices to determine the priority of

invention or relevant post-grant challenge proceedings, such as oppositions in a foreign patent office. Such proceedings challenge the priority of our invention or other features of the patentability of our patents and patent applications, which may result in loss of patent rights, loss of exclusivity, or the coverage of patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology, products and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists, experts and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technologies, products or drug candidates will be protectable or remain protected by valid and enforceable patents.

Additionally, patent rights we may own or license currently or in the future may be subject to a reservation of rights by one or more third parties. For example, under U.S. law, when new technologies are developed with U.S. government funding, the U.S. government generally obtains certain rights in any resulting patents, including a non-exclusive, irrevocable, paid-up license authorizing the government to practice or have practiced the invention throughout the world. These rights may also permit the U.S. government to disclose our confidential information to third parties and to exercise march-in rights to use or allow third parties to use our licensed technology that was developed using U.S. government funding. The U.S. government can exercise its march-in rights if it determines that action is necessary because we fail to achieve practical application of the U.S. government-funded technology, it determines that action is necessary to alleviate health or safety needs, is necessary to meet the requirements of federal regulations for public uses, or has not received the required permission from the government under the U.S. industry preference provision before licensing. In addition, our rights in such government-funded inventions may be subject to certain requirements to manufacture products embodying such inventions in the U.S. Any exercise by the government or other third parties of such rights could harm our competitive position, business, financial condition, results of operations, and prospects.

Furthermore, the recipient of such U.S. government funding is required to comply with certain government regulations, including timely disclosing the inventions claimed in such patent rights to the U.S. government and timely electing title to such inventions. If we fail to meet these obligations, it may lead to a loss of rights or the unenforceability of relevant patents or patent applications. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Our in-licensed intellectual properties relating to our gene editing technology are subject to licensing and sub-licensing agreements. If we or our upstream licensor breached such licensing and sub-licensing agreements or are unsuccessful in maintaining the licensing rights, we may be required to pay monetary damages or to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, which could have a material adverse impact on our business.

We have entered into and may in the future enter into additional license agreements with third parties providing us with rights to various third-party intellectual property, including rights in patents, patent applications and copyrights. Some of our in-licensed intellectual properties are subject to sub-licensing agreements from sub-licensor. These license agreements may impose diligence, development or commercialization timelines and milestone payment, royalty, insurance and other obligations on us and the sub-licensors. If we or the sub-licensors fail to comply with the obligations under any of the current or future license and sub-license agreements, our counterparties or the head licensor may have the right to terminate these agreements, in which event we may face claims for monetary damages or other penalties under these agreements. Such an occurrence could diminish the value of these products and our business. Disputes between third parties or our sub-licensor and the head licensor may result in our inability to maintain the current licensing arrangements on acceptable terms. We may be unable to enforce the terms of the upstream license agreements and the remedies available to us may not be sufficient, given we are not a party to upstream licensing agreements. Any of the foregoing event may require us to obtain and maintain licenses from third parties or from the head licensor directly. Such licenses may not be available on commercially reasonable term or at all. Even if we are successful in re-obtaining the licenses, it could result in substantial costs and be a distraction to our management and other employees.

In addition, the license and sub-license agreements under which we license intellectual property or technology from third parties are, and any such future license agreements are likely to be, 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 diligence, 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 or any other dispute described above related to our license agreements prevent or impair our ability to maintain our licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

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

Newly enacted patent laws can change the procedures through which patents may be obtained and by which the validity of patents may be challenged. These changes may impact the value of our patent rights or our other intellectual property rights. In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, according to the Patent Law of the People's Republic of China (the "Patent Law") , which was amended on October 17, 2020 and came into effect on June 1, 2021, patent period extension will be allowed by the National Intellectual Property Administration as a compensation for unreasonable delays in the examination and approval of such patents. Patent protection period may also be extended as a compensation for the time waiting for the review and approval of innovative drugs. Therefore, the valid period of the patents of any third party may be extended, which may in turn affect our ability to commercialize our products without facing infringement risks.

According to the current Patent Law, a patentee may apply for extension of the patent period and the period of extension is no specified. 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 in turn render our products non-competitive. We cannot guarantee that any other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

FIRRMA Pilot Program may restrict our ability to acquire technologies and assets in the U.S. that are material to our commercial success.

On November 10, 2018, the pilot program (the "Pilot Program") that provisionally implements the Foreign Investment Risk Review Modernization Act of 2018 (the "FIRRMA") became effective to regulate foreign investments in U.S. businesses that involve technologies deemed critical by the Committee on Foreign Investment in the U.S. (the "CFIUS"). The Pilot Program may restrict our capacity to invest in U.S. entities and opportunities to acquire technologies that are material to our business operations. While the Pilot Program currently restricts only controlling and certain non-controlling investments made by foreign persons in U.S. businesses in research and development in biotechnology, the Pilot Program may further expand its scope in the future and place additional limitations on strategic collaborations with our current U.S. partners and may expand into permanent and more restrictive implementations of FIRRMA, which could detrimentally affect our capacity to acquire foreign assets in the U.S. that may be material to our commercial success.

The FIRRMA regulations continue to evolve as the Pilot Program has now transitioned to full CFIUS review, and therefore the Company will need to remain abreast of new filing procedures and timelines that could present hurdles or even roadblocks to the best plans put

forth. The Company will assess and determine if CFIUS filings are necessary, and work to remove CFIUS filings as impediments to investment. Controlling investments in US companies have always been subject to review by CFIUS, however, in this case the Company can protect key IP from disclosure and export where required by the US Department of Commerce and Department of Defense, control individual and entity representation on the Company's board of directors, and implement security measures and protective technology to make CFIUS review and approval faster and less expensive. In addition, CFUIS has issued an exception list for investors from Canada, Australia, and the UK which may provide a safe haven from filing for most investors. Foreign partners in equity funds do not necessarily trigger filings as well providing yet another safe haven. However, should a filing be required, the delay and cost of reviews may impact the timeline of investment in the Company. The Company views the CFUIS compliance requirements as yet another protection of key intellectual property as well putting in place enhanced cyber privacy and security measures which will protect infrastructure and data. However, the risk present in adhering to FIRRMA regulations remains as the review process evolves, required processes take time and resources, and investment increases in US companies.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. If we are sued for infringing, misappropriating or otherwise violating the intellectual property rights of third parties, such litigation could be costly and time consuming and may materially and adversely affect our business and financial condition.

Competitors and other third parties may infringe our patent rights or misappropriate or otherwise violate our other intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights and that of others. This can be expensive and time consuming, and we may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly, or a court may refuse to stop the other party from using our technology at issue on the grounds that our patents do not cover the technology in question. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

It is not uncommon that defendant makes a counter-claim alleging the patent is invalid or unenforceable. Any third party may claim that a patent is invalid or unenforceable based on many reasons. A third party may also raise similar claim before administrative bodies in China or aboard, even outside the context of litigation. Such proceedings may lead to the rescission or alteration of our patents so that our products or pipeline drugs are not covered or protected by such patents. Whether a patent will be legally declared invalid or unenforceable is uncertain. For example, in respect of the validity of our patents, we, our patent legal advisor and patent auditor have not found any prior arts during the legal proceedings that can invalid our patents. If the judgment is favorable to the defendant and the patent is legally declared invalid or unenforceable, we may loss the patent of our drugs or pipeline drugs, partially or entirely, and our business would be materially and adversely affected.

Companies operating in our industry routinely seek patent protection for their product designs, and many of our competitors have large patent portfolios. For example, we are aware of certain patents granted in China and the United States to third party companies with very broad claims, so it might be alleged that certain features of our drug candidates or RenMice platforms fall within the claims of such patents owned by third parties. Therefore, third parties might also 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, use or manufacture of the compounds we have developed or are developing. Such 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.

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 are granted a license, the license may not be exclusive and our rivals may also have the same intellectual property rights. Ultimately, we could be prevented from commercializing future approved drugs, or be forced, by court order or otherwise, to cease some or all aspects of our business operations if we received or threatened to receive a claim against our patents or intellectual property rights and fail to secure a license on acceptable terms. In addition, we may incur significant economic losses for infringement claim of intellectual property rights, including compensation up to an amount of five times of the damages (if our infringement of patent of a third party is exceptionally serious), legal fees and other reasonable costs.

We may also instigate invalidation proceedings against third parties suing us for infringement. However, 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. Thus, even if we were to ultimately prevail, or to settle

at an early stage, such litigation could burden us with substantial unanticipated adverse impacts on our business.

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

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or including such undertakings in agreements with parties that have access to them, such as our employees, corporate partners, outside scientific partners, sponsored researchers, contract manufacturers, consultants, advisors and other third parties. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. Despite our efforts, 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 lawfully obtained or independently developed by a competitor, 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, certain of our employees and consultants were previously employed at other pharmaceutical companies, including our competitors or potential competitors. Some of these employees 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 or consultants have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individuals' former employer. We are not aware of any material threatened or pending claims related to these matters or concerning 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 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. The assignment of

intellectual property rights may not be self-executing, or the assignment agreements may be breached, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

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

We currently own issued trademark registrations and have trademark applications pending, any of which may be subject to a governmental or third-party action of opposition, cancelation, or objection, which could prevent the registration or maintenance of the same. We cannot assure you that any currently pending trademark applications or any trademark applications we may file in the future will be approved. During trademark registration proceedings, we may receive rejections and although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in proceedings before the USPTO and in proceedings before comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancelation proceeding may be filed against our trademarks and our trademarks may not survive such proceedings. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

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

against whom we have asserted trademark infringement has superior rights to the marks in question. If our trademarks, trade names or product names are successfully challenged, we could be forced to rebrand our drugs, which could result in loss of brand recognition and could require us to devote resources to advertising and marketing new brands. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Intellectual property rights do not necessarily address all potential threats.

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. For example:

- others may be able to make products or provide services that are similar to ours but that are not protected by our intellectual property;
- we or our licensors might not have been the first to make the inventions covered by our patents;
- we or our licensors might not have been the first to file patent applications covering certain of our or their inventions;
- others, including inventors or developers of our owned or in-licensed patented technologies who may become involved with competitors, 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 or those that we may own in the future will not lead to issued patents;
- it is possible that there are prior public disclosures that could invalidate our or our licensors' patents;
- issued patents for which we have rights may not provide us with any competitive advantage and may be held invalid or unenforceable, including as a result of legal challenges by our competitors or other third parties;
- our competitors might conduct research and development activities in countries where we do not have patent rights or in countries where research and development safe harbor laws exist, and then use the information learned from such activities to develop competitive products and services in our commercial markets;

- we may not be able to develop additional proprietary technologies that are patentable;

- the patents or pending or future applications of third parties, if issued, may harm our business; and

- we or our licensors may choose not to file a patent to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to Our General Operations

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

The global pharmaceutical industry is characterized by rapid advances in science and technology and the continuous emergence of new treatment options. Our future success partially depends on our ability to launch new products or services that meet evolving market demands, in particular, new drugs, that are effective in treating new diseases and illnesses. We cannot assure you that we will be able to respond to emerging or evolving trends by improving our product portfolio and services in a timely manner, or at all.

In addition, clinical demand for pharmaceutical products and CRO services may change rapidly and significantly. Our success depends on our ability to anticipate product offering lead-time and demand, identify customer preferences and adapt our products and services to these preferences. We may need to adjust our research and development plan, production scale and schedule, product portfolio, and inventory levels based on customer demand, sales trends and other market conditions. There can be no assurance that we will be able to sufficiently and promptly respond to changes in clinical demand and purchasing patterns in the future, and such failure may have a material and adverse effect on our business, financial condition, results of operations and profitability.

We are exposed to risks of breach of contractual obligations, product liability, personal injury, wrongful death and other potential liabilities.

In providing our products and services, customers may bring claims against us for breach of our contractual obligations. The services we provide are complex and often time sensitive. We may make material mistakes, including in managing and conducting a project, or in

preserving, processing or analyzing customer data, that could negatively impact or obviate the usefulness of results of the project or cause the results of the project to be reported improperly. In such an event, we could be subject to significant costs of re-performing the project and liability to customers for any failure to meet contractually agreed standards, which could have an adverse impact on our reputation in addition to the additional costs incurred.

We also face an inherent risk of product liability as a result of the providing our products and services, conducting clinical testing and any future commercialization of our drug candidates. For example, we had entered into the Tracon Agreement, which provides for product assurance and safety in relation to the YH001. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. Even a successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in decreased demand for our drug candidates, injury to our reputation, withdrawal of clinical trial participants and an inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients, product recalls or withdrawals, labeling restrictions, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources, the inability to commercialize any approved drug candidate and a decline in the market price of our Shares.

Overseas markets where our services are and may in the future be provided and where the relevant drug candidates are located or may be sold, including the U.S., may have similar or more onerous pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may divert our management's attention and resources.

In addition, our clinical trial operations involve direct interactions among our employees, staff of our hospital subcontractors and patients and healthy volunteers at the relevant clinical sites. As a part of our clinical trial operations, we employ trained healthcare professionals who work with physicians, nurses or other staff of hospitals to conduct the protocol and testing on individual patients and healthy volunteers, which may involve administration of the investigational drug, drawing of blood and other medical procedures required under the relevant protocol. Any personal injury to, or death of, a person participating in a clinical trial caused by medical malpractice or negligence of such professionals may subject us to liabilities and have a material adverse effect on our reputation, business, results of operations, and financial condition.

We also provide services in various stages of the research and development process of drugs that are intended ultimately to be used in humans. Our liability is not always capped under our service agreements and in certain cases, the product liability cap is not applicable for claims relating to personal injuries or death. If any of these drugs or medical devices harms people due to our negligence, willful misconduct, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages.

To cover such liability claims arising from clinical studies, we have purchased clinical trial insurance in the conduct of our clinical trials. However, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our success depends on our key senior management members and our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel.

Our success depends heavily upon the continued services of our senior management to manage our business and operations, and on our key research and development personnel to develop new products, technologies and applications and to enhance our existing products. In particular, we rely substantially on our founders including our chairman of the Board with solid scientific backgrounds as well as strategic insight to manage our operations. Our team of scientists and other technical personnel and their ability to keep pace with cutting-edge technologies and developments in the pharmaceutical industry and to develop new products are also crucial to our success.

We will have to compete for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. The pool of suitable candidates is limited, and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We may not be able to hire and retain enough skilled and experienced scientists or other technical personnel at the current level of wages. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, there can be no assurance that we will be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any failure to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. The loss of any one of them would have a material adverse effect on our business and operations.

If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

Our growth strategies include but are not limited to increasing our penetration into the global market, maximizing the commercial value for our new drugs in China, expanding our

drug discovery, development and manufacturing capacity for our innovative drug business and pursuing strategic acquisitions. For more information, see "Business – Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global pharmaceutical market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could materially and adversely affect our business, financial condition, results of operations and prospects.

We face risks related to natural disasters, health epidemics (such as the COVID-19 outbreak) and other outbreaks of contagious diseases, civil and social disruptions and other factors beyond our control.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. Natural disasters, civil and social disruptions and other factors beyond our control in China or any other market in which we operate and conduct business could severely disrupt our business operations by damaging our infrastructure or information technology system or impacting the productivity of our workforce.

Our business could also be adversely affected by outbreaks of epidemics such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, SARS, Ebola, Zika, or other events. Serious contagious diseases may result in loss of lives, injury and disruption of our business and operations. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. For example, the recent outbreak of COVID-19 has affected many people globally, caused temporary suspension of productions and shortage of labor and raw materials in affected regions, and disrupted local and international travel and economy. The exacerbation, continuance or reoccurrence of COVID-19 has already caused and may continue to cause an adverse and prolonged impact on the economy and social conditions in China, the United States, Australia and other affected countries. The existing clinical trials and the commencement of new clinical trials could be substantially delayed or prevented by any delay or failure in patient recruitment or enrollment in our or our partners' trials as a result of the outbreak of COVID-19. These factors could cause delay of clinical trials, regulatory submissions, and required approvals of our drug candidates, and could cause us to incur additional costs. If our employees or employees of our business partners are suspected of being infected with any epidemic disease, our operations may be disrupted because we or our business partners may have to quarantine some or all of

the affected employees or disinfect the operating facilities. If we are not able to effectively develop and commercialize our drug candidates as a result of protracted clinical trials of enrolled patients, elevated public health safety measures, and/or failure to recruit and conduct patient follow-up, we may not be able to generate revenue from sales of our drug candidates as planned. Furthermore, our suppliers may be materially and adversely affected COVID-19 or another epidemic disease, and we may not be able to locate alternative and suitable suppliers in an efficient manner or at all, which could materially and adversely affect our operations. In addition, the outbreak of communicable diseases, such as the COVID-19 may affect investment sentiment and result in sporadic volatility in global capital markets. Such pandemic has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the global economy, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations. We cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our business operations. Our business partners, such as our CROs, CMOs, CDMOs, suppliers or customers, may be subject to 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 may adversely impact the development of our drug candidates, our financial condition and our operating results.

Environmental, social and governance matters may impact our business and reputation.

Companies are increasingly being judged by their performance on a variety of environmental, social and governance, or ESG, matters, which are considered to contribute to the long-term sustainability of companies' performance.

A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the role of the company's board of directors in supervising various ESG issues and board diversity.

In light of investors' increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet expectations as to our proper role. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our business, share price, financial condition, or results of operations, including the sustainability of our business over time.

We may be required to make substantial investments in matters related to ESG, no matter from potential climate-related regulatory and policy changes, or changing customer preference

and demand, which could require significant investment and impact our results of operations. Any failure in our decision-making or related investments in this regard could be detrimental to our business, strategy and financial performance.

Moreover, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. Furthermore, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors and other key stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected.

If we become a party or are subject to litigation, legal disputes, claims, administrative proceedings or other administrative measures, such involvement may divert our management's attention and result in costs and liabilities, and there is no assurance that the results of the legal proceedings would favor us.

We may from time to time become a party to various litigation, legal disputes, claims, administrative proceedings or other administrative measures arising in the ordinary course of our business. We may initiate legal proceedings in order to protect our rights and interests, however we cannot assure you that results of such legal proceedings would be favorable for us.

We may also be involved in legal proceedings initiated by third parties from time to time. Ongoing litigation, legal disputes, claims, administrative proceedings or other administrative measures may distract our management's attention, and consume our time and other resources. Furthermore, any litigation, legal disputes, claims, administrative proceedings or other administrative measures which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Furthermore, if any verdict or award is rendered against us or we are imposed any fines or penalties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to risks inherent in international operations.

We have operations in the United States and intend to continue to expand our presence internationally. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including:

- our ability to effectively manage and coordinate our employees across different geographic locations;
- our ability to develop and maintain relationships with customers, suppliers and other local stakeholders;
- compliance with different pharmaceutical requirements and standards;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contractual rights;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions, particularly the relations between China and the United States;
- customs regulations and the import and export of goods and raw materials;
- foreign investment restrictions;
- the ability to provide sufficient levels of technical support in different locations;
- our ability to obtain and renew licenses that may be needed in international locations to support operations; and
- changes in tariffs, taxes and foreign currency exchange rates.

Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in international markets may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

Changes in international relations including trade or investment policies, in particular the ongoing conflicts between the U.S. and China, may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could

adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under President Donald J. Trump in the past advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China. The trade tension between China and the United States continues and could intensify in the future, and the U.S. government could adopt more drastic trade policies against China.

In addition, China and other countries have retaliated, and may further retaliate, in response to new trade policies, treaties and tariffs implemented by the U.S. government. Such retaliation measures may further escalate the tensions between the countries or even lead to a trade war. Any escalation in trade tensions or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. In addition, if China were to increase the tariff on any of the items imported by our suppliers and contract manufacturers from the U.S., we might not be able to find substitutes with the same quality and price in China or from other countries. As a result, our costs would increase and our business, financial condition and results of operations would be adversely affected.

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

We are subject to numerous environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in certain jurisdictions. We cannot assure you that we will be able to obtain all the regulatory approvals for our construction projects in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals for our construction projects may materially and adversely affect our abilities to develop, manufacture and commercialize our pipeline products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection, and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of discovery, testing,

development and manufacturing of pharmaceuticals. In the event of such accident, we could be held liable for damages and cleanup costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including damage to our reputation. We may also be forced to close or suspend operations at certain of our affected facilities temporarily or permanently. As a result, any accidental contamination, biological or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

Increased labor costs could negatively affect our ability to operate efficiently and have an adverse impact on our revenues and profitability.

Since substantially our entire workforce is employed in the PRC, the labor costs in the PRC have a material impact on our financial condition. The average cost of labor in the PRC has been steadily increasing over the past years as a result of inflation, government-mandated wage increases and other changes in PRC labor laws, as well as competition for talents and qualified employees among pharmaceutical companies. Many aspects of our strategies and business growth may require us to have additional employees. We may also have additional employees as a result of acquisitions or organic growth of our business. If we implement such strategies but fail to realize the benefits and efficiencies we anticipate, we may be unable to offset the corresponding increases in our staff costs, which adversely affect our revenues and profitability.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

We have an internal control system in place to monitor and control potential risk areas relevant to our business operations. In connection with the **[REDACTED]**, we have examined

our internal control system and made certain enhancements where appropriate, in order to satisfy our internal control requirements after the completion of the **[REDACTED]**. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Further, integration of various business operations from potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended, or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended, or such implementation will not be subject to human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by the relevant authorities.

If our brands fail to maintain a positive reputation, many aspects of our business and our business prospects could be adversely affected.

We depend on our reputation and the brand names of our products in many aspects of our business, including but not limited to:

- to gain access to, and for our products to be perceived favorably by, hospitals and medical professionals that drive and affect patient demand for pharmaceutical products in the PRC;

- to effectively work with the relevant authorities that regulate various aspects of our business;

- to gain the trust of patients and consumers of our products;

- to competitively position ourselves in the centralized tender process required for our pharmaceutical products to be sold to public hospitals and medical institutions in the PRC;

- to successfully attract employees, distributors, and other partners to work with us; and

- to increase market share of our products through brand recognition.

Our reputation and the brand names of our products may be adversely affected by a number of factors, many of which are outside our control, including but not limited to:

- adverse associations with our products, including with respect to their efficacy or side effects;

- the effects of counterfeit products purporting to be our products;

- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;

- improper or illegal conduct by our employees, distributors and suppliers, whether or not authorized by us; and

- adverse publicity that is associated with us, our Shareholders, Directors, officers, employees, business partners, our products or our industry, whether founded or unfounded.

Despite our internal guidelines and supervision efforts, we may be exposed to fraud, bribery or other misconduct committed by our employees, principal investigators, consultants and commercial partners that could subject us to financial losses and sanctions imposed by government authorities, which may adversely affect our reputation. We could be liable for actions taken by them that violate anti-bribery, anticorruption and other related laws and regulations in China, the United States or other jurisdictions. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees or commercial partners. We may be subject to claims, fines or suspension of our operations. Our reputation, our sales activities or the price of our H Shares could be adversely affected if we are associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees or commercial partners. We may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, or other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations.

However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Our* [REDACTED] *may be impeded and our business operations may be adversely affected by the Measures for Cybersecurity Review or the Regulation on the Administration of Cyber Data Security (Draft for Comments).

On December 28, 2021, the Cyberspace Administration of China ("**CAC**"), jointly with 12 other governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**MCR**"), which will become effective from February 15, 2022. Pursuant to Article 2 of the MCR, critical information infrastructure operators purchasing internet products and services and online platform operators engaging in data processing activities, which affect or may affect national security, will be subject to cybersecurity review. As of the Latest Practicable Date, (i) we had not been determined or identified as a critical information infrastructure operator by any governmental authorities; (ii) we believe that we had not engaged in any data processing activities that affect or may affect national security; (iii) we had not been involved in any investigations on cybersecurity review made by CAC, and had not received any inquiry, notice, warning or sanctions in this regard. Based on the foregoing, our PRC Legal Advisor is of the view that it is unlikely that we would be determined or identified as a critical information infrastructure operator as long as there is no material change to the Group's current business and thus we have no obligation to proactively apply for cybersecurity review under the MCR. In addition, Article 7 of the MCR stipulates that an "online platform operator" which possesses personal information of over one million users and intends to "list abroad" will be subject to cybersecurity review. However, the MCR provides no further explanation or interpretation for "online platform operator" and "list abroad", and does not stipulate that an online platform operator which intends to list in Hong Kong will be subject to cybersecurity review. Given that the expression used in the MCR is "list abroad" and Hong Kong is not a country or region outside of the PRC, as long as there is no specific official guidance or implementation rules to include Hong Kong in the scope of "abroad" in the future, our PRC Legal Advisor is of the view that our proposed **[REDACTED]** in Hong Kong is unlikely to be considered as **[REDACTED]** "abroad" and thus we have no current obligation to proactively apply for cybersecurity review for our application for the **[REDACTED]** under the MCR.

However, the MCR also grants the member organization of the cyber security review mechanism the right to initiate cyber security review without application, if any of them has reason to believe that any internet products, services or data processing activities affect or may affect national security. The PRC government authorities may have broad discretion in the interpretation of "affect or may affect national security". If any of our internet products, services or data processing activities are deemed to "affect or may affect national security" by

the PRC government authorities under its broad discretion, we may be subject to cybersecurity review. If we fail to pass such cybersecurity review, our **[REDACTED]** may be impeded and/or our business operations may be adversely affected.

On November 14, 2021, CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulation**"). Pursuant to Article 2 and Article 73 of the Draft Cyber Data Security Regulation, the Draft Cyber Data Security Regulation applies to data processing activities by utilizing the internet as well as cyber date security supervision and management activities within the PRC. "Cyber data" refers to any information that is electronically recorded, whereas "data processing activities" refers to activities such as data collection, storage, usage, processing, transmission, provision, disclosure and deletion. In general, any company which is engaged in data processing activities through the internet within the PRC will be subject to the Draft Cyber Data Security Regulation. As advised by our PRC Legal Advisor, by collecting, storing and otherwise processing certain information via internet in connection with our business operation, the Group would be subject to relevant requirements under the Draft Cyber Data Security Regulation in terms of personal data protection, cyber security management, assessment and report and other applicable aspects, assuming such regulation is implemented in the current form. In addition, Article 13 of the Draft Cyber Data Security Regulation stipulates that data processors must apply for cybersecurity review when carrying out activities including (i) seeking to be listed in Hong Kong that affect or may affect national security and (ii) other data processing activities that affect or may affect national security. Given that the Draft Cyber Data Security Regulation was still in the draft form for comments and had not come into force as of the Latest Practicable Date, the applicability of various requirements under the Draft Cyber Data Security Regulation is still subject to further official guidance and applicable implementation rules.

As advised by our PRC Legal Advisor, the PRC government authorities may have broad discretion in the interpretation of "affect or may affect national security". We believe that we have not engaged in any data processing activities that affect or may affect national security and thus we are unlikely to be deemed as a data processor that affects or may affect national security. Therefore, even if the Draft Cyber Data Security Regulation is implemented in its current form before our **[REDACTED]**, the **[REDACTED]** is expected not to be materially and adversely affected. However, if we were deemed as a data processor that "affects or may affect national security" by the PRC government authorities under its broad discretion, we may be subject to cybersecurity review. If we fail to pass such cybersecurity review, our **[REDACTED]** may be impeded, our business operations may be adversely affected, and/or we may be subject to other severe penalties and/or action by the competent government authority.

If we suffer breach, failure or disruption in or to our information systems, it could compromise sensitive information related to our business and expose us to liability or reputational harm, and our ability to effectively manage our business operations could be adversely affected.

We make use of information systems to obtain, process, analyze and manage data. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our customer documentation as well as manage our production operations and quality monitoring systems. Our information system and those of current and future third parties (such as vendors, partners or others) on which we rely may fail and are vulnerable to breakdown, breach, interruption or damage from computer viruses, computer hackers, malicious code, employee error or malfeasance, theft or misuse, denial-of-service attacks, sophisticated nation-state and nation-state-supported actors, unauthorized access, natural disasters, terrorism, war, telecommunication and electrical failures or other compromise. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal 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. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disruption to our business.

The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments or agencies. As cyber threats continue to evolve, we may be required to incur significant additional expenses in order to enhance our protective measures or to remediate any information security vulnerability. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained. The financial exposure from the events referenced above may either not be insured against or not be fully covered through any insurance that we maintain.

Likewise, we rely on third parties for the manufacture of our product candidates or any future product candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. Moreover, if the information technology systems of our vendors, partners or other contractors or consultants become subject to disruptions or security breaches, we may have insufficient recourse against

such third parties and we may have to expend significant resources to mitigate the impact of such an event.

If we were to experience a significant cybersecurity breach of our information systems or data, the costs associated with the investigation, remediation and potential notification of the breach to counterparties, data subjects, regulators or others could be material. In addition, our remediation efforts may not be successful.

Furthermore, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding clinical trial participants or employees, could harm our reputation, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, cause us to breach our contractual obligations, subject us to mandatory corrective action, and otherwise subject us to liability under laws, regulations and contracts that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages.

Our business benefits from certain preferential tax incentives, the expiration of or changes to which could adversely affect our profitability.

We currently benefit from certain preferential tax treatments, as well as tax concessions in relation to our research and development costs. In particular, we have benefited from a preferential PRC income tax rate of 15%, compared with the 25% income tax rate generally applicable to PRC tax resident enterprises under the EIT Law. Our Company is qualified as a High and New Technology Enterprise during the Track Record Period, and the current qualification issued on November 15, 2021 has a valid term of three years. However, we cannot guarantee you that our Company will continue to receive the preferential tax treatments, which depends on a number of factors, including, but not limited to, whether their products fall within the scope of supported high and new technology, whether their research and development expenses as a percentage of revenue reach certain threshold percentages and whether their research and development staff as a percentage of total number of staff reaches certain threshold percentages.

The current or future preferential tax treatments, tax concessions, tax allowances and financial incentives applicable to our Company or our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. For example, on November 27, 2014, the State Council issued the Notice on Cleaning Up and Regulating Taxation and Other Preferential Policies (《國務院關於清理規範税收等優惠政策的通知》) (the "Preferential Policies Notice"), which required local governments and government agencies to review and clean up the preferential policies they have promulgated, and to abolish preferential policies that are in violation of state laws and regulations. On May 10, 2015, the State Council issued a notice suspending the cleanup of preferential policies set out in the

Preferential Policies Notice until further notice. For more details, see "Financial Information – Income Tax." Due to the Preferential Policies Notice and further potential changes in government policies in China or abroad, we cannot be certain of the level of preferential tax rates we will receive in the future or if we will continue to benefit from reduced tax rates due to changes in tax laws or regulations. Our post-tax profitability and cash flows may be adversely affected as a result of one or more of these or other factors.

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 operate in the pharmaceutical industries, which involves numerous operating risks and occupational hazards. We maintain insurance policies that are required under the PRC and the U.S. laws and regulations as well as based on our assessment of our operational needs and industry practice, including insurance for adverse events in clinical trials. See "Business – Insurance" for further details of our insurance coverage. However, our insurance coverage may be insufficient to cover any claims that we may have. In line with industry practice in the PRC and the U.S., we have elected not to maintain certain types of insurance, such as business interruption insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, health or public security hazards, earthquakes, typhoons, flooding and other natural disasters, as for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience any of such uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred significant net losses since our inception, and we expect to continue to incur net losses for the foreseeable future and may not be able to generate sufficient revenue to achieve or maintain profitability. **[REDACTED]** ***are at risk of losing substantially all of their*** **[REDACTED]** ***in our Shares.***

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 services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development, we have not 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. In 2020 and 2021, our net losses were RMB476.7 million and RMB545.6 million, respectively. Substantially all of our net losses have resulted from costs incurred in connection with our research and development programs.

We expect to continue to incur net losses in the foreseeable future, and we expect 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 through contract manufacturing organizations ("CMOs") in and out of China;
- seeking regulatory approvals for our drug candidates;
- commercializing our drug candidates for which we have obtained marketing approval;
- 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 gain 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.

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

We had net cash used in operating activities of RMB225.3 million and RMB365.8 million in 2020 and 2021, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to risks in connection with the fair value change of financial assets at FVTPL and at FVOCI.

During the Track Record Period, we invested in financial products which represent wealth management products issued by banks in the PRC. Pursuant to the Guidance on Regulating Financial Institution's Asset Management Business (《關於規範金融機構資產管理業務的指導意見》) promulgated by the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Security Regulatory Commission and the State Administration of Foreign Exchange on April 27, 2018, financial institutions selling wealth management products cannot guarantee the returns of principal and interest of such products. As a result, the returns of our investments in wealth management products were not guaranteed, and therefore were measured at fair value through profit or loss. Net changes in the fair value of our investments are recorded as our other income or losses, and therefore directly affect our results of operations. We may continue to invest in wealth management products in the future when we believe that we have surplus cash on-hand and the potential investment returns are stable and attractive. However, we cannot guarantee that we will not experience losses with respect to such investments in the future or that such losses or other potentially negative consequences due to such investments will not have material adverse effects on our results of operations.

We may not be able to fulfill our obligations in respect of contract liabilities.

Our recognition of contract liabilities as revenue is subject to future performance obligations and may not be representative of revenues for future periods. Our contract liabilities primarily represented the advance payment made by customers while the underlying services and products are not yet to be provided. After we deliver our products or provide relevant services, contract liabilities will be recognized as revenue. If we fail to fulfill our

obligations or if our customers dispute the services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, which will adversely affect our results of operations, liquidity and financial position.

Share-based payment may cause shareholding dilution and have a negative effect on our financial performance.

We have adopted Employee Incentive Schemes for the benefit of our employees as remuneration for their services provided to us to incentivize and reward those who have contributed to our success. For further details, please see the section headed "Appendix VII – Statutory and General Information – 5 Employee Incentive Schemes" in this document. In 2020 and 2021, we incurred share-based compensation expenses of RMB132.5 million and RMB27.8 million, respectively. To further incentivize our employees, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Additionally, expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a negative effect on our financial performance.

We are exposed to certain risks through our investment in associates.

In September 2020, the Company entered into an investment arrangement with Kactus Biosystems Co., Ltd. (愷佧生物科技（上海）有限公司) ("Kaika") and Kaika's equity holders (the "original equity holders"). Based on the investment agreement, the Company agreed to invest RMB10,000,000 to acquire 6.90% of the equity interest in Kaika. In July 2021, the Company and other investors entered into an investment arrangement to set up Kemai Biological Technology (Suzhou) Co., Ltd 科邁生物科技(蘇州) 有限公司 ("Kemai"). Based on the investment agreement, the Company agreed to invest RMB400,000 to acquire 30% of the equity interest in Kemai.

However, our investment in associates may not guarantee a share of profits, and any loss incurred by such associates shall be apportioned among our Group and other shareholders of the associate. If the associates do not perform as expected or do not generate sufficient revenue in any financial year, our return of investment in associates, and our financial condition or results of operations, could be materially and adversely affected. There can be no assurance that the investment in associates will achieve the results intended and we may be subject to liquidity risk. Our investments in associates are not as liquid as other investment products as there is no cash flow until dividends are received even if such associates reported profits under the equity accounting. Furthermore, the possibility to promptly sell one or more of our interests in the associates in response to changing economic, financial and investment conditions is uncertain. In addition, if there is no share of results or dividends from the associates, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected. Going forward, from time to time, we may evaluate

various investment opportunities, including investment in other associates or joint ventures in relation to associates. Any future investment in associates may entail numerous risks, such as increased cash requirements and additional indebtedness or contingent or unforeseen liabilities.

The impairment of our contract cost, prepayments and other receivables may affect our business operations.

During the Track Record Period, our contract costs are the costs to fulfill a contract with a customer which are not capitalized as inventory. Our current prepayments and other receivables include advances to third parties, deposits, interest receivables, VAT recoverable and other receivables. We conduct assessments on the recoverability of contract cost, prepayments and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate, as we are not in control of all the underlying factors affecting such contract costs, prepayments and other receivables. Therefore, if we are not able to recover the contract costs, prepayments and other receivables as scheduled, our financial position and results of operations may be adversely affected.

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

We are transiting to a clinical stage biopharmaceutical company and have a limited operating history. Our operations to date have focused on providing research and development services, 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 oncology diseases. Our limited operating history, particularly in light of the rapidly evolving drug research and development industry in which we operate and the changing regulatory and market environments we encounter, may make it 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 early-stage 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 may need additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our drug candidates.

Our drug candidates will require completion of their clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB225.3 million and RMB365.8 million of net cash during 2020 and 2021, respectively. Although this cash outflow may be offset to a limited extent by cash inflows from upfront and milestone payments pursuant to our collaboration agreements, we expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any approved drug candidates for which we receive regulatory approval. Our existing cash and cash equivalents and other financial assets, combined with any potential upfront and milestone payments we expect to receive, may not be sufficient to enable us to complete the development of our current and future drug candidates or commercially launch all of our current drug candidates for the currently anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Our forecast of the period of time through which our financial resources will be adequate to support our operations is forward-looking and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our drug candidates;
- the number and characteristics of drug candidates that we may out-license or in-license;
- the amount and timing of the milestone and royalty payments we receive from or pay to our collaboration partners;
- the cost required to establish, maintain, expand, enforce and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing any patents or other intellectual property rights;

- selling and marketing costs associated with any future drug candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;

- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;

- cash requirements of any future acquisitions and/or the development of other pipeline drug candidates;

- the amount and timing of any profit sharing, milestone and royalty payments we receive from our current or future partners;

- the cost and timing of development and completion of commercial-scale internal or outsourced manufacturing activities; and

- our headcount growth and associated costs.

However, our ability to obtain additional capital on commercially reasonable terms is subject to a variety of factors, many of which are outside of our control, including our future financial condition, results of operations and cash flows, the global economic conditions, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient external financing on commercially acceptable terms to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, including being forced to delay, reduce or eliminate our research and development programs or future commercialization efforts, which could materially and adversely affect our business, financial condition and results of operations.

Raising additional capital may cause dilution 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 and licensing arrangements. 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 result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our

ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Our results of operations are subject to biological asset fair value adjustments, which are non-cash in nature and can be highly volatile and are subject to a number of factors.

Our biological assets mainly consist of mice for breeding and mice for selling. Our biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, except where the fair value cannot be measured reliably. The feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for raising mice are capitalized until mice begin to mate and transfer to our mice for breeding. Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in profit or loss in the period in which it arises.

The fair values of our biological assets at each reporting date during the Track Record Period were determined by an independent professional appraiser, and we intend to continue such engagement for fair values evaluation going forward. In valuing our biological assets, the independent appraiser has relied on a number of major parameters and assumptions which may vary from time to time. See "Financial Information – Valuation of Biological Assets" for details.

For 2020 and 2021, the net effect of biological assets fair value adjustments on our profit for the year were positive of RMB19.2 million and positive of RMB9.8 million, respectively. The fair value of our biological assets could be affected by factors including the accuracy of those parameters and assumptions, as well as the quality of our biological assets and changes in the animal model industry. Therefore, the resulting adjustments can be highly volatile. While these assumptions as adopted in the valuation process have been in line with the actual results, we cannot assure you that there will be no significant deviation in the future. In addition, market prices for our biological assets are volatile and susceptible to significant fluctuations from period to period. As a result of revaluations of our biological assets from period to period, our financial position and results of operations may change significantly from period to period. In addition, an increase or decrease in market prices for biological assets will, among others, increase or reduce our total cost of services and gains or losses arising from changes in fair value which makes our reported profit more volatile.

The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change.

The property valuation report set out in Appendix III to this document with respect to the appraised value of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Asia-Pacific Consulting and Appraisal Limited (亞太評估諮詢有限公司) ("**APA**") used in the property valuation report include: (i) the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests, (ii) no allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale, and (iii) unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values. Certain of the assumptions used by APA in reaching the appraised value of our properties may be inaccurate. Hence, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value attributable to these properties by APA.

RISKS RELATING TO OUR DOING BUSINESS IN CHINA

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products; and could otherwise materially and adversely affect our business, operations or competitive position.

Due to our extensive operations in China, our business, results of operations, financial condition, and prospects may be influenced to a significant degree by economic, political and legal developments in China. While the Chinese economy has experienced significant growth in the past four decades, growth has been uneven, both geographically and among various sectors of the economy. The Chinese 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.

The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;

- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although the Chinese government has implemented reform measures allowing for an increasingly market-based economy, reduced state ownership of productive assets and established sound corporate governance practices in business enterprises. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could adversely affect our financial condition and results of operations.

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

We have extensive operations conducted in China, and are governed by PRC laws, rules and regulations. The Chinese legal system is a civil law system based on written codes and statutes. Unlike the common law system, prior court decisions may be cited as persuasive authority with limited precedential value, but do not have legally binding force. The overall effect of legislation over the past four decades in China has significantly enhanced the protections afforded to various forms of foreign investment in China. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, investor-friendly laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by Chinese regulatory agencies.

Additionally, laws, rules and regulations may be subject to significant degrees of interpretation by PRC regulatory agencies. These uncertainties could adversely affect our business, financial condition and results of operations. Finally, we cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes to

existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is uncertainty as to the legal protection available to us or to our investors.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of China, and substantially all of our assets are located in China. A majority of our Directors, Supervisors and senior management personnel also reside in China, and substantially all of their assets are located in China. As a result, it may not be possible for investors to effect service of process upon us or our Directors, Supervisors and senior management personnel in China.

On July 14, 2006, the Supreme People's Court of PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關于內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remain uncertain.

On January 18, 2019, the Supreme People's Court of PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "New Arrangement"), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the PRC. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme

People's Court of PRC and the completion of the relevant legislative procedures in Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for **[REDACTED]** to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments awarded by U.S. courts, the United Kingdom, or most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the U.S. or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to* [REDACTED] *and gains on the sale of our H Shares by our* [REDACTED] *are subject to PRC tax.

As a PRC-incorporated company, we are subject to a tax of 25% on our global income. Our Company has been qualified as a high and new technology enterprise, and accordingly is entitled to the preferential income tax rate of 15% in the Track Record Period. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, PRC companies issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC

companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H shares through the sale or transfer by other means of H shares.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, our operating subsidiaries and joint ventures in China may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Future changes in laws, regulations or enforcement policies in China could adversely affect our business.

Laws, regulations or enforcement policies in China, including those regulating the healthcare and pharmaceutical industry, are evolving and subject to frequent changes. Currently, the Chinese pharmaceutical industry is heavily regulated and many aspects of our business depend on the receipt of the relevant government authorities' approvals and permits. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their

enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings in China may be protracted and may result in substantial costs and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may be applied retroactively and thus subject our business and operations to increased uncertainties and risks.

For example, on November 11, 2015, the NMPA issued Certain Policies in relation to the Review and Approval of Drug Applications (《關於藥品注冊審評審批若干政策的公告》), which set out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trials data, effectiveness of the drug and consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. Our future drug applications are now subject to a stricter approving standard.

***Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of China, may adversely affect the value of your* [REDACTED].**

The Renminbi is not currently a freely convertible currency, as the PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. A substantial portion of our revenue is denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our H Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency-denominated obligations. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approvals from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Approvals from appropriate government authorities are required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC government has placed increasingly stringent restrictions on the convertibility of Renminbi into foreign currencies. 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. Further, there can be no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in China has been accompanied by periods of high inflation in the past, and the Chinese government has implemented various policies from time to time to control inflation. For example, the Chinese government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the Chinese government since the global economic crisis that unfolded in 2008 may have contributed to the occurrence of, and continuing increase, in inflation in China. If such inflation is allowed to proceed without mitigating measures by the Chinese government, our cost of sales would likely increase, and our profitability would be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. If the Chinese government implements new measures to control inflation, these measures may also slow economic activities and reduce demand for our products and services and severely hamper our growth.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to us and our PRC subsidiaries as part of our efforts to encourage the development of local businesses. We recognized RMB4.6 million and RMB12.6 million of government grant income in 2020 and 2021, respectively. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, most of the government grants were one-off subsidies during the Track Record Period, and some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

We may be restricted from transferring our scientific data abroad or using human genetic resources collected in China.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》) (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, where scientific data involving state secrets needs to be provided to foreign parties during the relevant foreign contacts and cooperation, corporate entities shall provide the type, scope and usage of the scientific data, and submit the information to the competent authorities for approval according to the specified procedures for confidentiality management. Upon approval by the competent authorities, corporate entities shall undergo the required procedures, and enter into the confidentiality agreements with the users of the scientific data. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. If and to the extent our R&D of medical drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you 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.

In addition, on July 2, 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源采集、收集、買賣、出口、出境審批行政許可事項服務指南》) ("Service Guide"), which became effective on October 1, 2015. According to the Service Guide, the sampling, collection or research activities of human genetic resources through clinical trials shall be required to be filled with the China Human Genetic Resources Management Office through the online system. On May 28, 2019, the State Council promulgated the Regulations of 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》), which became effective on July 1, 2019 (the "Human Genetic Resources Regulation"). The Human Genetic Resources Regulation stipulates that collecting human genetic resources of China's important genetic families and specific regions, or collecting those human genetic resources in such categories and quantities as prescribed by the administrative department for science and technology under the State Council, preserving China's human genetic resources and providing the basic platform for scientific research, utilization of China's human genetic resources for international cooperation in scientific research, as well as transporting China's materials of human genetic resources abroad shall be subject to the approval of the administrative department for science and technology under the State Council. If the relevant government authorities consider the transmission of our scientific data or collection and usage of human genetic resources to be in violation of the requirements under applicable PRC laws and regulations, we may be subject to fines and other administrative penalties imposed by those government authorities. If we are unable to obtain necessary approvals or comply with the regulatory requirements in a timely manner, or at all, our R&D of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Any failure to comply with the PRC regulations regarding contribution of social insurance premium or housing provident funds may subject us to fines and other legal or administrative sanctions.

According to the Social Insurance Law (《中華人民共和國社會保險法》), the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) and other applicable PRC regulations, any employer operating in China must contribute social insurance premium and housing provident funds for its employees. Any failure to open social insurance or housing provident fund registration account may trigger an order of correction where correction is not made within a specified period of time, the competent authority may further impose fines. Any failure to make timely and adequate contribution of social insurance premium or housing provident funds 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 funds within a specified period of time, and the competent authority may further impose fines or penalties. As of the Latest Practicable Date, we have not received any order of correction or any fines or penalties from the competent authority as a result of any such failure. However, we cannot assure you that the competent authority will not require us to rectify any noncompliance by making contribution of overdue social insurance premium or housing provident funds or to pay any overdue fine or penalty related thereto.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our H Shares, and an active trading market for our H Shares may not develop and the market price for our H Shares may decline or became volatile.

No public market currently exists for our H Shares. The initial **[REDACTED]** for our H Shares to the public will be the result of negotiations among our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the market price of the H Shares following the **[REDACTED]**. We have applied to the Stock Exchange for the **[REDACTED]** of, and permission to deal in, the H Shares. A **[REDACTED]** on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the market price of the H Shares will not decline following the **[REDACTED]**.

***The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to* [REDACTED].**

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

business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting our industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and our H Shares may be subject to changes in price not directly related to our performance.

***There will be a gap of several days between pricing and trading of our H Shares, and the price of our Shares when trading begins could be lower than the* [REDACTED].**

The **[REDACTED]** to the public of our H Shares sold in the **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, the H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the H Shares when trading begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of substantial future sales of our H Shares or other securities relating to our Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional equity capital in the future. Our Shareholders would experience a dilution in their holdings upon the issuance of additional Shares by the Company.

Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market and negatively impact the market price of our H Shares.

According to the stipulations by the State Council's securities regulatory authority and our Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior

to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained.

In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the **[REDACTED]** of H Shares.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future. Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution. There can be no assurances that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders after the creditors' claims

To expand our business, we may consider offering and issuing additional Shares in the future. 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 H Shares. Issuance of additional Shares, or the possibility of such issuance, may cause dilution to our shareholders if we issue additional Shares at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares, and may cause the market price of our H Shares to decline.

***Because we do not expect to pay dividends in the foreseeable future after the* [REDACTED]*, you must rely on price appreciation of our H Shares for a return on your* [REDACTED].**

We intend to retain a significant portion of our available funds and any future earnings after the **[REDACTED]** to fund the development and commercialization of our pipeline product candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an **[REDACTED]** 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 declares and pays 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 **[REDACTED]** in our H Shares will likely depend entirely upon any future price appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the **[REDACTED]** or even maintain the price at which you purchased the Shares. You may not realize a return on your **[REDACTED]** in our H Shares and you may even lose your entire **[REDACTED]** in our H Shares.

We cannot make fundamental changes to our business without the consent of the Stock Exchange.

On April 30, 2018, the Hong Kong Stock Exchange adopted new rules under Chapter 18A of its Rules Governing the Listing of Securities on the Stock Exchange. Under these rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this Document. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Chapter 18A. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities in our place, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

***Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your* [REDACTED].**

In the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including **[REDACTED]** from the **[REDACTED]**, as Renminbi is the functional currency of our Company and our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong

dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Certain information in this Document relating to the PRC economy and the pharmaceutical industry may not be fully reliable.

Certain information and statistics set out in this document have been extracted from various official government publications, market data providers and an Independent Third Party source, Frost & Sullivan. The report prepared by Frost & Sullivan and cited in this document was commissioned by us. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Joint Sponsors, any of their respective directors, employees, agents or advisers or any other person or party involved in the **[REDACTED]**, and no representation is given as to its accuracy, fairness and completeness.

***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* [REDACTED].**

Subsequent to the date of this Document but prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. 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 **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this Document only and should not rely on any other information.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption 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, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange, including but not limited to compliance by us with Rules 19A.05 to 19A.07 of the Listing Rules.

Our headquarters are based, and most of the business operations of our Company and our subsidiary are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company's business operations, it is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

(1) We have appointed Dr. Shen, our executive Director and chairman of the Board, and Ms. Au Wai Ching (區慧晶), ("**Ms. Au**"), one of the joint company secretaries of the Company (the "**Joint Company Secretary**") as our authorized representatives ("**Authorized Representatives**") pursuant to Rules 3.05 and 19A.07 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(2) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all

of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

(3) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Stock Exchange;

(4) We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. The Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and our senior management as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and

(5) We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as our Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

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

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

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

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

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

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

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Wang Yongliang (王永亮) ("**Mr. Wang**"), a member of our senior management, as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Au Wai Ching (區慧晶) ("**Ms. Au**"), an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since December 2016, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Wang for an initial period of three years from the **[REDACTED]** to enable Mr. Wang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Wang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Wang may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the **[REDACTED]**, and

is granted on the condition that Ms. Au will work closely with Mr. Wang to jointly discharge the duties and responsibilities as company secretary and assist Mr. Wang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Au will also assist Mr. Wang in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Au is expected to work closely with Mr. Wang and will maintain regular contact with Mr. Wang, the Directors, the Supervisors and the senior management of our Company. If and when Ms. Au ceases to be a joint company secretary before the end of the three-year period, the Company will appoint another Qualified Person as a replacement. The waiver will be revoked immediately if Ms. Au ceases to provide assistance to Mr. Wang as a joint company secretary for the three-year period after the **[REDACTED]** or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Mr. Wang will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Mr. Wang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Wang, having benefited from the assistance of Ms. Au and, if applicable, another Qualified Person for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

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

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

Paragraph 27 of Part I of the Third Schedule requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the

prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

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

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

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document be included in the accountants' report to this document.

Our Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a **[REDACTED]** under Chapter 18A of the Listing Rules. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report of our Company set out in Appendix I to this Document is currently prepared to cover the two financial years ended December 31, 2020 and 2021.

As such, the Joint Sponsors have applied, on behalf of our Company, to the SFC 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 the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule regarding the inclusion of the Accountants' Report covering the full two financial years immediately preceding the issue of this document on the following grounds:

(a) our Company is primarily engaged in the discovery, development, manufacturing and commercialization of biotech products, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for **[REDACTED]** required under Chapter 18A of the Listing Rules;

(b) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2020 and 2021 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2019 would require additional work to be performed by our Company and our auditors, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;

(c) as of the Latest Practicable Date, we had generated revenue from gene editing, animal models selling, pre-clinical pharmacology and efficacy evaluation and antibody development. Major financing activities conducted by the Company since its incorporation include the **[REDACTED]** Investments, the details of which have been fully disclosed in the section headed "History, Reorganization and Corporate Structure – Detailed Terms of the **[REDACTED]** Investments" in this document;

(d) notwithstanding that the financial results set out in this document are only for the two financial years ended December 31, 2020 and 2021 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements; and

(e) the Accountants' Report covering the two financial years ended December 31, 2020 and 2021 (as set out in Appendix I to this Document), together with other disclosures in this Document, have already provided adequate and reasonable up-to-date information in the circumstances for the potential **[REDACTED]** to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the **[REDACTED]** public.

WAIVERS AND EXEMPTION

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 on the condition that particulars of the exemption are set out in this document and that this document will be issued on or before **[REDACTED]**.

[REDACTED]

WAIVERS AND EXEMPTION

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Shen Yuelei (沈月雷)	Room 804, Building 10, Junyue International, No. 9 Tianhua Street, Beizangcun Town, Daxing District, Beijing, China	Chinese
Dr. Ni Jian (倪健)	180 Brookline Ave Unit 1129 Boston, MA	Chinese
Dr. Zhang Haichao (張海超)	Room 1-4-701, Lane Sisley Mansion, Gaomidian Street, Daxing District, Beijing, China	Chinese
Non-Executive Directors		
Mr. Wei Yiliang (魏義良)	No. 1308, Building 5, Taipingli, Xuanwu District, Beijing, China	Chinese
Dr. Zhou Kexiang (周可祥)	Room 1702, Southeast Gate, Building 158, No. 1063, Shatai South Road, Jingxi, Baiyun District, Guangzhou, China	Chinese
Mr. Huang Xiaolu (黃小魯)	Room 102, Building 30, Rongyu Garden, 833 Xinghu Street, Suzhou Industrial Park, Jiangsu Province, China	Chinese
Independent Non-Executive Directors		
Mr. Hua Fengmao (華風茂)	Flat A, 55/F, Tower II, 23 Tai Hang Drive, The Legend, Jardine's Lookout, Hong Kong	Chinese
Mr. Yu Changyuan (喻長遠)	No. 482, Building 7, Beijing Youth City, No. 8 Yard, Hongjunying East Road, Laiguangying District, Chaoyang District, Beijing, China	Chinese
Ms. Liang Xiaoyan (梁曉燕)	Room 1801, Building 3, District 6, Yuanda Road, Century City, Haidian District, Beijing, China	Chinese

SUPERVISORS

Ms. Li Yan (李妍)	Room 302, Gate 1, Building 20, Huayan North Lane, Chaoyang District, Beijing, China	Chinese

Name	Address	Nationality
Ms. Sun Chunli (孫春麗)	Room 201, Unit 3, Building 44, Yuhuayuanyili, Xingfeng Street, Daxing District, Beijing, China	Chinese
Ms. Huang Rui (黃蕊)	Room 301, Building 6, No. 81, West Fourth Ring South Road, Fengtai District, Beijing, China	Chinese

For details with respect to our Directors and Supervisors, see "Directors, Supervisors and Senior Management" in this Document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
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[REDACTED]

[REDACTED]

Legal Advisers to our Company	*As to Hong Kong law and United States law* **Davis Polk & Wardwell** 18th Floor, The Hong Kong Club Building 3A Chater Road Hong Kong *As to PRC law* **Zhong Lun Law Firm** 23-31/F South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing China
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law and United States law* **Herbert Smith Freehills** 23rd Floor, Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC law* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing China

Reporting Accountants and Auditor	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504 Wheelock Square 1717 Nanjing West Road Shanghai, PRC
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Independent Property Valuer	**Asia-Pacific Consulting and Appraisal Limited** Flat/Rm A, 12/F Kiu Fu Commercial Building 300 Lockhart Road Wan Chai Hong Kong
Biological Assets Appraiser	**Asia-Pacific Consulting and Appraisal Limited** Flat/Rm A, 12/F Kiu Fu Commercial Building 300 Lockhart Road Wan Chai Hong Kong

[REDACTED]

Registered Office	12 Baoshen South Street, Daxing Bio-Medicine Industry Park, Daxing District, Beijing PRC
Head Offices and Principal Places of Business in China	12 Baoshen South Street, Daxing Bio-Medicine Industry Park, Daxing District, Beijing PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	https://www.biocytogen.com.cn/ (*The information contained in this website does not form part of this Document*)
Joint Company Secretaries	**Mr. Wang Yongliang (王永亮)** 12 Baoshen South Street, Daxing Bio-Medicine Industry Park, Daxing District, Beijing PRC **Ms. Au Wai Ching (區慧晶)** *(associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Dr. Shen Yuelei** No. 2, Tiantan Xili, Chongwen District, Beijing, China **Ms. Au Wai Ching (區慧晶)** 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Audit Committee	Ms. Liang Xiaoyan (梁曉燕) (*Chairman*) Mr. Hua Fengmao (華風茂) Dr. Yu Changyuan (喻長遠) Mr. Wei Yiliang (魏義良)
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Nomination Committee	Dr. Yu Changyuan (喻長遠) (*Chairman*) Mr. Hua Fengmao (華風茂) Ms. Liang Xiaoyan (梁曉燕) Dr. Shen Yuelei (沈月雷)
Strategy Development Committee	Dr. Shen Yuelei (沈月雷) (Chairman) Dr. Zhou Kexiang (周可祥) Mr. Wei Yiliang (魏義良) Mr. Huang Xiaolu (黃小魯)
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

[REDACTED]

Principal Banks	**China Construction Bank Beijing Economic and Technological Development Zone Sub-branch** No. 2, Jingyuan North Street Daxing District Beijing, PRC **China Merchants Bank, Beijing Yizhuang Sub-branch** 1/F, Building 8, Libao Plaza No. 8 Ronghua Middle Road Daxing District Beijing, PRC

Certain information and statistics set out in this section have been extracted from various official government publications, market data providers and an Independent Third Party source, Frost & Sullivan. The report prepared by Frost & Sullivan and cited in this Document was commissioned by us. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, any of their respective directors, employees, agents or advisers or any other person or party involved in the **[REDACTED]***, and no representation is given as to its accuracy, fairness and completeness.*

SOURCE OF INFORMATION

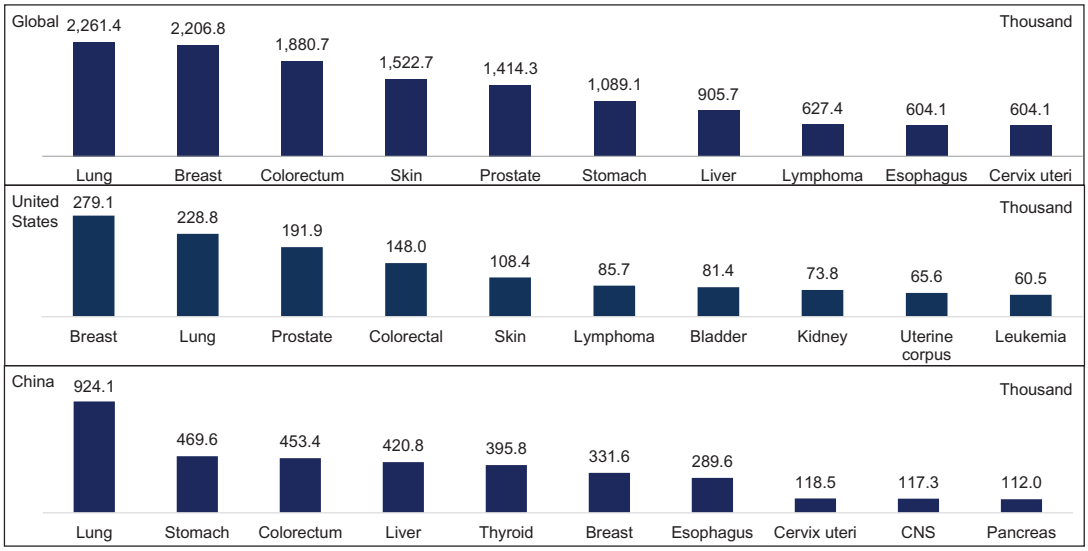
In connection with the **[REDACTED]**, we have commissioned Frost & Sullivan, an independent third-party, to conduct research and analysis of, and to produce a report on the markets for biologics and pre-IND CRO services. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our influence. We have agreed to pay Frost & Sullivan a fee of RMB840,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Frost & Sullivan Report. Frost & Sullivan's independent research was undertaken primarily through secondary research which primarily involved analyzing data from various publicly available data. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has made the following key assumptions: (i) the economies of the United States and China are likely to maintain a steady rate of growth in the next decade, (ii) the key growth drivers mentioned in this section are likely to drive the growth of the global markets for biologics and pre-IND CRO services from 2021 to 2025, and (iii) there is no *force majeure* or industry regulation that affects any of such markets dramatically or fundamentally.

PIPELINES

Overview of Oncology Drug Market

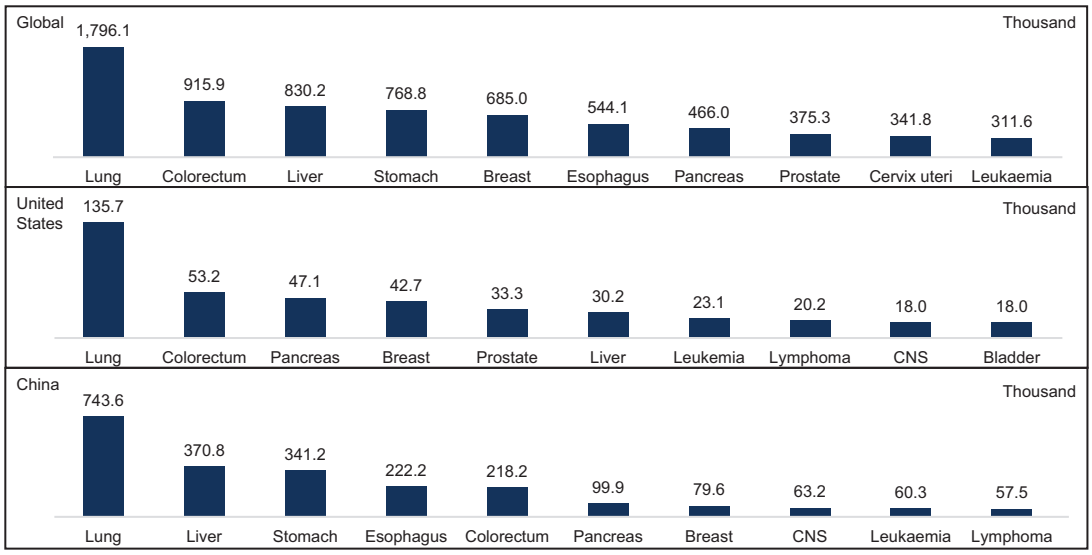
Top 10 Cancers by Incidence and Mortality

The table below illustrates the top 10 cancers in 2020 by incidence globally, in the United States and in China, respectively.



Source: GLOBOCAN, ACS (American Chemical Society), NCCR (National Committee for Clinical Research), Frost & Sullivan Report

The table below illustrates the top 10 cancers in 2020 by mortality globally, in the United States and in China, respectively.



Source: GLOBOCAN, ACS, NCCR, Frost & Sullivan Report

Developments of Oncology Drug Therapies

The primary challenge in treating cancer is targeting cancerous cells. Cancer cells are mutations of a patient's normal cells and therefore closely resemble a patient's own cells. Cancer cells have the ability to both invade nearby tissues and spread to distant regions of the body. To treat cancer, the therapy must be able to distinguish between cancerous cells and healthy cells. Traditional cancer treatments are very much limited by this targeting problem. Conventional treatment methods such as surgery, radiotherapy and chemotherapy have been widely utilized to treat cancer. Surgery could directly remove tumors and is effective for early-stage cancer. However, once cancer cells spread to different locations in the body, surgery's effectiveness is limited. Radiation therapy can kill tumor cells and shrink tumors by subjecting them to beam radiation. Like surgery, however, radiation therapy is much less effective after cancer spreads.

More recent advances in genetics and cell biology have opened the way for a number of potential new therapies that can more precisely target cancerous cells while being less harmful to normal cells. These alternative new therapies such as precision oncology and immuno-oncology are generally used only when the traditional therapies are not suitable or effective.

- Molecularly Targeted Therapies inhibit the growth of cancer cells by acting on specific target molecules that are associated with tumor cell proliferation and survival.

- Immunotherapy utilizes antibodies to bind to tumor antigens that are expressed on the surface of cancer cells, allowing the body's immune system to recognize and eliminate them.

- Combination Therapy seeks to combine more than one therapeutics to create a synergistic effect.

CD40 Agonistic Antibody

Overview

CD40, also known as TNFRSF5, is a type I membrane glycoprotein and belongs to the TNF/TNFR family. It was initially identified as a surface marker of bladder cancer cells & B cells. CD40 is a key immune co-stimulatory receptor in the immune system and plays a key role in the activation of the innate and adaptive immune systems. The activation of CD40 on B cells by drugs can simulate an endogenous immune activation process, thereby activating the endogenous immune system and reversing the immunosuppressive effect of cancer patients.

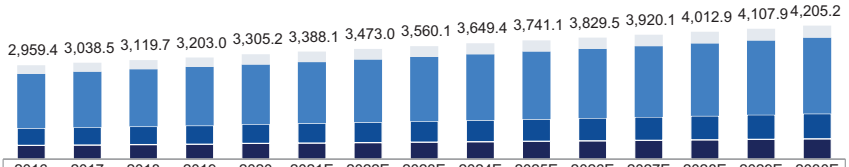
Potential Indications and Market

CD40 agonists act as immuno-oncology therapy to enhance the immune response in many solid tumors. Currently, CD40 agonists are focused on indications such as melanoma, colorectal cancer (CRC), esophageal carcinoma and pancreatic cancer. The total global incidence of these potential indications was 3,305.2 thousand in 2020, and it is expected to reach 3,741.1 thousand in 2025, representing a CAGR of 2.5%, and to further reach 4,205.2 thousand in 2030, representing a CAGR of 2.4%.

Global Incidence of CD40 Agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	2.8%
2020-2025E	2.5%
2025E-2030E	2.4%

Thousand



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	2,959.4	3,038.5	3,119.7	3,203.0	3,305.2	3,388.1	3,473.0	3,560.1	3,649.4	3,741.1	3,829.5	3,920.1	4,012.9	4,107.9	4,205.2
Melanoma	274.4	281.0	287.7	294.6	324.6	329.6	334.6	339.7	344.9	350.2	355.2	360.3	365.4	370.7	376.0
CRC	1,708.4	1,754.1	1,801.0	1,849.1	1,880.7	1,928.0	1,976.5	2,026.3	2,077.2	2,129.5	2,180.2	2,232.0	2,285.1	2,339.5	2,395.1
Esophageal Carcinoma	541.9	556.8	572.0	587.7	604.1	621.5	639.5	657.9	676.9	696.5	714.9	733.8	753.3	773.2	793.7
Pancreatic Cancer	434.7	446.6	458.9	471.5	495.8	508.9	522.4	536.2	550.4	564.9	579.3	594.0	609.1	624.6	640.5

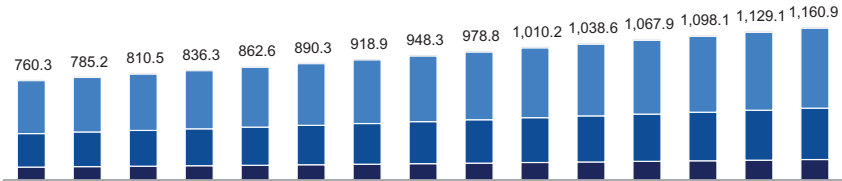
Source: GLOBOCAN, Frost & Sullivan Analysis

The total incidence of these potential indications in China was 862.6 thousand in 2020, and it is expected to reach 1,010.2 thousand in 2025, representing a CAGR of 3.2%, and to further reach 1,160.9 thousand in 2030, representing a CAGR of 2.8%.

China Incidence of CD40 Agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	3.2%
2020-2025E	3.2%
2025E-2030E	2.8%

Thousand



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	760.3	785.2	810.5	836.3	862.6	890.3	918.9	948.3	978.8	1,010.2	1,038.6	1,067.9	1,098.1	1,129.1	1,160.9
Melanoma	7.0	7.2	7.4	7.6	7.7	7.9	8.1	8.3	8.5	8.7	8.9	9.1	9.3	9.5	9.7
CRC	400.7	413.6	426.7	440.0	453.4	467.6	482.2	497.3	512.8	528.9	543.5	558.6	574.0	589.9	606.3
Esophageal Carcinoma	254.4	262.9	271.6	280.4	289.6	298.9	308.6	318.6	328.8	339.5	348.9	358.5	368.5	378.7	389.2
Pancreatic Cancer	98.2	101.5	104.9	108.4	112.0	115.9	120.0	124.2	128.6	133.1	137.3	141.7	146.3	150.9	155.8

Source: GLOBOCAN, Frost & Sullivan Analysis

We are developing YH003 in combination with toripalimab as a first-line and second-line therapy for patients with pancreatic ductal adenocarcinoma, and a third-line therapy for

melanoma. The recommended first line treatments of pancreatic ductal adenocarcinoma in the United States and China are surgical treatment, radiotherapy, chemotherapy and interventional therapy and the recommended first line treatments of unresectable/metastatic melanoma in the United States and China are immunotherapy (i.e. anti PD-1 monotherapy) and combination targeted therapy such as dabrafenib in combination with trametinib.

Competitive Landscape

CD40 agonists have been combined with a variety of immuno-oncology agents or agonists to enhance their therapeutic effect. A summary of the global competitive landscape of CD40 agonists and CD40 agonists combination therapies, as well as their indications of interest, is set forth below.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Combination
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Unresectable/metastatic melanoma, pancreatic ductal adenocarcinoma	Phase 2	Sep-2021	N/A	Toripalimab (PD-1)
			Advanced Solid Tumors	Phase 1/2	Jul-2020	Australia	Toripalimab (PD-1)
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Budigalimab (PD-1)
			Locally Advanced or Metastatic Solid Tumors	Phase 1	Mar-2019	Global	ABBV-368, Budigalimab and/or Chemotherapy
			Metastatic Pancreatic Cancer	Phase 2	Mar-2021	Global	Modified FOLFIRINOX with/without Budigalimab
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Pembrolizumab, gemcitabine and nab-paclitaxel
APX005M	Monoclonal antibody	Apexigen	Resectable Esophageal and Gastroesophageal Junction Cancers	Phase 2	May-2017	U.S.	Chemoradiation
			Unresectable or Metastatic Melanoma	Phase 2	April-2020	Global	Radiation therapy
Mitazalimab (ADC-1013)	Monoclonal antibody	Alligator Bioscience	Metastatic Pancreatic Ductal Adenocarcinoma	Phase 1b/2	May-2021	Global	Chemotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced Tumors	Phase 1	Nov-2020	U.S.	LVGN3616, LVGN6051 (PD-1, CD137)
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	CDX-301(FLT3L), Pembrolizumab
Selicrelumab (RG7876)	Monoclonal antibody	Hoffmann-La Roche	Advanced and/or Metastatic Solid Tumors	Phase 1	Dec-2014	Global	Atezolizumab
			Advanced/Metastatic Solid Tumors	Phase 1	Jan-2016	Global	Vanucizumab Bevacizumab
RO7300490	Bispecific antibody		Advanced Solid Tumors	Phase 1	April-2021	Global	Atezolizumab
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	A check point inhibitor

Notes:
1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

The following table presents the status of CD40 antibody candidates as monotherapy at clinical stage globally.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Therapy Type
APX005M	Monoclonal antibody	Apexigen	Unresectable/Metastatic Melanoma	Phase 2	April-2020	Global	Monotherapy
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Monotherapy
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	Monotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced/Metastatic Tumors	Phase 1	Nov-2020	U.S.	Monotherapy
					Oct-2021	China	Monotherapy
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Late-Stage Solid Tumors	Phase 1	Jul-2021	China	Monotherapy
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Monotherapy
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	Monotherapy
RO7300490	Bispecific antibody	Hoffmann-La Roche	Advanced Solid Tumors	Phase 1	April-2021	Global	Monotherapy

Notes:

1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

Future Trends and Combination Therapies

Combination therapy with CD40 agonists is effective since tumor-specific induction of T cells plays a crucial role in the successful anti-tumor effects of CD40 agonist and that combining strategies to induce tumor-cell apoptosis with T cell activation results in greater anti-tumor responses. Pre-clinical data and clinical data of combination therapy of CD40 agonists with PD-1 inhibitor has shown improved antitumor efficacy in multiple indications, thus indicating such combination therapies to be the future trend.

CTLA-4 Antibodies

Overview

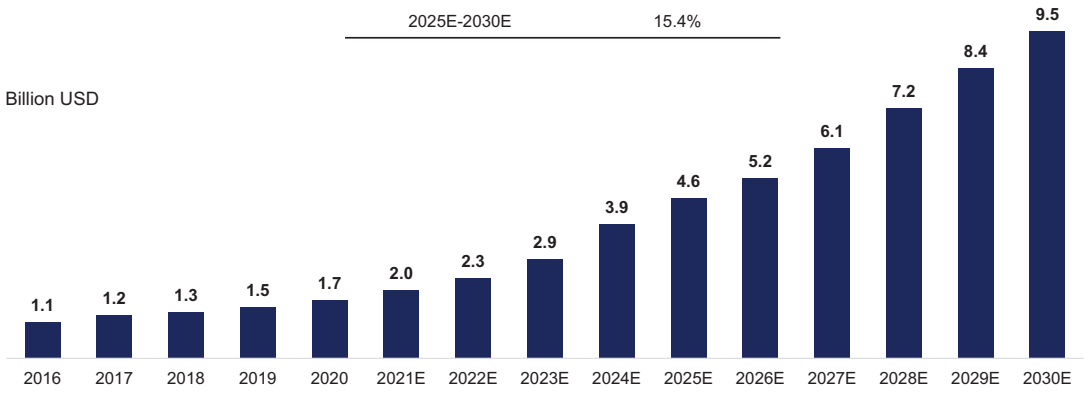
CTLA-4, also known as CD152, is a protein receptor that acts as an immune checkpoint. Its regular function within the body is to down-regulate the body's immune response and prevent autoimmune diseases. Cancer cells, however, can co-opt the CTLA-4 mechanism to suppress T cells that are critical to the body's immune system and thereby suppress the effect of the body's natural immune response against tumors.

Drug Market

The size of the global CTLA-4 antibody drug market increased from US$1.1 billion in 2016 to US$1.7 billion in 2020, representing a CAGR of 12.4%. As more CTLA-4 antibody drugs are approved in the future, the size of the global CTLA-4 antibody drug market is expected to reach US$4.6 billion in 2025, and further increase to US$9.5 billion in 2030, with CAGRs of 22.4% and 15.4% from 2020 to 2025 and from 2025 to 2030, respectively.

Global CTLA-4 Antibody Drug Market, 2016-2030E

Period	CAGR
2016-2020	12.4%
2020-2025E	22.4%
2025E-2030E	15.4%

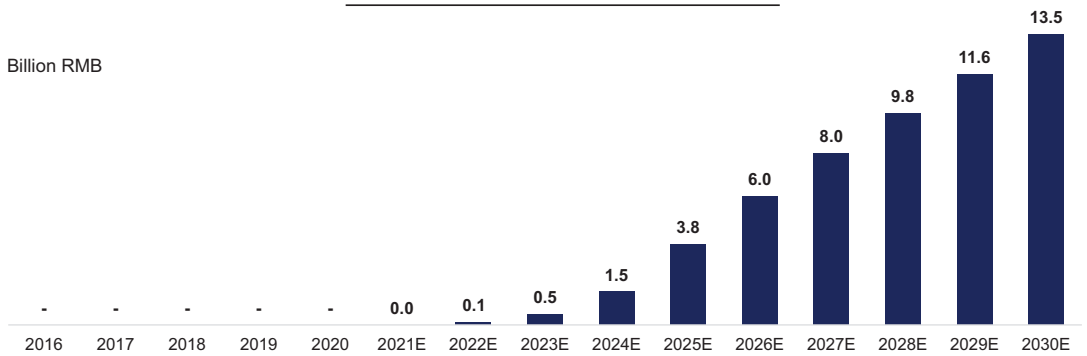


Source: Literature review (Ann W Latner, Kara Rosania (2016). Immunotherapies for Melanoma: Worth the Cost?; Xuezhi Hao, Aisong Shen and Bin WU (2021). Cost-Effectiveness of Nivolumab Plus Ipilimumab as First-Line Therapy in Advanced Non-small-cell Lung Cancer. Front Pharmacol), Annual reports published by the relevant market players, Frost & Sullivan Report

In China, the size of the CTLA-4 antibody drug market is expected to reach RMB3.8 billion in 2025, and further increase to RMB13.5 billion in 2030, representing a CAGR of 29.1%.

China CTLA-4 Antibody Drug Market, 2016-2030E

Period	CAGR
2016-2020	NA
2020-2025E	NA
2025E-2030E	29.1%



Note:

(1) According to Frost & Sullivan, the estimated market size of CTLA-4 antibody drug in 2022 is calculated on the following basis: (i) BMS's ipilimumab was approved in China in 2021 with the indication of pleural mesothelioma. Ipilimumab is expanding indications of CRC, HCC and NSCLC with the approval timeline of these indications expected between 2022 to 2024; (ii) quavonlimab from MSD initiated Phase II trial on HCC patients in 2021 and is expected to be approved in 2023 in China; (iii) the estimated sales volume in 2022 is expected to be approximately 4,000 bottles; (iv) the estimated average price per product based on the literature review is expected to be RMB28,000 for 50mg (10ml).

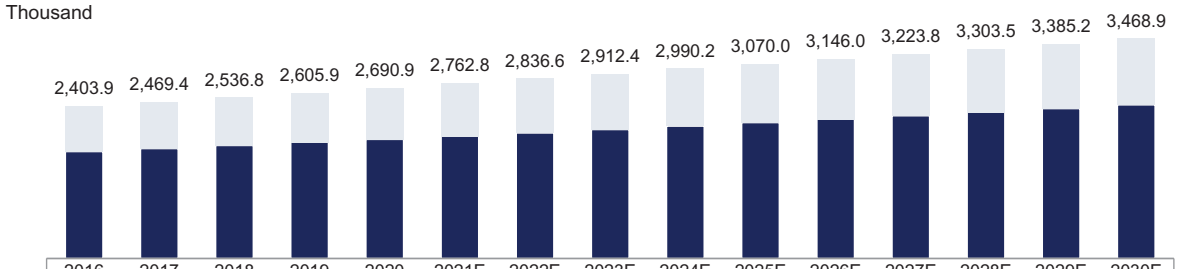
(2) From 2022 onwards, the market size will see significant growth as: (i) Ipilimumab (Yervoy) was approved in China in 2021 for the indication of pleural mesothelioma; (ii) Ipilimumab is expanding its indication for CRC, HCC, and NSCLC, with approvals for these indications expected between 2022 and 2024; (iii) the overall prevalence of CRC, HCC, NSCLC, and pleural mesothelioma is expected to increase significantly over the next decade; (iv) a number of CTLA-4 antibody drugs are expected to be approved and commercialized in the next decade with additional indications; (v) NRDL inclusion and marketing efforts for CTLA-4 antibody drugs.

Source: Literature review (Ann W Latner, Kara Rosania (2016). Immunotherapies for Melanoma: Worth the Cost?; Xuezhi Hao, Aisong Shen and Bin WU (2021). Cost-Effectiveness of Nivolumab Plus Ipilimumab as First-Line Therapy in Advanced Non-small-cell Lung Cancer. Front Pharmacol; Shun Lu (2021). Landing in China - Ipilimumab launched in China opening the era of dual immunity. China Medical Tribune), Company information, Frost & Sullivan Report

The CTLA-4-focused indications include NSCLC and HCC. The total global incidence of these CTLA-4-focused indications was 2,690.9 thousand in 2020, and it is expected to reach 3,070.0 thousand in 2025, representing a CAGR of 2.7%, and to further reach 3,468.9 thousand in 2030, representing a CAGR of 2.5%.

Global Incidence of CTLA-4 Agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	2.9%
2020-2025E	2.7%
2025E-2030E	2.5%



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	2,403.9	2,469.4	2,536.8	2,605.9	2,690.9	2,762.8	2,836.6	2,912.4	2,990.2	3,070.0	3,146.0	3,223.8	3,303.5	3,385.2	3,468.9
HCC	720.3	738.4	757.0	776.0	815.1	836.6	858.8	881.5	904.7	928.7	951.4	974.7	998.6	1,023.1	1,048.2
NSCLC	1,683.6	1,731.1	1,779.8	1,829.9	1,875.8	1,926.1	1,977.8	2,030.9	2,085.4	2,141.4	2,194.5	2,249.0	2,304.9	2,362.1	2,420.7

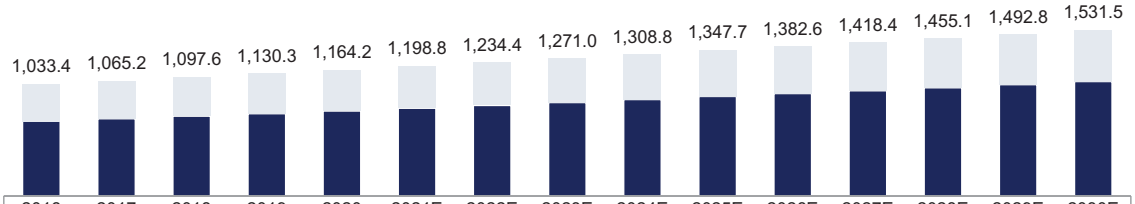
Source: GLOBOCAN, ACS, NCCR, Frost & Sullivan Analysis

The total incidence of these CTLA-4-focused indications in China was 1,164.2 thousand in 2020, and it is expected to reach 1,347.7 thousand in 2025, representing a CAGR of 3.0 %, and to further reach 1,531.5 thousand in 2030, representing a CAGR of 2.6%.

China Incidence of CTLA-4 agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	3.0%
2020-2025E	3.0%
2025E-2030E	2.6%

Thousand

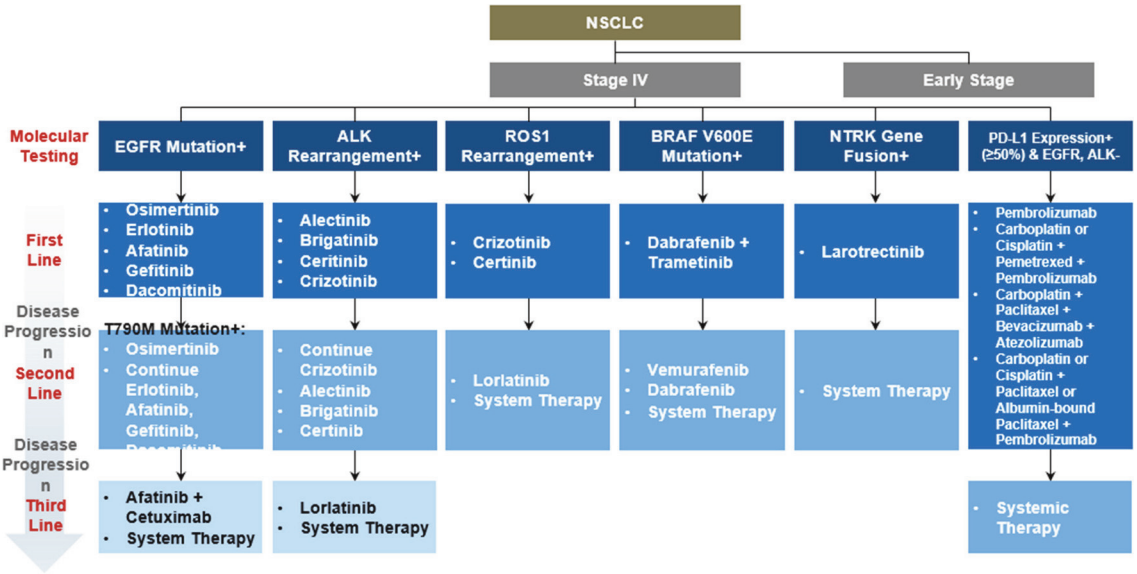


	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	1,033.4	1,065.2	1,097.6	1,130.3	1,164.2	1,198.8	1,234.4	1,271.0	1,308.8	1,347.7	1,382.6	1,418.4	1,455.1	1,492.8	1,531.5
HCC	342.0	351.1	360.2	369.4	378.7	388.0	397.5	407.3	417.3	427.5	436.5	445.6	454.9	464.5	474.2
NSCLC	691.4	714.2	737.4	761.0	785.5	810.7	836.8	863.7	891.5	920.2	946.1	972.7	1,000.2	1,028.3	1,057.3

Source: GLOBOCAN, ACS, NCCR, Frost & Sullivan Analysis

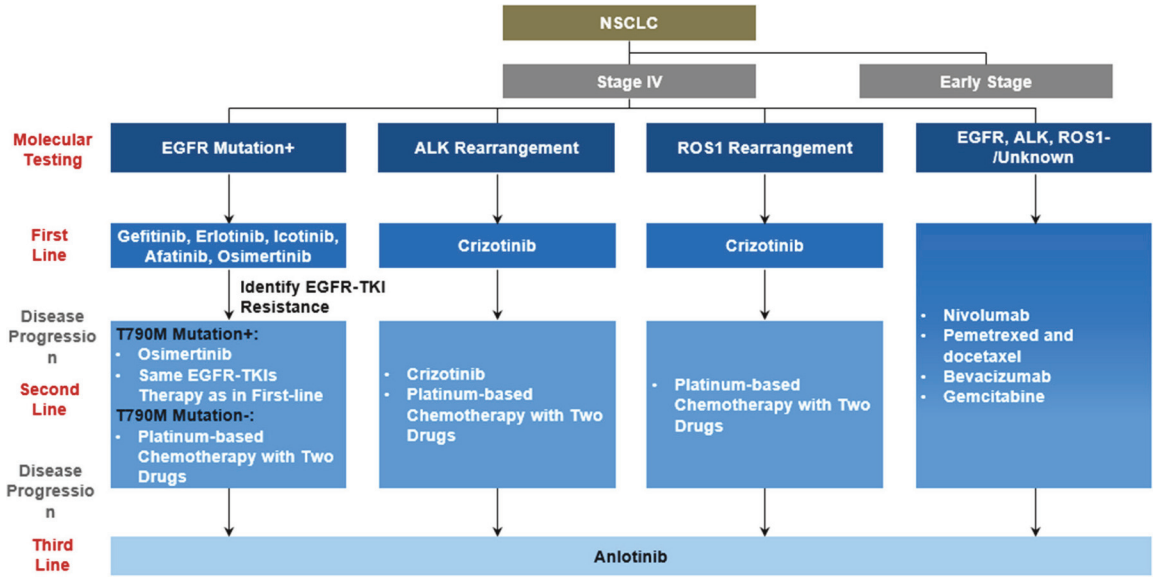
We are developing YH001 in combination with toripalimab as a second-line therapy for patients with HCC, and as a first-line therapy for patients with NSCLC. Multi-kinase inhibitors such as sorafenib, lenvatinib have been used as first- or second-line treatment for HCC. Since May 2020, atezolizumab plus bevacizumab combination (immunotherapy plus anti-VEGF) has become the new reference standard in first-line HCC treatment.

For advanced (stage IV) NSCLC, the treatment is further specified by different molecular testing with more treatment options in the United States than those in China. The following diagram sets forth the first-line treatment for stage IV NSCLC in the United States.



Source: NCCN Guidelines Insights: Non-Small Cell Lung Cancer (2021.V5), Frost & Sullivan Report

The following diagram sets forth the first-line treatment for stage IV NSCLC in China.



Source: Guidelines of CSCO: Non-small Cell Lung Cancer (2020), Frost & Sullivan Report

Competitive Landscape

Ipilimumab (Yervoy) is currently the only anti-CTLA-4 antibody drug approved globally. In China, Ipilimumab (Yervoy) was recently approved in June 2021. However, the use of Ipilimumab (Yervoy) has been limited due to its toxicity.

Approved and Marketed Anti-CTLA-4 mAb Drug

Brand Name	Generic Name	Company	Indications Approved	Year of Initial Approval	Authorities of Approval
Yervoy	Ipilimumab	Bristol Myers Squibb	• Unresectable or metastatic melanoma, advanced renal cell carcinoma in combo with Nivolumab, colorectal cancer in combo with Nivolumab, hepatocellular carcinoma in combo with Nivolumab, metastatic or recurrent NSCLC in combo with Nivolumab	2011	FDA
			• Unresectable or metastatic melanoma in combo with Nivolumab, advanced renal cell carcinoma in combo with Nivolumab, metastatic NSCLC in combo with Nivolumab, unresectable malignant pleural mesothelioma, colorectal cancer in combo with Nivolumab	2011	EMA
			• Unresectable non-epithelial malignant pleural mesothelioma in combo with Nivolumab	2021	NMPA

Source: FDA, EMA, NMPA, Frost & Sullivan Report

According to Frost & Sullivan, combination therapies of anti-CTLA-4 mAbs with immune checkpoint inhibitors such as PD-1 and PD-L1 have become a recent global trend. A summary of the global competitive landscape of anti-CTLA-4 mAbs and anti-CTLA-4 mAbs combination therapies, as well as their indications of interest, is set forth below.

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
Tremelimumab (CP-675206)	AstraZeneca	SCLC	Phase 3	Oct-2018	Global	Durvalumab (PD-L1)
		advanced urothelial cancer	Phase 3	Sep-2018	Global	Durvalumab (PD-L1)
		HCC	Phase 3	Oct-2017	Global	Durvalumab (PD-L1)
		pediatric malignancies	Phase 1/2	Feb-2019	Global	Durvalumab (PD-L1)
		advanced NSCLC	Phase 3	Apr-2018	China	Platinum-based Chemotherapy
		advanced SCLC	Phase 3	May-2018	China	Platinum-based Chemotherapy
Quavonlimab	MSD/Eisai	advanced clear cell RCC	Phase 3	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
	MSD	advanced HCC	Phase 2	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
		MSI-H/dMMR advanced CRC	Phase 2	May-2021	Global	Pembrolizumab (PD-1)
YH-001	Biocytogen/ Eucure Biopharma	HCC, NSCLC	Phase 2		Global	Toripalimab (PD-1)
		advanced solid tumor	Phase 1	Apr-2020	Australia	
		advanced solid tumor	Phase 1	Dec-2020	China	
BMS-986218	Bristol-Myers Squibb	advanced tumor	Phase 1/2	Apr-2017	Global	Nivolumab (PD-1)
BMS-986249		advanced solid tumor	Phase 1/2	Dec-2017	Global	Nivolumab (PD-1)
AGEN1181	Agenus	advanced tumor	Phase 1/2	Mar-2019	U.S.	AGEN2034 (PD-1)
AGEN1884		cervical cancer	Phase 1/2	Apr-2018	Global	AGEN2034 (PD-1)
HBM4003	Harbor BioMed	advanced solid tumor	Phase 1	Oct-2019	Global	
		NSCLC	Phase 1	Apr-2021	China	PD-1
		advanced melanoma	Phase 1	Dec-2020	China	Toripalimab (PD-1)
Nurulimab (BCD-145)	Biocad	melanoma	Phase 1	Mar-2018	Russia	
ONC-392	OncoC4	advanced solid tumor	Phase 1	Oct-2019	U.S.	Pembrolizumab (PD-1)
KN044	Alphamab	advanced solid tumor	Phase 1	Jun-2019	China	
ADG126	Adagene	advanced/metastatic tumor	Phase 1	Nov-2020	Australia	
ADG116		advanced solid tumor	Phase 1	Aug-2020	Australia	
				Oct-2019	U.S.	
Ipilimumab Biosimilar						
IBI310	Innovent	acral melanoma after surgery	Phase 3	Feb-2020	China	Sintilimab (PD-1)
		advanced HCC	Phase 3	Jan-2021	China	Sintilimab (PD-1)
		advanced cervical cancer	Phase 2	Oct-2020	China	Sintilimab (PD-1)
HL06	Hualan Genetic Engineering	unresectable/metastatic melanoma	Phase 1/2	Sep-2019	China	
CS1002	CStone Pharmaceuticals	advanced solid tumor	Phase 1	Dec-2019	China	
		advanced solid tumor	Phase 1	May-2018	Australia	CS1003 (PD-1)
MV049	Mab-Venture Biopharm	advanced solid tumor	Phase 1	Jul-2019	China	

Notes:

1. *By July 2021.*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*
3. *BMS-986249 is a probody of Ipilimumab.*
4. *HBM4003 is a heavy chain antibody, KN044 is a single domain Fc fusion protein.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

Future Trends and Combination Therapies

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. Since 2015, the FDA has approved various combined therapies. Based on clinical trial data, ipilimumab and nivolumab combination therapy has received breakthrough designation from FDA for advanced hepatocellular carcinoma. In light of the recent success, combined therapy of anti-PD-1 and anti-CTLA-4 mAbs possess a greater potential than PD-1 monotherapy. With advancing technologies, anti-CTLA-4 mAbs are expected to show greater efficacy on more indications and are expected to show great potential in combination with other immuno-oncology therapies, not limited to PD-1 combo therapy.

The diagram below shows the notable approval history of anti-CTLA-4 mAbs and anti-CTLA-4 mAbs in combination with PD-1.

Approval Date	Approved Indications		Therapy (Combo/Mono vs. SOC)
Oct-2020	previously untreated unresectable malignant pleural mesothelioma	1st Line	Combo w. Nivolumab Platinum-based SOC
May-2020	metastatic/recurrent NSCLC	1st Line	Combo w. Nivolumab Chemotherapy
May-2020	metastatic NSCLC with PD-L1 express ≥1%	1st Line	Combo w. Nivolumab Chemotherapy
Mar-2020	Sorafenib previously treated HCC	2nd Line	Combo w. Nivolumab Nivulumab
Jul 2018	previously treated MSI-H/dMMR metastatic colorectal cancer	2nd Line	Combo w. Nivolumab Chemotherapy
Apr-2018	intermediate and poor-risk advanced RCC	1st Line	Combo w. Nivolumab Sunitinib
Jan-2016	unresectable/metastatic melanoma across BRAF status	1st Line	Combo w. Nivolumab Nivolumab
Oct-2015	BRAF V600 wild-type melanoma	1st Line	Combo w. Nivolumab Ipilimumab
Mar-2011	late-stage melanoma	1st Line	Mono gp100

Source: FDA, Frost & Sullivan Report

OX40 Agonistic Antibodies

Overview

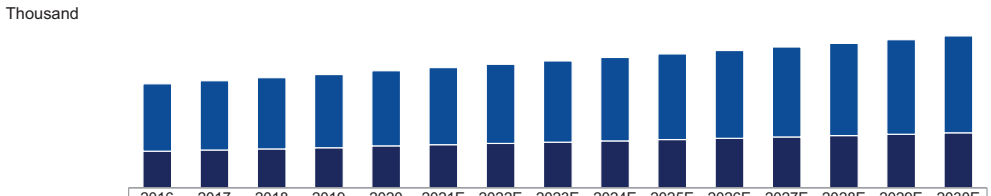
OX40, also known as CD134 or TNFRSF4, is a type I transmembrane glycoprotein and a member of the NGFR/TNFR superfamily with a co-activation function. OX40 agonists can improve the immune activity of T cells and are used in tumor immunotherapy. When the OX40 agonistic antibody binds to the OX40 receptor, it will trigger co-stimulatory signals related to the increase of T cells and inflammatory cytokines to activate the dormant immune system, thereby helping to fight cancer cells. It may also inhibit and/or reduce regulatory T cells which inhibit the immune response, so as to achieve the role of immune regulator.

Potential Indications and Market

OX40 agonistic antibodies are currently being developed for the treatment of advanced solid tumors. The current indications of interest mainly include small cell lung cancer (SCLC) and soft tissue sarcoma. The total global incidence of these potential indications was 516.3 thousand in 2020, and it is expected to increase to 590.8 thousand in 2025, representing a CAGR of 2.7%, and to further increase to 670.0 thousand in 2030, representing a CAGR of 2.5%.

Global Incidence of OX40 Agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	3.0%
2020-2025E	2.7%
2025E-2030E	2.5%



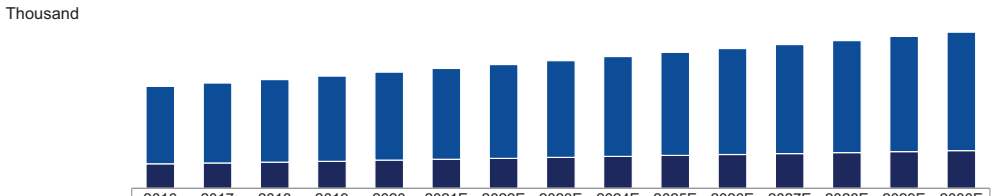
	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	459.0	472.3	485.9	499.9	516.3	530.4	544.9	559.8	575.1	590.8	605.9	621.3	637.1	653.3	670.0
■ SCLC	297.1	305.5	314.1	322.9	331.0	339.9	349.0	358.4	368.0	377.9	387.3	396.9	406.7	416.8	427.2
■ Soft Tissue Sarcoma	161.9	166.8	171.8	177.0	185.3	190.5	195.9	201.4	207.1	212.9	218.6	224.4	230.4	236.5	242.8

Source: GLOBOCAN, Frost & Sullivan Report

In China, the incidence of these potential indications was 183.1 thousand in 2020, and is expected to reach 214.4 thousand in 2025, representing a CAGR of 3.2%, and to further reach 246.2 thousand in 2030, representing a CAGR of 2.8%.

China Incidence of OX40 Agonists Focused Indications, 2016-2030E

Period	CAGR
2016-2020	3.3%
2020-2025E	3.2%
2025E-2030E	2.8%



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	160.8	166.1	171.5	177.0	183.1	189.0	195.1	201.3	207.7	214.4	220.4	226.6	232.9	239.5	246.2
■ SCLC	122.0	126.0	130.1	134.3	138.6	143.1	147.7	152.4	157.3	162.4	167.0	171.7	176.5	181.5	186.6
■ Soft Tissue Sarcoma	38.8	40.1	41.4	42.7	44.5	45.9	47.4	48.9	50.4	52.0	53.4	54.9	56.4	58.0	59.6

Source: GLOBOCAN, Frost & Sullivan Report

Competitive Landscape

According to Frost & Sullivan, combination therapies of OX40 agonistic antibodies with immune checkpoint inhibitors such as PD-1, PD-L1 and CTLA-4 have become a recent global trend. A summary of the global competitive landscape of OX40 agonistic antibodies and OX40 agonistic antibodies combination therapies, as well as their indications of interest, is set forth below.

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
PF-04518600	Pfizer	advanced cancer	Phase 1b/2	Sep-2015	Global	Avelumab (PD-L1)
INCAGN01949	Incyte	advanced cancer	Phase 1/2	Aug-2017	U.S.	Nivolumab (PD-1), Ipilimumab (CTLA-4)
BMS 986178	BMS	advanced solid tumor	Phase 1/2	April-2016	Global	Nivolumab (PD-1), Ipilimumab (CTLA-4)
YH002	Biocytogen/ Eucure Biopharma	advanced solid tumor	Phase 1	Apr-2020	Australia	
		advanced solid tumor	Phase 1	Jun-2021	China	
INBRX-106	Inhibrx/MSD	advanced solid tumor	Phase 1	Dec-2019	U.S.	Pembrolizumab (PD-1)
MEDI0562	MedImmune	advanced solid tumor	Phase 1	Mar-2016	Global	Durvalumab (PD-L1),
BGB-A445	BeiGene	advanced solid tumor	Phase 1	Jan-2020	Australia	Tislelizumab (PD-1)
GSK3174998	GSK/MSD	advanced solid tumor	Phase 1	Aug-2015	Global	Pembrolizumab (PD-1)
IBI101	Innovent	advanced solid tumor	Phase 1	Oct-2018	China	Sintilimab (PD-1)
MOXR0916	Genentech	advanced solid tumor	Phase 1	Apr-2015	Global	Atezolizumab (PD-L1)

Notes:
(1) By July 2021.
(2) Location marked as "Global" if the trial is conducted in multiple countries.

Source: ClinicalTrials, CDE, Frost & Sullivan Report

4-1BB Antibodies

Overview

4-1BB, also known as CD137, is an important activated immune checkpoint molecule on the surface of T cells, which belongs to the tumor necrosis factor receptor family molecule. It is a co-stimulatory receptor expressed on a variety of cells of the immune system, especially on CD8+ T cells.

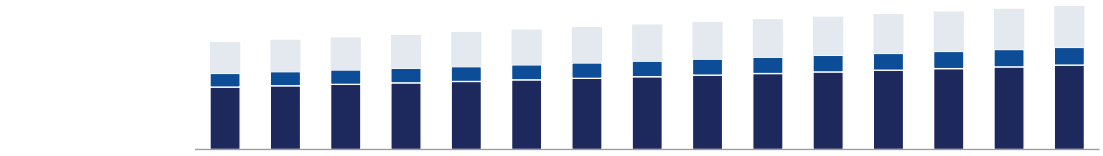
Due to its wide expression and the ability to enhance potent and long-lasting immune effects, 4-1BB has become a clinical target for cancer immunotherapy. The activation of 4-1BB by anti-4-1BB antibodies can stimulate the proliferation of T cells and antigen-presenting cells, along with cytokines secretion, thereby improving anti-tumor immune response.

Potential Indications and Market

Anti-4-1BB antibodies are currently being developed for the treatment of advanced solid tumors and lymphoma. The current indications of interest mainly include ovarian cancer, nasopharyngeal carcinoma and lymphoma. The total global incidence of these potential indications was 1,063.4 thousand in 2020, and it is expected to reach 1,178.9 thousand in 2025, representing a CAGR of 2.1%, and to further reach 1,297.4 thousand in 2030, representing a CAGR of 1.9%.

Global Incidence of Anti-4-1BB Antibody Focused Indications, 2016-2030E

Period	CAGR
2016-2020	2.3%
2020-2025E	2.1%
2025E-2030E	1.9%



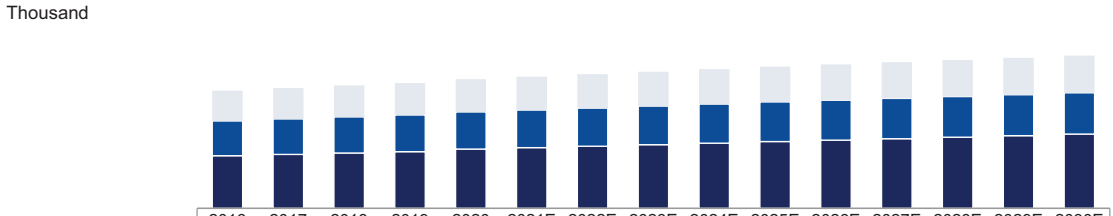
	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	971.7	992.7	1,014.1	1,035.9	1,063.4	1,085.5	1,108.1	1,131.1	1,154.8	1,178.9	1,201.7	1,225.0	1,248.7	1,272.8	1,297.4
Ovarian Cancer	283.3	289.3	295.4	301.7	314.0	319.8	325.8	331.8	338.0	344.3	350.1	356.0	362.0	368.1	374.2
Nasopharyngeal Carcinoma	124.1	126.6	129.1	131.6	133.4	136.0	138.6	141.3	144.1	146.9	149.4	152.0	154.6	157.2	159.9
Lymphoma	564.3	576.8	589.6	602.6	616.0	629.7	643.7	658.0	672.7	687.7	702.2	717.0	732.1	747.5	763.3

Source: GLOBOCAN, Frost & Sullivan Report

In China, the incidence of these potential indications was 217.4 thousand in 2020, and is expected to reach 238.4 thousand in 2025, representing a CAGR of 1.9%, and to further reach 257.0 thousand in 2030, representing a CAGR of 1.5%.

China Incidence of Anti-4-1BB Antibody Focused Indications, 2016-2030E

Period	CAGR
2016-2020	2.4%
2020-2025E	1.9%
2025E-2030E	1.5%



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	198.1	202.3	206.7	210.8	217.4	221.5	225.6	229.8	234.1	238.4	242.1	245.7	249.4	253.2	257.0
Ovarian Cancer	51.1	52.0	53.0	53.9	55.3	56.2	57.0	57.8	58.7	59.5	60.2	60.8	61.4	62.1	62.7
Nasopharyngeal Carcinoma	58.5	59.5	60.6	61.5	62.4	63.2	64.0	64.9	65.7	66.5	67.1	67.7	68.3	68.8	69.4
Lymphoma	88.5	90.8	93.1	95.4	99.7	102.1	104.6	107.1	109.7	112.4	114.8	117.2	119.7	122.3	124.9

Source: GLOBOCAN, Frost & Sullivan Report

Competitive Landscape

According to Frost & Sullivan, combination therapies of anti-4-1BB mAbs with immune checkpoint inhibitors such as PD-1 and PD-L1 have become a global trend. A summary of the global competitive landscape of anti-4-1BB mAbs and anti-4-1BB mAbs combination therapies, as well as their indications of interest, is set forth below.

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
ADG106	Adagene	advanced solid tumor, R/R NHL	Phase 1b/2	Jan-2021	China	Toripalimab (PD-1)
		advanced solid tumor	Phase 1	Oct-2018	U.S.	
Utomilumab (PF-05082566)	Pfizer	advanced solid tumor	Phase 1	Jul-2014	U.S.	MK-3475 (PD-L1)
ATOR-1017	Alligator Bioscience	advanced solid tumor	Phase 1	Oct-2019	Sweden	
AGEN2373	Agenus	advanced solid tumor	Phase 1	Oct-2019	U.S.	Balstilimab (PD-1)
LVGN6051	Lyvgen Biopharma	advanced tumor	Phase 1	Oct-2019	U.S.	Pembrolizumab (PD-1)
		advanced tumor	Phase 1	Feb-2021	China	Pembrolizumab (PD-1)
CTX-471	Compass Therapeutics	advanced solid tumor	Phase 1	Mar-2019	U.S.	

Notes:
(1) By July 2021.
(2) Location marked as "Global" if the trial is conducted in multiple countries.

Source: ClinicalTrials, CDE, Frost & Sullivan Report

BIOLOGICS MARKET

In contrast to more traditional chemical drugs, where drug manufacturers synthesize the drug via precise formulas, biologics are manufactured in living organisms and are larger, more complex molecules. Biologics are not a new concept. Highly valuable products such as insulin,

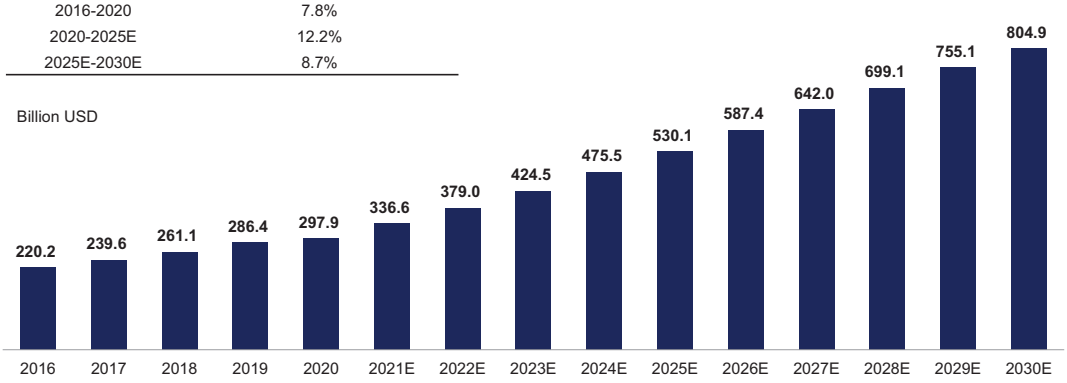
human growth hormone and red blood cell stimulating agents are all biologics. However, recent advances in genetics and understanding of cell processes have opened up the floodgate for new biologics. According to Frost & Sullivan, among the top 10 best-selling drugs in 2020, six are biologics, and the sales revenue of those six biologics accounted for approximately 63.7% of the aggregated sales revenue of the top 10 best-selling drugs.

Global Biologics Market

The size of the global biologics market increased from US$220.2 billion in 2016 to US$297.9 billion in 2020, representing a CAGR of 7.8%, and is expected to reach US$530.1 billion in 2025, representing a CAGR of 12.2%, and to further increase to US$804.9 billion in 2030, representing a CAGR of 8.7%.

Global Biologics Market, 2016-2030E

Period	CAGR
2016-2020	7.8%
2020-2025E	12.2%
2025E-2030E	8.7%

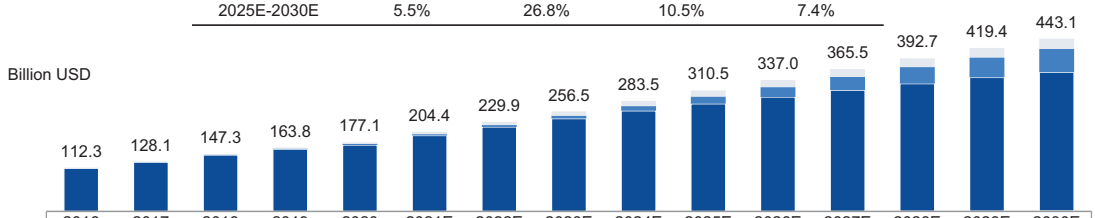


Source: Literature review (Alex Philippidis (2021). Seven Biopharma Trends to Watch in 2021. Genetic Engineering & Biotechnology News; Ian Lloyd (2021). Pharma R&D Annual Review 2021. PharmaProjects), Annual reports published by the relevant market players, Frost & Sullivan Report

The therapeutic antibody market comprises a significant portion of the biologics market. The global therapeutic antibody market grew from US$112.3 billion in 2016 to US$177.1 billion in 2020, representing a CAGR of 12.1%, and is expected to reach US$310.5 billion in 2025 due to rising medical demand and innovative antibody pipelines, representing a CAGR of 11.9%, and to further increase to US$443.1 billion in 2030, representing a CAGR of 7.4%. The monospecific antibody is the largest category in the global therapeutic antibody market by revenue and accounts for over 95% of the market in 2020. While new biologics such as bispecific antibodies (BsAb) and antibody-drug conjugates (ADC) are relatively new to the market, the anticipated market growth for these types of biologics is high.

Global Therapeutic Antibody Market Size, 2016-2030E

CAGR	mAb	BsAb	ADC	Total
2016-2020	11.7%	120.4%	31.2%	12.1%
2020-2025E	10.9%	46.6%	31.5%	11.9%
2025E-2030E	5.5%	26.8%	10.5%	7.4%



	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total	112.3	128.1	147.3	163.8	177.1	204.4	229.9	256.5	283.5	310.5	337.0	365.5	392.7	419.4	443.1
ADC	1.4	1.6	2.0	2.8	4.1	6.3	8.4	10.9	13.4	15.9	18.3	20.5	22.5	24.3	26.2
BsAb	0.1	0.2	0.5	1.7	2.7	3.3	4.7	7.4	12.0	18.4	25.3	33.9	42.6	51.5	60.2
mAbs	110.8	126.3	144.8	159.3	170.3	194.8	216.8	238.2	258.1	276.2	293.4	310.9	327.1	342.8	355.5
Others	-	-	-	-	-	-	-	-	-	-	0.1	0.3	0.6	0.8	1.2

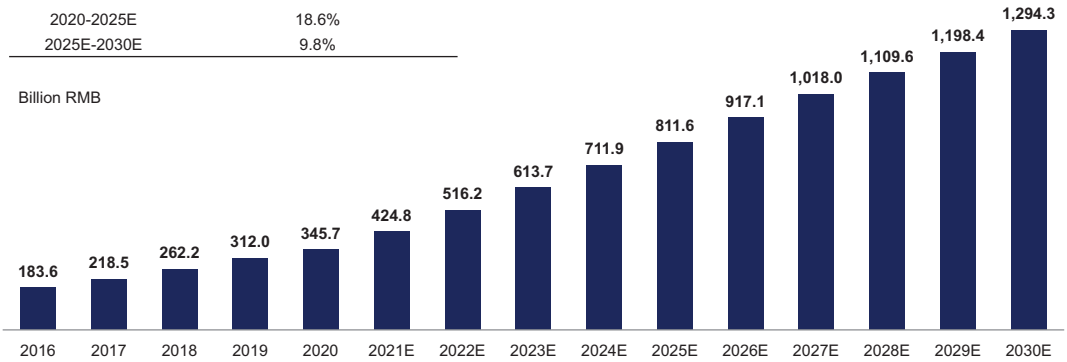
Source: Literature Review (Lu, RM., Hwang, YC., Liu, IJ. et al (2020). Development of therapeutic antibodies for the treatment of diseases. Journal of Biomedical Science), Annual reports published by the relevant market players, Frost & Sullivan Report

Biologics Market in China

The size of the biologics market in China increased from RMB183.6 billion in 2016 to RMB345.7 billion in 2020, representing a CAGR of 17.1%, and is expected to reach RMB811.6 billion in 2025, representing a CAGR of 18.6%, and to further increase to RMB1,294.3 billion in 2030, representing a CAGR of 9.8%.

China Biologics Market, 2016-2030E

Period	CAGR
2016-2020	17.1%
2020-2025E	18.6%
2025E-2030E	9.8%



Source: Literature review (PHIRDA & RDPAC. Building China's Pharmaceutical Innovation System Series Report 1: A Review of 2015-2020 Development and Future Outlook), Annual reports published by the relevant market players, Frost & Sullivan Report

Growth Drivers of the Biologics Market

The aging global population could be the most crucial issue of the 21st century. The world's aging population is experiencing growth in terms of both number and proportion to the

total population. According to Frost & Sullivan, the global population of people aged 65 and above amounted to 717.0 million in 2020, with a CAGR of 3.5% from 2016 to 2020. In China, the population of people aged 65 and above amounted to 185.4 million in 2020, with a CAGR of 5.4% from 2016 to 2020. This upward trend is expected to continue in China and the number of people aged 65 and above in China is expected to reach 240.7 million by 2025 and 309.3 million by 2030, representing CAGRs of 5.4% from 2020 to 2025 and 5.1% from 2025 to 2030.

An aging population drives the expansion of the biologics market due to the increasing demand for healthcare as more people suffer from diseases, especially chronic diseases which require long-term healthcare and drug consumption. The growth rate of healthcare expenditures in China is significantly higher than the global growth rate. The CAGR of total healthcare expenditure in China reached 11.9% from 2016 to 2020, whereas the CAGR of global healthcare expenditures during the same period was 2.3%.

In addition, the Chinese government has released a series of policies, such as "Guidelines for Pharmaceutical Industry Development Plan" and "Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices " to encourage the innovation of new drugs and improve drug quality.

Finally, since 2017, the number of antibodies that have been approved and included in China's National Reimbursement Drug List (NRDL) has increased dramatically, greatly increasing the accessibility of such drugs to patients. At the same time, the launch of biosimilars has driven the continued growth of the entire biopharmaceutical market, as well as reduced the cost to patients, thereby increasing the accessibility of antibodies to patients.

PHARMACEUTICAL RESEARCH & DEVELOPMENT

Overview

The research and development of biologics is a long and complicated process, which can generally be divided into the following stages: drug discovery stage, pre-clinical study stage, clinical trials stage and post-market research stage. The pre-IND stage is comprised of the drug discovery and pre-clinical study stages. According to Frost & Sullivan, it takes at least 10 years on average for an average biopharmaceutical company to develop an innovative drug, with the clinical trial phase taking six to seven years on average. Therefore, it is critical to effectively speed up the development process to promote global biopharmaceutical innovation.

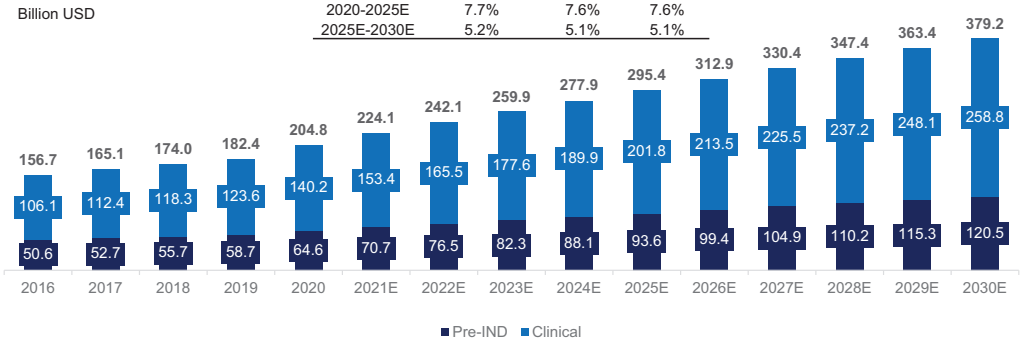
Global Pharmaceutical R&D Expenditure

Global pharmaceutical research and development expenditure increased from US$156.7 billion in 2016 to US$204.8 billion in 2020, representing a CAGR of 6.9%, and is

expected to increase to US$295.4 billion in 2025, representing a CAGR of 7.6%, and to further increase to US$379.2 billion in 2030, representing a CAGR of 5.1%. Driven by animated innovative drug research and development activities, global pharmaceutical research and development expenditures in the pre-IND stage is increasing. Pre-IND stage expenditures were US$64.6 billion in 2020, and is expected to increase to US$93.6 billion in 2025, representing a CAGR of 7.7%, and to further increase to US$120.5 billion in 2030, representing a CAGR of 5.2%.

Global Pharmaceutical R&D Expenditure by Pre-IND and Clinical, 2016-2030E

CAGR	Pre-IND	Clinical	Total
2016-2020	6.3%	7.2%	6.9%
2020-2025E	7.7%	7.6%	7.6%
2025E-2030E	5.2%	5.1%	5.1%



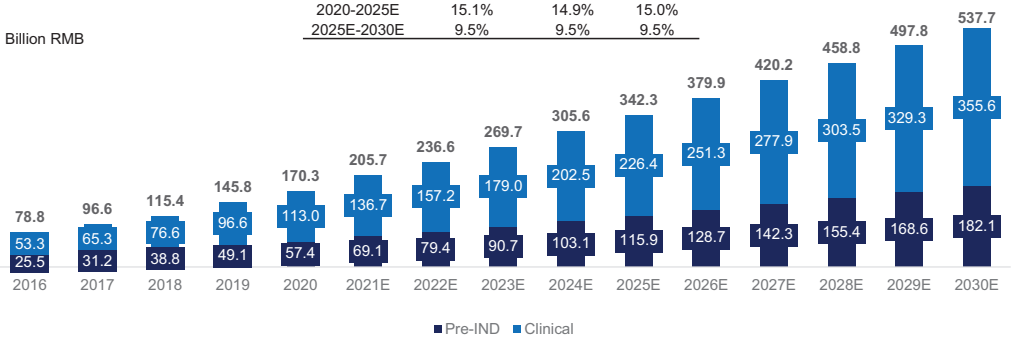
Source: Annual reports published by the relevant market players, Frost & Sullivan Report

Pharmaceutical R&D Expenditure in China

As the result of government policies and the strategies of pharmaceutical companies, China is highly conducive to pharmaceutical research and development. Pharmaceutical research and development expenditure in China increased from RMB78.8 billion in 2016 to RMB170.3 billion in 2020, representing a CAGR of 21.3%, and is expected to increase to RMB342.3 billion in 2025, representing a CAGR of 15.0%, and further increase to RMB537.7 billion in 2030, representing a CAGR of 9.5%. Research and development expenditures in the pre-IND stage was RMB57.4 billion in 2020, and is expected to increase to RMB115.9 billion in 2025, representing a CAGR of 15.1%, and to further increase to RMB182.1 billion in 2030, representing a CAGR of 9.5%.

Pharmaceutical R&D Expenditure by Pre-IND and Clinical in China, 2016-2030E

CAGR	Pre-IND	Clinical	Total
2016-2020	22.4%	20.7%	21.3%
2020-2025E	15.1%	14.9%	15.0%
2025E-2030E	9.5%	9.5%	9.5%



Source: Annual reports published by the relevant market players, Frost & Sullivan Report

Antibody Research and Development Market

Advantages of Fully Human Antibody Mouse

Phage display technology and fully human antibody mouse platform technology are the two main technologies currently used to produce fully human antibodies. Different from phage display technology, the fully human antibody mouse platform technology introduces human immunoglobulin gene sequences into the genome of a gene-edited mouse model, allowing the mouse's immune system to naturally produce a diverse range of human antibodies. This technology results in a wider variety of antibodies that are non-immunogenic in humans and have higher affinity, stability, solubility and other drug-forming properties. According to Frost & Sullivan, approximately 70% of fully human mAbs have been derived from mouse platform technology.

Comparison of Two Technology Platforms for Producing Human Antibody

Technology	Companies	Advantages	Disadvantages
Phage Display Technology	Cambridge Antibody Technology(CAT) MorphoSys Dyax	Fast screening	Produces low-affinity antibodies
		Automated	Involved in intellectual property disputes
		Generate multiple target screens simultaneously	Inappropriate for difficult-to-express antigens
		Generates diverse antibodies	
Fully Humanized Mouse	Cell Genesys/ Abgenix GenePharm/ Medarex Genmab	Fast optimization (in vivo optimization)	May be biased: all antibodies produced are directed against only one region of the antigen
		Produces high-affinity antibodies	Only one target at a time
		No need for "humanization"	Difficult to automate
		Production flexibility	Unsuitable for antigens with weak immunogenicity
		Easy transition from R&D to production	

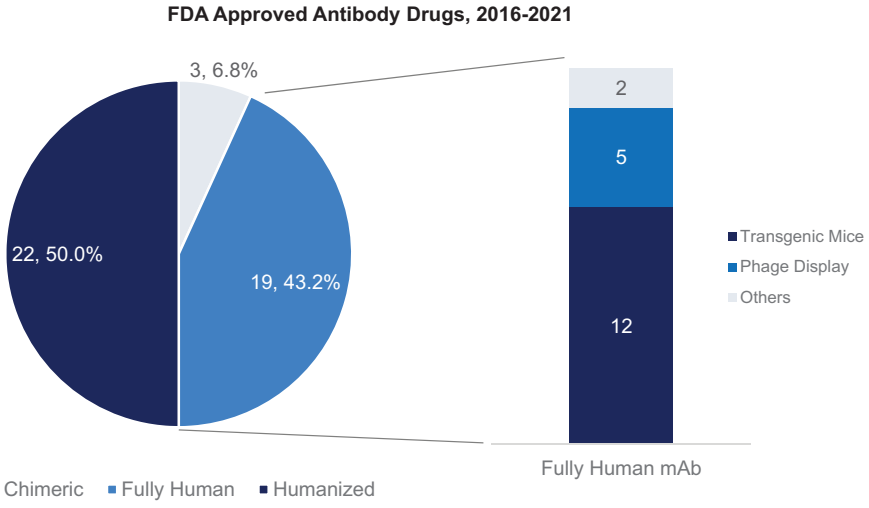
Source: Literature Review (André Frenzel, Schirrmann T, Hust M (2016). Phage display-derived human antibodies in clinical development and therapy. mAbs; Nixon A E, Sexton D J, Ladner R C (2014). Drugs derived from

phage display: From candidate identification to clinical practice. mAbs; Osbourn J, Groves M, Vaughan T (2005). From rodent reagents to human therapeutics using antibody guided selection. Methods (Amsterdam); Tiller T, Schuster I, Dorothée Deppe, et al (2013). A fully synthetic human Fab antibody library based on fixed VH/VL framework pairings with favorable biophysical properties. mAbs; Shirasu N, Shibaguci H, Kuroki M, et al (2010). Construction and molecular characterization of human chimeric T-cell antigen receptors specific for carcinoembryonic antigen. Anticancer Research), Frost & Sullivan Report

Antibodies Approved by FDA and NMPA

Out of the 44 innovative monoclonal antibodies approved by the FDA from 2016 to June 2021, 19 are fully human mAbs, accounting for 43.2% of the total mAbs approved. As fully human antibodies have lower immunogenicity as compared to murine, chimeric or humanized mAbs, it is likely the preferred type of monoclonal antibody-drug going forward.

Among fully human innovative mAbs, transgenic mice technique is the major technique. 12 innovative conventional fully human mAb drugs have been developed by transgenic mice.



Notes:

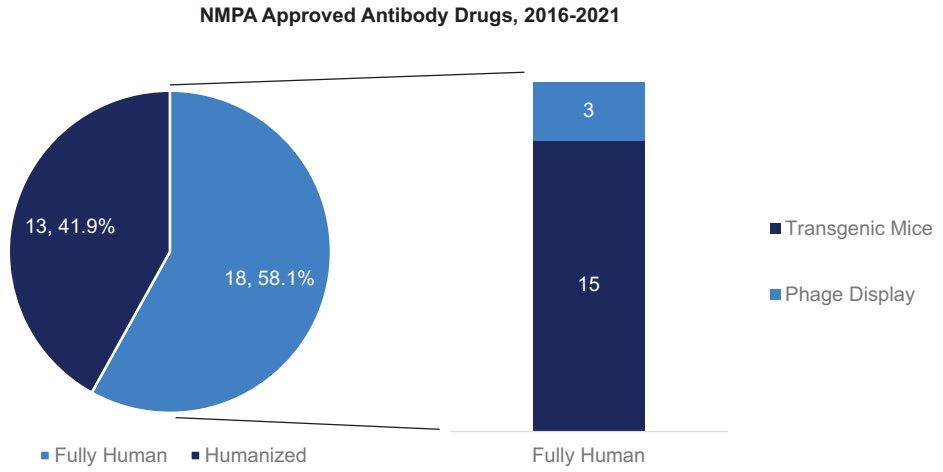
(1) By July 2021.

(2) Only innovative conventional mAb drugs included, not include approved biosimilars, bi-specific antibody drugs, ADCs, fusion proteins.

(3) Others: Aduhelm and Ebanga were derived by single B cell.

Source: FDA, Frost & Sullivan Report

In China, 18 out of the 31 innovative monoclonal antibodies approved by the NMPA from 2016 to June 2021 are fully human antibodies, accounting for 58.1% of the total mAbs approved.



Notes:
(1) By July 2021.
(2) Only innovative conventional mAb drugs included, not include approved biosimilars, bi-specific antibody drugs, ADCs, fusion proteins.

Source: NMPA, Frost & Sullivan Report

R&D Strategies for Fully Human Mouse

Gene editing technology of fully human transgenic mouse can be divided into random insertion and *in situ* replacement. Random insertion has the advantages of being fast, convenient and relatively low cost, but there are many disadvantages and uncertain factors. *In situ* replacement, on the other hand, has the advantages of high accuracy and few uncertainties, but takes longer and has relatively higher costs. The following table illustrates the advantages and disadvantages of random insertion and *in situ* replacement.

Technology	Advantages	Disadvantages
Random Insertion	• Fast, convenient and low cost.	The risk of random insertion is relatively high and there are many uncertain factors. • When multiple insertions occur, much unnecessary protein will be produced. • Insertion into critical genes could be lethal, infertility or tumorigenesis in mice models. • If insertion occurs in a non-functional area, the mice model will be invalid; If insertion occurs in functional regulation genes, the model will not be as effective as expected. • It may affect the expression of changed genes or/and original endogenous genes.
*In situ R*eplacement	• High accuracy and few uncertainties. • Mice's original genomic environment is preserved, such as 3' end enhancer, regulatory region between J and C domain, and other regulatory regions which not yet been fully studied. Thus mice antibody genes' regulatory functions are preserved maximumly that ensures normal production of antibodies.	• High cost and cumbersome • It takes a lot of time to screen the correctly gene humanized cell clones.

Competitive Landscape of Fully Human Antibody Mouse Using In Situ Replacement Technology

Currently, there are only three transgenic engineering platforms using *in situ* replacement technology. A summary of the global competitive landscape of *in situ* replacement technology platforms is set forth below.

Platform	Company	Characteristics
RenMab	Biocytogen	• Mouse constant region remains to ensure normal immune cell population, development and maturation. • Mouse variable region is deleted • Full human heavy chain and κ light chain V(D)J loci substitution *in situ*. The gene regulation is as similar to that of human as possible.
VelocImmune	Regeneron	• Mouse constant region is preserved to ensure normal immune cell population, development and maturation. • Mouse variable region is deleted. • The variable region sequence of the human antibody genes introduced into mice is not 100% complete, κ light chain contains only one Vκ copy of human.
Kymouse	Kymab	• Mouse constant region is preserved to ensure normal immune cell population, development and maturation. • Mouse variable region is inactivated by inversion rather than deletion. Some of the antibodies produced may still contain the mouse peptide sequence. • The variable region sequence of the human antibody genes introduced into mice is not 100% complete, a proximal and a distal Vκ copy of human genes introduced into κ light chain.

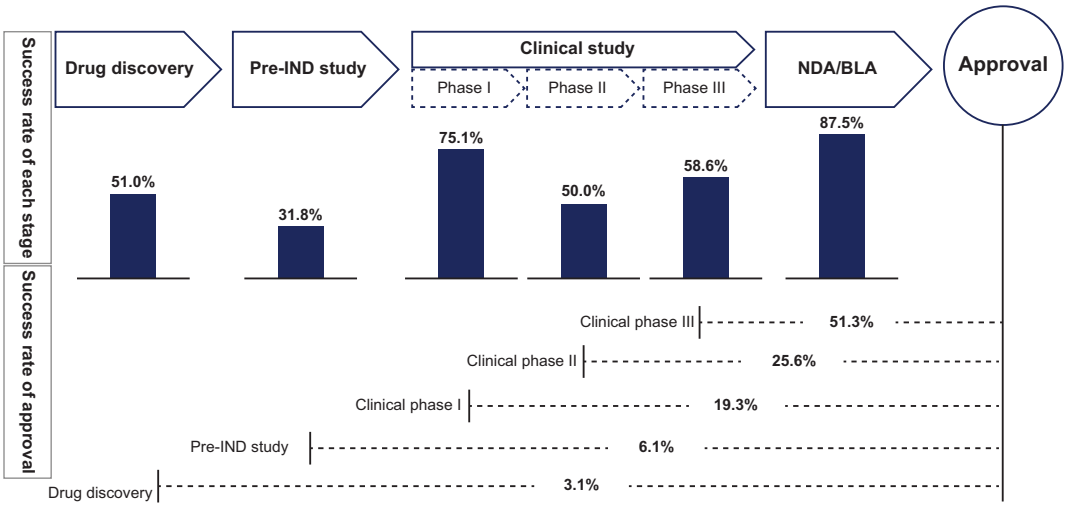
Source: Company Website of Regeneron, Company Website of Kymab, Frost & Sullivan Report

Antibody Drug Development Market

Antibody Drug R&D Process and Success Rate

The pre-IND stage includes a series of systematic research and evaluation processes such as target discovery and selection, drug synthesis and modification, pharmacological efficacy evaluation, PK evaluation, and safety evaluation, in which animal models and antibody platforms play a key role.

The chart below illustrate the success rate of each stage, as well as the success rate of approval.



Source: Literature Review (Tohru Takebe, Ryoka Imai & Shunsuke Ono (2018). The Current Status of Drug Discovery and Development as Originated in United States Academia. Clin Transl Sci), Frost & Sullivan Report

The Pain Points of Antibody Development

Antibodies' development and approval is time- and resource-consuming. According to Frost & Sullivan, it takes ten years or more to bring a drug to the market at a cost of US$2.6 billion, on average. The later the candidate drug fails, the more time and resources are wasted. The pain points of antibody development mainly include:

The Choice of Target. Targets of antibodies approved are relatively few, mainly focused on TNF, PD-1/ L1, VEGF, and EGFR, and other popular targets with complete basic scientific research. Moreover, the selection of targets under research are relatively concentrated, such as VEGF, PD-1 and TNF, with relatively good druggability.

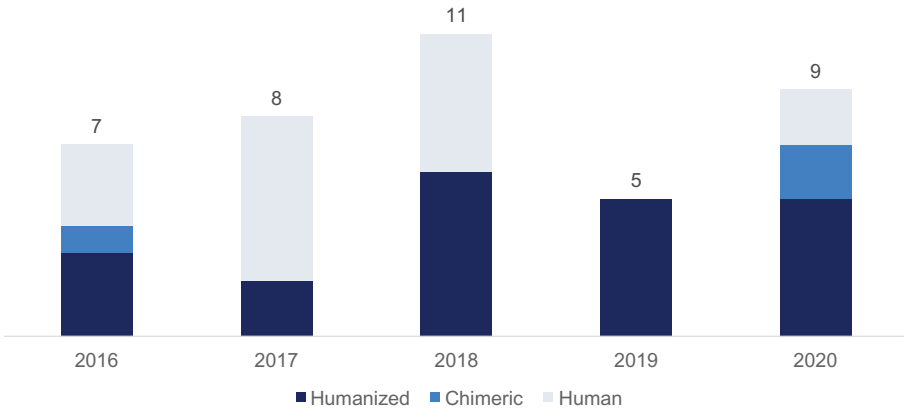
Bispecific Antibody. Rational target selection determines the MOA of bsAb and is the most important step for success. However, lowering the off-target toxicity is still the pain point in target selection of bsAb development. Secondly, the safety and effectiveness of the two targets need to be balanced and coordinated in bsAb development. In general, the conventional animal models are difficult to evaluate bsAb candidates since they have different target binding characteristics than humans. These difficulties in pre-clinical evaluation models increases the difficulties of evaluating the rationality of the target design. Finally, bsAb is mainly formed by combining two different H chains and two different L chains. This random combination method can produce 16 different combinations, of which only 12.5% shows the required double specificity as designed. Thus it is difficult to isolate the bsAb candidates from 16 different combinations.

Experimental Design. Experimental design defects include adopting a less rigorous design and having an insufficient understanding of disease mechanisms and pathways, which is very common in early drug development, especially for first-in-class drugs. Other issues include retrospective subgroup analysis and having a wrong biomarker selection, as well as having a wrong judgment of dose and having an improper choice of administration method, or dosage form/excipients.

Antibodies Approved by FDA and NMPA

Since the FDA approved the first mAb, Muromonab, in 1986, a total of 87 conventional mAbs have been approved by the FDA and 40 innovative conventional mAbs have been approved from 2016 to 2020, accounting for 46.0% of the total. In recent years, the number of mAbs approved worldwide has been on the rise. In the past five years, the FDA has approved an average of 9.8 mAbs annually.

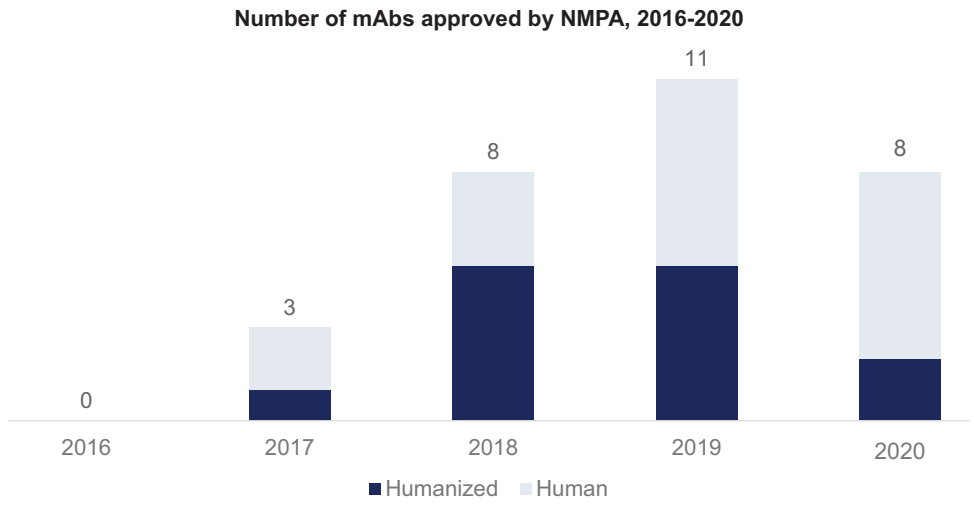
Number of Innovative mAbs approved by FDA, 2016-2020



Note: Only innovative conventional mAb drugs included, not include approved biosimilars, bi-specific antibody drugs, ADCs, fusion proteins

Source: FDA, EMA, Frost & Sullivan Report

With increasing clinical demand and government support for biologics, the annual approval rate of biologics in China has been faster than ever. However, before 2018, mAbs accounted for only a small part of all approved biologics. In the past three years, the approval for mAbs has accelerated significantly. From 2016 to July 2021, the NMPA had approved 31 innovative monoclonal antibodies, including 18 fully human antibodies, which accounted for 58.1% of the total innovative mAbs approved.



Note: Only innovative conventional mAb drugs included, not include approved biosimilars, bi-specific antibody drugs, ADCs, fusion proteins

Source: NMPA, Frost & Sullivan Report

Future Trend of the Antibody Drug Market

The future of the antibody drug market is likely to follow the following trends:

Development of New Targets/Therapies. In comparison with monoclonal antibodies (mAbs) marketed abroad, mAbs have a relatively shorter history in China with less approved drugs. Therefore, the mAbs available in China cover fewer indications and there are extensive unmet clinical demands. With the acceleration of research and development and the approval process, mAbs are expected to cover more therapeutic areas, including cardiovascular, ophthalmology and nervous system, among others and include novel therapies like bispecific antibody (BsAb), heavy chain antibody (HCAb), single-chain variable fragment (ScFV) and single-domain antibody (sdAb), among others.

Diversity of Antibody Drugs. To reduce immunogenicity, the developing platforms of mAbs has undergone the process from murine to chimeric, humanized and fully human. As fully human antibodies carry a lower risk for inducing immune responses, it is expected that fully human is the future trend of mAbs. With the rapid development of DNA recombination technology, major breakthroughs have been made in antibody screening, scFc engineering and other aspects. The diversity of antibodies has been greatly enriched, such as bsAb, HCAb and scFv. These diversified drug formats would be beneficial to suit respective functional needs. The development of antibodies is gradually developing towards humanization, functionalization, miniaturization, and specialization.

Value Creation Through Innovation. The Chinese mAbs industry is still in its early stages and currently MNCs possess most of the market share. The Chinese mAbs industry is highly competitive as domestic companies are focusing on the research of similar targets and the

expected targeted indication is close. Innovative pipelines which have proven clinical value should distinguish companies in such a competition environment.

PRE-IND CRO MARKET

Overview

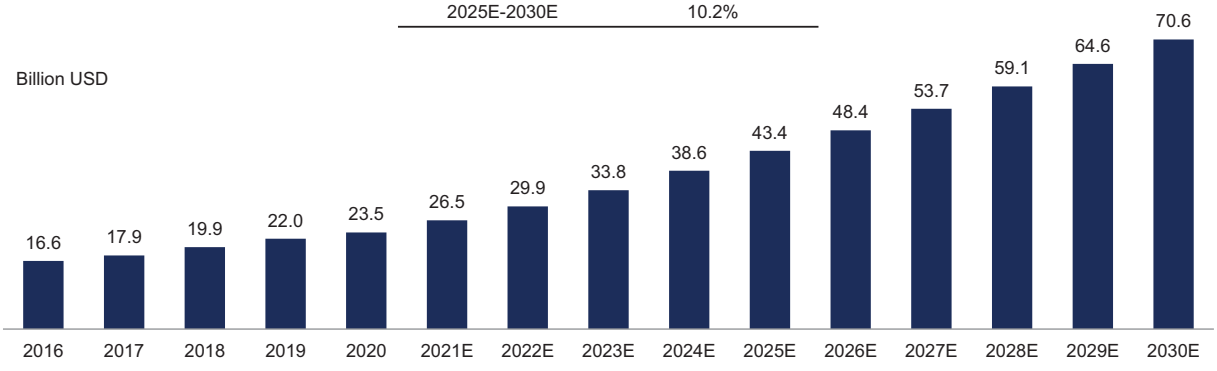
The pharmaceutical pre-IND CRO industry is mainly composed of CRO services prior to IND, which include drug discovery and pre-clinical services. Drug discovery is a systematical process that requires interdisciplinary efforts to design effective and commercially feasible drugs, and early drug discovery is the fundamental of drug discovery. It starts with initial steps of target identification and moves to the later stages of lead optimization. Pre-clinical CRO services include solution-based approaches by leveraging highly experienced program development directors and project managers to help guide strategic decisions and manage development in an integrated, streamlined manner, which help to improve success rate and reduce costs.

Market Size

The pharmaceutical pre-IND CRO market is growing steadily. The global pharmaceutical pre-IND CRO market is expected to grow at a CAGR of 13.0% from 2020 to 2025, and further grow at a CAGR of 10.2% from 2025 to 2030, reaching approximately US$70.6 billion in 2030.

Global Pre-IND CRO Market, 2016-2030E

Period	CAGR
2016-2020	9.1%
2020-2025E	13.0%
2025E-2030E	10.2%

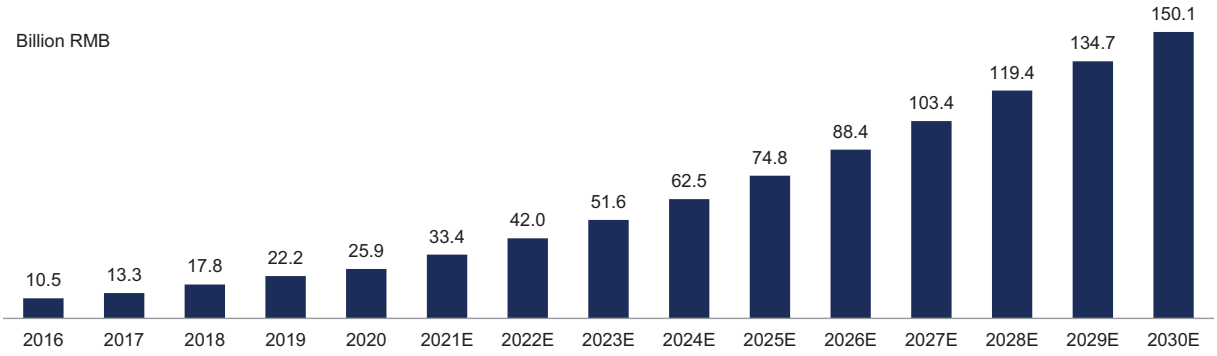


Source: Annual reports published by the relevant market players, Prospectuses published by relevant market players, Frost & Sullivan Report

In China, the pharmaceutical pre-IND CRO market is expected to grow at a CAGR of 23.7% from 2020 to 2025, and further grow at a CAGR of 15.0% from 2025 to 2030, reaching approximately RMB150.1 billion in 2030.

China Pre-IND CRO Market, 2016-2030E

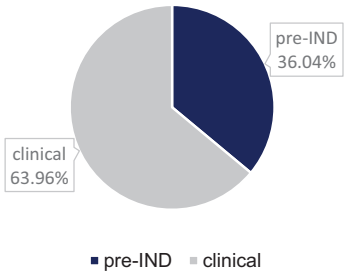
Period	CAGR
2016-2020	25.3%
2020-2025E	23.7%
2025E-2030E	15.0%



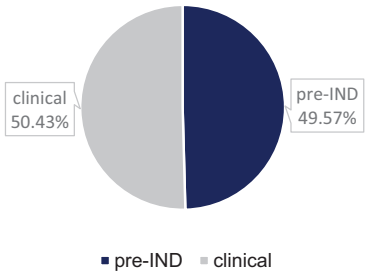
Source: Annual reports published by the relevant market players, Prospectuses published by relevant market players, Frost & Sullivan Report

The market shares of pre-IND CRO services over the entire CRO service market globally and in China in 2020 are set forth below.

Global Market Share of Pre-IND CRO Market, 2020



Market Share of Pre-IND CRO Market in China, 2020



Source: Annual reports published by the relevant market players, Frost & Sullivan Report

Growth Drivers and Trends

The growth of the pharmaceutical pre-IND CRO market is mainly driven by the following factors:

More optimized CRO service. For pharmaceutical pre-IND CRO services, the processes of project negotiation, project evaluation, contract signing, plan design, trial implementation, project delivery and after-sales service are all being greatly optimized and improved. More standardized service processes have promoted the growth of pharmaceutical pre-IND CRO services.

Progress of gene-editing. The emergence and progress of new gene-editing technology, like the CRISPR/Cas9 technology, which is high-efficient and cost-effective, can directly generate mutants under a variety of genetic backgrounds to meet various experimental needs. Driven by increasingly diversified needs and fierce competition, new gene-editing technologies may emerge, creating more animal models.

Continuous exploration of gene targets. With the continuous exploration in the field of life sciences, the pathogenic mechanism of many diseases has been detailed, and pathogenic gene loci and their variant types have been continuously discovered. The demand for genetically modified animals for each genotype will be high for a long time and will continue to promote the sustainable development of the gene-edited animal customization industry.

The future of the pharmaceutical pre-IND CRO market is likely to follow the following trends:

- globalization of pharmaceutical pre-IND CRO business.
- more prominent positioning of pharmaceutical pre-IND CRO services.
- establishment of professional platforms and integration of resources.
- fully-equipped R&D and service system.

Pre-IND Pharmacological Efficacy Evaluation Service Market

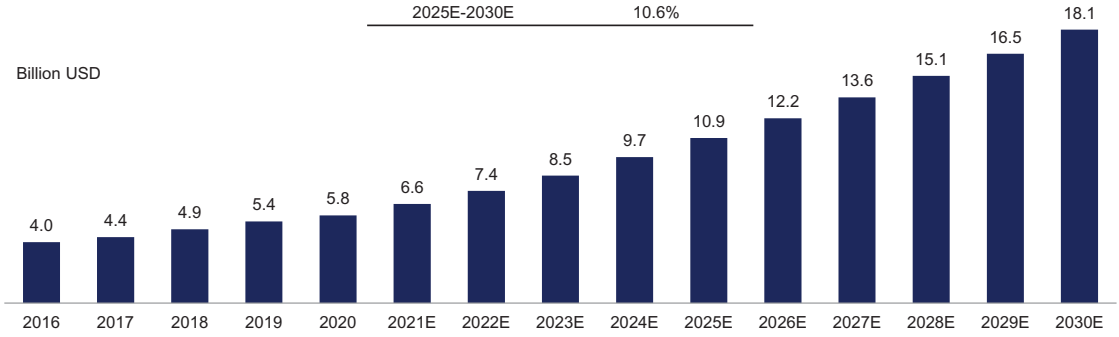
Pre-IND pharmacological efficacy evaluation assesses the drug's therapeutic efficacy and toxicity through both *in vitro* and *in vivo* studies. It studies a drug's MOA, dose-effect relationship, time-effect relationship and efficacy characteristics through *in vivo* and *in vitro* experiments, as well as PD/PK tests that combine the characteristics of drug metabolism (to study the relationship between drug concentration and efficacy *in vivo*), including preliminary effectiveness tests to explore the therapeutic effect and dose-effect relationship for specific disease state and the main pharmacodynamic research to evaluate the therapeutic effect and action characteristics of drugs for specific disease state.

Market Size

The pre-IND pharmacological efficacy evaluation service market is growing steadily. The global pre-IND pharmacological efficacy evaluation service market is expected to grow at a CAGR of 13.5% from 2020 to 2025, and further grow at a CAGR of 10.6% from 2025 to 2030, reaching approximately US$18.1 billion in 2030.

Global Pre-IND Pharmacological Efficacy Evaluation Service Market, 2016-2030E

Period	CAGR
2016-2020	9.6%
2020-2025E	13.5%
2025E-2030E	10.6%

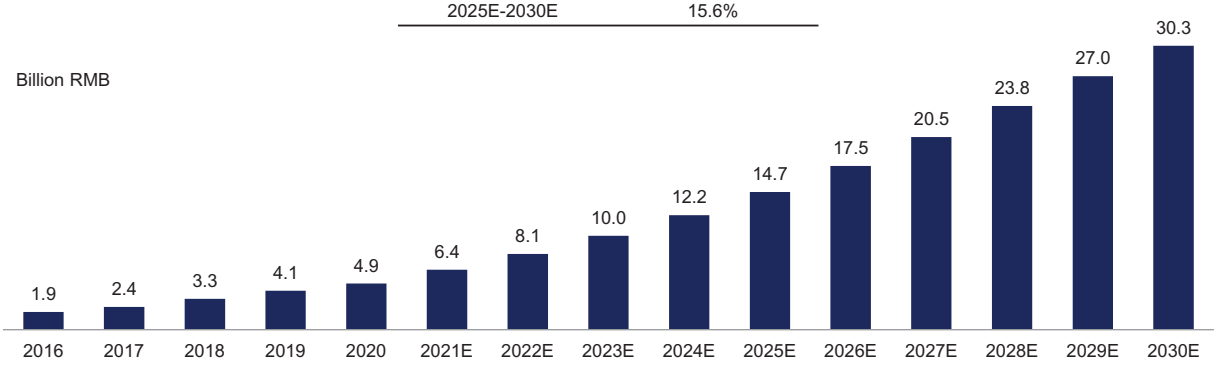


Source: Annual reports published by the relevant market players, Frost & Sullivan Report

In China, the pre-IND pharmacological efficacy evaluation service market is expected to grow at a CAGR of 24.5% from 2020 to 2025, and further grow at a CAGR of 15.6% from 2025 to 2030, reaching approximately RMB30.3 billion in 2030.

China Pre-IND Pharmacological Efficacy Evaluation Service Market, 2016-2030E

Period	CAGR
2016-2020	27.0%
2020-2025E	24.5%
2025E-2030E	15.6%



Source: Annual reports published by the relevant market players, Frost & Sullivan Report

The competitive landscape of pre-IND pharmacological efficacy evaluation service market is set forth below.

Company	Founded Time	Preclinical Pharmaceutical Efficacy content	Investigational Assays
Pacific BioLabs	1982	• Including animal models: rabbits, rats, mice, dogs, hamsters, guinea pigs, swine, sheep, calves. • Treatment may be administered via: oral, dermal, intravenous, subcutaneous, intracutaneous, intrathecal and intratracheal.	• In vivo and in vitro
Charles River	1992	• In vivo and in vitro testing evaluations • Regulatory support for the safety assessment of pharmaceuticals, medical devices, and animal health products, as well as chemicals, agrochemicals, and biocides.	• In vivo and in vitro
Toxikon	1980	• Facing to pharmaceutical, biotechnology, and medical device industry	• In vivo and in vitro
Anaxomics	2007	• Offers innovative solution based on system biology. The TPMS technology, for evaluating and predicting safety and efficacy aspects of drugs • Include list of potential indications, comparison of your drug with standard of care and prioritization of your library of compounds	• In vivo and in vitro
Hamamatsu Pharma Research	2010	• In cynomolgus macaque- based disease model • Provide high quality drug efficacy testing for unmet medical needs	• In vivo and in vitro
Pharmatest	2000	• Oncology and skeletal diseases • Including animal models of osteroporosis, osteoarthritis and rare bone disease • Provide radiopharmaceuticals testing	• In vitro and in vivo • Ex vivo bone analysis
PharmaPendium	1991	• Provide efficacy data through an application programming interface	• In vivo and in vitro

Source: Company Website, Frost & Sullivan Analysis

Mice Model Market

Providers of gene editing services and animal model preparation create conventional animal models and large-scale genetically humanized mouse models for use as technology platforms for basic research, drug screening and evaluation. The sale of mice model serves as the upstream supply for various drug research and development and CRO companies, providing support for pre-clinical research and development.

Mice model created through gene editing and humanization can accurately recreate special disease states with a disease phenotype that is more similar to a human's. These modified mice models serve as excellent research platforms for exploring the pathogenesis of special diseases and evaluating the efficacy of drug candidates at an early stage of drug development.

Common disease mice models are as follows.

- Humanized mice with immune checkpoints (single, double, or triple immune points).
- Severe immunodeficiency (B-NDG) mice for use in human cell or tissue transplantation, tumor and tumor stem cell research, ES and iPS cell research, among others.

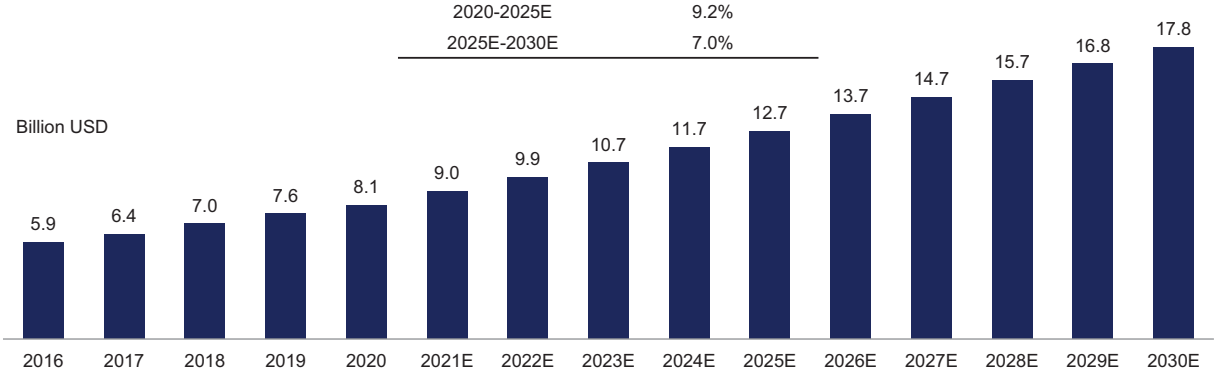
- Cytokine humanized mice (single, double, or triple cytokine).
- Other genetically modified mice.

Market Size

The mice model market is growing steadily. The global mice model market is expected to grow at a CAGR of 9.2% from 2020 to 2025, and further grow at a CAGR of 7.0% from 2025 to 2030, reaching US$17.8 billion in 2030.

Global Mice Model Market, 2016-2030E

Period	CAGR
2016-2020	8.4%
2020-2025E	9.2%
2025E-2030E	7.0%



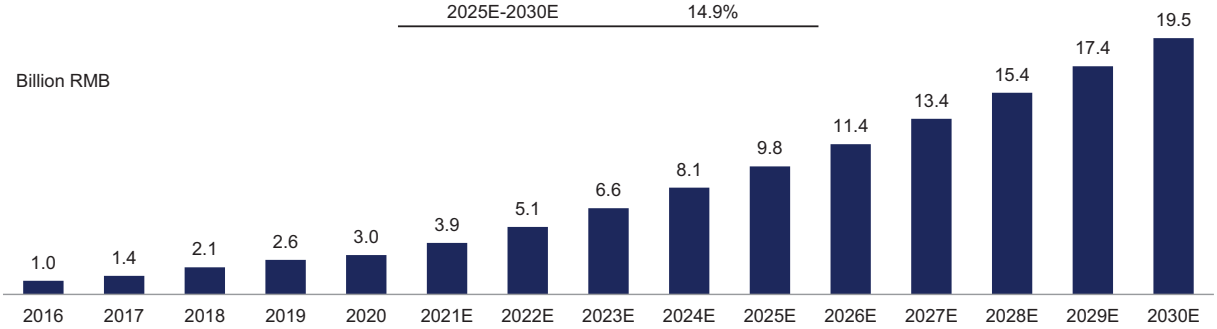
Note: Include sales of mice model, genetic modified mice model and customized mice model; mice breeding service and import & export service

Source: Annual reports published by the relevant market players, Frost & Sullivan Analysis

In China, the mice model market size is expected to grow at a CAGR of 26.6% from 2020 to 2025, and further grow at a CAGR of 14.9% from 2025 to 2030, reaching RMB19.5 billion in 2030.

China Mice Model Market, 2016-2030E

Period	CAGR
2016-2020	30.3%
2020-2025E	26.6%
2025E-2030E	14.9%



Note: Include sales of mice model, genetic modified mice model and customized mice model; mice breeding service and import & export service

Source: Annual reports published by the relevant market players, Prospectuses published by relevant market players, Frost & Sullivan Analysis

The competitive landscape of humanized mice model market is set forth below.

Company	Technology	Representatives
Biocytogen	• Developed on the C57BL/6 genetic background	• Humanized Immune-Checkpoint Mice • Humanized Cytokines Mice • Humanized GPCR Mice
Charles River	• NCG triple-immunodeficient mouse model	• Humanized CD34+ (huCD34) Mouse Models • Humanized PBMC (huPBMC) Mouse Models • Knock-in Humanized Mouse Models
CrownBio	• PDX Platform • HuPrime®, HuKemia®, HuBase™, HuMark™, HuTrial™, and HuSignature Platform.	• Hematopoietic Stem Cell (HSC)-PDX • MiXeno models • Human peripheral blood mononucleated cell (PBMC)-humanized mouse models
Cyagen	• CRISPR-Pro • TurboKnockout • ESC-Based Gene Editing • Transgenes	• Humanized immune checkpoint mouse models • Humanized pk/pd study mouse model
Taconic Biosciences	• CRISPR-cas	• Humanized Immune System Mouse Model
The Jackson Labatory	• NA	• Humanized CD34+ mice • JAX FcRn Model (huPBMC Mouse Model) • hu-NSG Mouse Model

Source: Company Website, Frost & Sullivan Analysis

Company	Technology	Representatives
Shanghai Model Organisms	• CRISPR-/CAS9 • Piggybac • ES Cell Targetting	• Humanized immune checkpoint mouse models • Humanized gene mouse models • Humanized immune deficient mouse model
GemPharmatech	• CRISPR/Cas9, TALEN, ZFN, ES	• Humanized Mouse Model

Source: Company Website, Frost & Sullivan Analysis

The competitive landscape of the animal models selling market in China is set forth below.

Company	Strain quantity	Business start time	Application field	Hot strains	AAALAC
Biocytogen	Provide more than 2,500 gene-edited models	It offered gene-edited customized service since 2011, and supplied animal models since 2014	Immune checkpoint humanized mice, severely immunodeficient (B-NDG) mice, humanized tumor cell lines, reporter gene cell lines, Cre tool mice, cytokine humanized mice	• B-NSG severely immunodeficient mice • Immune checkpoint humanized mouse, Cytokine Humanized Mice and other humanized mouse	Yes
GemPharmatech	More than 14,000 lines in sale, more than 29,000 lines under research	Established a R&D and supply base for animal models in the field of biotech in 2017	Tumor immune (CD3e humanized mice, immune checkpoint humanized mice, immunodeficiency/reconstruction), autoimmune disease, spontaneous tumor, neuropathy, neurodegenerative disease, tool mice (scissors mice), report mice, live gene-edited mice	• B6/J • Gpt • Nu • ICR • NCG • NOD-Scid • BALB/CJ	Yes
Shanghai Model Organisms	More than 3,000 finished mouse models	Established a R&D base for disease animal models in the field of biotech in 2000	Tumor, immune system, nervous system, blood system, reproductive system, cardiovascular, metabolism, aging, development	• M-NSG severely immunodeficient mice • PD-1 humanized mice • PD-L1 humanized mice • Hemophilia mice	Yes
Cyagen	The "Red Rat" CRISPR-AI Knockout Mouse Resource Library contains 16,000 strains of knockout live mice	Established as a model animal production base in Suzhou in 2011	Metabolic diseases, neuroscience, immunity and inflammation, tumors, m6A methylation modification and related diseases	• Fgf21、Sirt3、Sirt5、Nfe2l2、Park2、Trem2、Ifnar1、Il17a、Ythdf3、Ythdf1 knockout mice	Yes
Charles River	More than 20 common mouse strains	Established in 1999	Pharmacology and toxicology research, production and verification of drugs and biologicals, development of transgenic/gene knockout models Heredity, development, blood, cardiovascular, nerve, metabolism, tumor, immunity	• CD-1(ICR) IGS • NU/NU • C57BL/6N	Yes

Source: Company Website, Frost & Sullivan Analysis

Gene-edited Animal Customized Service Market

Gene-edited animal customized services refer to providing customers with a series of services that meet their needs from the formulation of early gene editing strategies to the conversion of gene-edited animal models. Gene-editing technologies allows the insertion, deletion or modification of DNA within a living organism. Gene-editing techniques can also be used to create animal models that replicate a particular diseased state, allowing for more accurate assessment of drug safety and efficacy. Gene-edited animal platforms has quickly become a powerful tool for drug discovery.

Since the restriction enzyme was discovered in the 1960s that allowed researchers to edit genes, the technology of gene editing has developed rapidly. The two main gene technologies on the global market mainly include ES targeting technology and CRISPR/Cas9 technology. The company not only possess mature ES technology, but it has also improved and upgraded the traditional CRISPR/Cas9 gene editing technology, and developed a gene editing technology based on CRISPR/EGE™. Compared with traditional CRISPR/Cas9, EGE technology can use fertilized eggs for genetic modification, so it is no longer limited to embryonic stem cells, which greatly broadens the application range of gene editing.

These pioneering gene editing techniques serve as the basic tools that have applications in multiple areas, such as helping researchers develop gene therapies, more advanced animal models, as well as develop drugs with superior efficacy.

The competitive landscape of gene-edited customized service market is set forth below.

Company	Technology	Strategies
BioCytogen	• CRISPR/EGE™-based Gene Editing • ESC-Based Gene Editing • SUPCE Technology	• Conditional Knockout/Knockin • Conventional Knockout/Knockin • Point Mutation Knockin • rosa26 locus Knockin • Tag and Reporter Genes • Tol2 Transgenic
GemPharmatech	• CRISPR/Cas Platform	• Conditional Knockout/Knockin • Conventional Knockout/Knockin • Point Mutation Knockin
Shanghai Model Organisms	• CRISPR/Cas Platform • ESC-Based Gene Editing	• Conditional Knockout/Knockin • Conventional Knockout/Knockin • Point Mutation Knockin
Cyagen	• CRISPR-Pro • ESC-Based Gene Editing • TurboKnockout	• Conditional Knockout/Knockin • Conventional Knockout/Knockin • Point Mutation Knockin
Creative Biolabs	• CRISPR/Cas9 Platform	• Knock in/out services
AlstemBio	• CRISPR/Cas9 technology	• Permanent/ conditional knockout • Point Mutation/ insertion

Source: Company Website, Frost & Sullivan Analysis

LAWS AND REGULATIONS OF THE PRC

Our operation is subject to various laws and regulations of the PRC government. Set out below are (i) the introduction of the major Chinese regulatory authorities, and (ii) a summary of the laws, regulations and policies governing our operation.

Regulatory authorities

National Medical Products Administration and Drug Evaluation Center

National Medical Products Administration（國家藥品監督管理局）(formerly the China Food and Drug Administration (國家食品藥品監督管理總局)) (the "NMPA")[1] is the major drug regulator responsible for the legislation for governing pharmaceutical products and medical devices; formulation and administration of the department policies, systems and organization; publication of national pharmacopeia to govern the standards, classification and supervision of pharmaceutical products and medical devices.

The Drug Evaluation Center under the NMPA and is responsible for the registration and approval of pharmaceutical products. It is mainly responsible for the examination of application for registration of drugs and the inspection of drug registration.

National Health Commission of China

The National Health Commission of the People's Republic of China （國家衛生健康委員會）(formerly the National Health and Family Planning Commission of China（國家衛生和計劃生育委員會）) (the "NHC") is mainly responsible for public health and family planning. It formulates the public health policy and supervise the public health, medical services and management of public health contingency system. It regulates the reformation of healthcare system; formulates the government policy on pharmaceutical products and general drug management system; supervises the use of drugs; examination clinical trials; and monitors the provision of drugs. It also proposes the pricing policy for drugs and regulates the operation of healthcare institutions and the performance of healthcare professionals.

National Healthcare Security Administration

The National Healthcare Security Administration（國家醫療保障局）was a new department established in May 2018. It is responsible for the formulation of the policy, regulation and standards of medical insurance, maternity insurance and healthcare subsidy. It manages the

[1] In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth National People's Congress decided the China Food and Drug Administration shall cease to exist. Taking into account the particularity of drug supervision, the National Medical Products Administration was established separately and supervised by the State Administration of Market Regulation.

operation of healthcare funds and formulates a general medical insurance catalogs and pricing standards of drugs, medical supplies and healthcare services. It also formulates and manages the tendering policy for drugs and medical supplies.

Ministry of Science and Technology

The Ministry of Science and Technology of the People's Republic of China (中華人民共和國科學技術部) (formerly the State Scientific and Technological Commission) ("MOST")[2] is the major administration body to regulate animal tests. It formulates the development planning, policy and legislation on animal tests. The administrative department of science and technology in provinces, autonomous regions and municipals are responsible for the regulation of animal tests in their respective administrative regions.

Ministry of Commerce

The Ministry of Commerce of the People's Republic of China (the "MOFCOM") is responsible for the overall guidance and management of foreign investment. It formulates, revises and implements the laws, regulations, rules and policies of foreign investment. It also participates in the formulation and promulgation of the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) and Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》). It is responsible for the administration and supervision of the approval and registration of foreign investment in China.

REGULATIONS

Laws and Regulations of New Drugs

Research and development of new drugs

The Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) (the "Drug Administration Law") and the Implementation Rules of Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法實施條例》) (the "Implementation Rules") is the legal framework for the production of pharmaceutical products and the establishment of pharmaceutical companies and the regulation of pharmaceutical products (including the research and production of new drugs and new materials for drug production).

[2] On March 10, 1998, the Decision on Institutional Reform of the State Council passed by the First Session of the Ninth National People's Congress decided that the National Science and Technology Commission was renamed the Ministry of Science and Technology of the People's Republic of China. In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth National People's Congress decided the responsibilities of the Ministry of Science and Technology and the State Administration of Foreign Experts Affairs were integrated and the Ministry of Science and Technology was reorganized.

According to the Drug Administration Law and the Implementation Rules, the research and production of new drugs are encouraged in China. The legal rights in respect of the research and development of new drugs are protected by laws. Approval from the NMPA for the clinical trial of new drugs shall be applied for by the developer or clinical trial entity by providing information about the methodology, quality standards, pharmacological and toxicological data and results together with samples.

Non-clinical research

The non-clinical safety evaluation study for drugs for the purpose of applying for marketing approval shall be conducted in accordance with the Administrative Measures for Good Laboratories Practice (《藥物非臨床研究質量管理規範》), which was promulgated in August 2003 and revised in July 2017 by the China Food and Drug Administration ("CFDA"). In April 2007, the CFDA issued the Circular on Measures for Certification of Good Laboratory Practice (《藥物非臨床研究質量管理規範認證管理辦法》), which sets forth the requirements for an institution to apply for a Certification of Good Laboratory Practice to undertake drug non-clinical research.

Domestic clinical trial

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), which was issued by NMPA on February 28, 2005 and was amended by the State Administration for Market Regulation on January 22, 2020 and became effective on July 1, 2020, application for registration of new drugs shall be made after clinical trial which shall be divided in Phase I, Phase II, Phase III and Phase IV. Based on the characteristics and purpose of the research, a clinical trial may have the purposes of pharmacological research, clinical trial for discovery, clinical trial for confirmation and clinical research after the marketing of the drugs. Clinical trial of drugs shall be conducted by institutions qualified for clinical trial and have been registered with the relevant authorities.

Applicant for subsequent phase of clinical trial of drugs shall submit the proposal on clinical trial to the ethics committee for approval. Clinical trial can be conducted upon approval by the ethics committee and filing of the proposal and supportive information with the Drug Evaluation Center.

According to the Administrative Measures for Drug Registration, upon completion of the pharmacological and toxicological studies, application for clinical trial shall be submitted to the Drug Evaluation Center together with relevant study results. The Drug Evaluation Center shall organized the examination of the application by pharmaceutical, medical and other professionals and shall determine the approval in 60 working days and the applicant shall be notified of the decision by posting of the website of the Drug Evaluation Center. The application for clinical trial shall be considered approved if no notification is posted during

the period. The Administrative Measures for Drug Registration also requires that information about the clinical trial shall be registered with the Drug Clinical Trial Information Platform before commencement of the trial. The applicant shall renew the relevant information during the trial and file the results of the clinical trial upon completion. The applicant shall be responsible for the truthfulness of the information disclosed on the platform.

NMPA and NHC promulgated the Announcement on Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) (the "GCP") on April 23, 2020 to improve clinical trial. The GCP has determined the quality standards of clinical trial of drugs in the areas of planning, organization, supervision, inspection, recording, analysis, conclusion and documentation. The preparation of drug for trial shall comply with the quality requirement of the GCP and the drug for trial shall be used in accordance with the clinical trial proposal. The GCP also sets forth the requirements for conducting the clinical trial, including preparation of clinical trials, clinical trial protocol, duties of the sponsor and investigators and protection of the trial subjects. In general, a clinical trial proposal shall contain general information, background and purpose of the research, plan and implementation (methodology, structure and procedure). According to the Notice on the Examination of Information about Clinical Trial of Drugs (《關於藥物臨床試驗數據核查有關問題處理意見的公告》) issued by the CFDA on May 22, 2017, application for registration will be rejected if the information about clinical trial is incomplete, irregular and not conclusive on the safeness and effectiveness of drugs.

Overseas clinical trial

On January 30, 2015, the CFDA promulgated the International Multi-Center Clinical Trial Guidelines (Trial) (《國際多中心藥物臨床試驗指南(試行)》) (the "IMCT Guidelines"), to provide guidance for the regulation of application, implementation and administration of international multicenter clinical trials in China. Where the applicant intends to make use of the data derived from international multi-center clinical trials for application for approval of drug application, it is necessary to conduct an overall evaluation of global clinical trial data, and then conduct further trend analysis on clinical trial data in Asia and our country. The similarity of the patients selected for clinical trial and general patients shall also be considered. The samples from trials in China shall be sufficient to evaluate and conclude the safeness and effectiveness of the drug for trial to patients in China and shall satisfy the statistics and legal requirements. Furthermore, the institutions involved in the international multi-center clinical trial shall be subject to on-site inspections by our drug administrative authorities.

On October 8, 2017, the General Office of Chinese Communist Party's Central Committee and the General Office of the State Council jointly issued the Opinion on Strengthening the Reform of the Drug and Medical Device Review and Approval Process to Encourage Drug and Medical Device Innovation (《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》) which stipulates that overseas clinical trial results are acceptable in China. Data derived from

overseas clinical trials can be used in application for registration of drugs and medical devices if the data satisfy the registration requirement for drugs and medical devices in China. For initial application for marketing of pharmaceutical products and medical devices in China, the applicants are required to provide clinical trial data to indicate whether there will be difference of trial results among different ethnic groups.

According to the Notice on Technical Guiding Principles for the Acceptance of the Overseas Clinical Trial Data of Drugs (《關於發佈接受藥品境外臨床試驗數據的技術指導原則的通告》) issued by NMPA on July 6, 2018, if overseas clinical trial data is used in application for drug registration, all (and not some) overseas clinical trial data shall be submitted. If a clinical trial is initially conducted in overseas and subsequent clinical trial will be conducted in China, the applicant of drug registration application is required to evaluate the data from initial clinical trial and to compile a full report. The applicant shall negotiate with the Drug Evaluation Center for acceptance of the initial clinical trial data for subsequent clinical trials.

New drug application

According to the Drug Registration Measures (《藥品註冊管理辦法》), upon completion of pharmacological and toxicological studies, clinical trials, determination of quality standards, completion of validation of commercial-scale production processes, and preparation for acceptance of verification and inspection for drug registration, the applicant may apply to the NMPA for approval of NDA. The NMPA then determines whether to approve the application according to applicable laws and regulations. The applicant must obtain approval of NDA before the drugs can be manufactured and sold in the China market.

According to the Drug Registration Measures, for (1) drugs which are used for the treatment of severe life-threatening diseases currently lacking effective treatment and the data of clinical trials can confirm the efficacy and forecast the clinical value of the drugs; (2) drugs which are urgently needed for public health and data of clinical trials can reveal the efficacy and forecast the clinical value of the drugs; (3) vaccines which are urgently needed to deal with major public health emergencies or other vaccines which the NHC deems to be urgently needed, and the benefit is assessed outweigh the risk, such drugs can apply for conditional approval.

Reclassification of Chemical Drugs

On March 4, 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》) to outline the reclassifications of drug applications. Category 1 drugs refer to new drugs that have not been marketed anywhere in the world. Improved new drugs that are not marketed anywhere in the world fall into Category 2. Generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, that have equivalent

quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China.

Reform of the drug approval system for fast track evaluation and approval

In August 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (《關於改革藥品醫療器械審評審批制度的意見》), which established a framework for reforming the evaluation and approval of drugs and medical devices. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs. In November 2015, the CFDA promulgated the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), which provides that a fast track clinical trial approval or drug registration pathway can be available for the applications for certain drugs, including the registration of innovative new drugs treating HIV, cancer, serious infectious diseases and orphan diseases; registration of pediatric drugs, etc.

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

Rare Disease

On May 11, 2018, the NHC, together with the NMPA and three other agencies jointly published the Notice of the First Edition of the Rare Disease List (《關於公佈第一批罕見病目錄的通知》) which includes 121 diseases covering various genetic disorder. According to the Notice on Publishing the Procedures of Developing the Rare Disease List (《關於印發罕見病目錄制訂工作程式的通知》) issued on May 28, 2018, the following four criteria should be met for rare disease designation: (i) evidence states that the disease has a low prevalence or incidence in China and other countries, (ii) the disease significantly impacts the patient and his or her family, (iii) there is a clear method of diagnosis, and (iv) the disease is treatable and intervention is feasible and economically accessible, or if there is no effective treatment or intervention, but it has been included in the national scientific research project.

Drug Marketing Authorization Holder System

According to the Drug Registration Measures, the pharmaceutical industry in China has adopted a marketing authorization holder system. A drug marketing authorization holder refer to a holder of drug registration certification, which shall be a pharmaceutical company or a drug research and development institution. According to the Drug Registration Measures, a

marketing authorization holder shall be responsible for the non-clinical trial, clinical trial, production and operation, post-marketing research, monitoring of undesired effects of drugs and follow-up actions.

A drug marketing authorization holder is allowed to produce drugs and to license a drug production company to produce drugs. Similarly, a drug marketing authorization holder is allowed to sell drugs and to entrust a drug company to sell its drugs. However, the production of blood products, anesthetics, psychiatric drugs, toxic medical drugs, toxic medical materials is not allowed to be entrusted to drug producers, subject to the requirements of the drug administration authority of the State Council.

A drug marketing authorization holder shall establish a quality assurance system to be independently managed by professional for the quality control of drugs. A drug marketing authorization holder shall regularly examine the quality assurance system of drug producer and drug trading company entrusted by it to ensure that they remain capable in quality control.

IF a drug marketing authorization holder is a foreign company, its obligations as a drug marketing authorization holder shall be performed by a legal person in PRC who shall jointly share the responsibilities as a drug marketing authorization holder.

Approval or filling of Human Genetic Resources

On June 10, 1998, the Ministry of Science and Technology and the Ministry of Health promulgated the Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), which established the rules for protecting and utilizing human genetic resources in the PRC. According to 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》) issued by the Ministry of Science and Technology in July 2015, foreign investors apply for participation in the sampling, collection and analysis of human genetic resources shall be considered as international cooperation which shall be applied to China Human Genetic Resources Management Office for approval by the Chinese party though through an online system. 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》) promulgated by the State Council in May 2019 and implemented 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 exporting 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. The Standing Committee of the National People's Congress promulgated the Animal Safety Law of the People's Republic of China (《中華人民共和國生物安全法》) issued by the

Standing Committee of the National People's Congress of the PRC (the **"SCNPC"**) on October 17, 2020 and came into effect on April 15, 2021. According to Animal Safety Law of the People's Republic of China, China has the rights of human genetic resources and animal resources and the Administration of Human Genetic Resources also has the relevant requirements.

Administrative Protection and Monitoring Periods for New Drugs

According to the Implementing Rules for PRC Drug Administration Law (《藥品管理法實施條例》) and the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》), the NMPA may, for the purpose of protecting public health, provide for a monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not accept other applications for new drugs containing the same active ingredient.

Laws and regulations for breeding and use of animals in experiment

According to the Regulation on the Administration of Laboratory Animals （《實驗動物管理條例》）issued by the National Science and Technology Committee (now known as "the Ministry of Science and Technology") in November 1988 and amended by the State Council in March 2017, the government has adopted a quality certification system for the supervision of animal experiment in respect of the breeding, quarantine and epidemic prevention and the use of animals in experiment, import and export of laboratory animals as well as the qualification of personnel involving in animal experiment.

The State Science and Technology Commission and the State Bureau of Quality and Technical Supervision jointly promulgated the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) in December 1997. The Ministry of Science and Technology and other regulatory authorities promulgated the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) in December 2001. All of these laws and regulations require a Certificate for Use of Laboratory Animals for performing experiment on animals. A laboratory animal operation license is required for personnel involved in the breeding, reproduction, supply, transportation and commercial operation of laboratory animals. Any entity or individual who use laboratory animals for scientific research and experiment is required to obtain a permit for the use of laboratory animals. Applicants of laboratory animal operation license and use permit shall satisfy certain conditions. No entity or individual shall perform animal experiment and operation without such license or permit. The results of animal experiment will not be recognized if the experiment is conducted by an entity or individual without such license or permit or that the animal and relevant materials are supplied by a provider without the operation license.

According the Notice of the Regulation of National Laboratory Animals and Seeds Center (《關於印發國家實驗動物種子中心管理辦法的通知》) issued by the Ministry of Science and Technology, a centralized animal and seed center is established by the Ministry of Science and Technology. The center may have branches and sub-stations for particular species. The Notice has specified the major responsibilities, organization, budget management, inspection and supervision of the center.

According the Notice on the Establishment of National Laboratory Animal Professional Committee (《關於成立國家實驗動物專家委員會的通知》) issued by the Ministry of Science and Technology on March 17, 2011, the Laboratory Animal Professional Committee was established by the Ministry of Science and Technology. Members of the committee are experts in laboratory animals who can provide professional advice on the research and management of animal experiment and promote the legislation of animal experiment and the development of resources sharing, quality assurance and education of animal experiment as well as the development of life science and biological production.

Laws and regulations of export and import

Pursuant to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001 which came into effect on January 1, 2002, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of National People's Congress, or the SCNPC, on May 12, 1994 which came into effect on July 1, 1994 and amended on April 6, 2004 and November 7, 2016, the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC, on January 22, 1987 which came into effect on July 1, 1987 and last amended on April 29, 2021, the Measures for Record Filing and Registration by Foreign Trade Dealer (《對外貿易經營者備案登記辦法》) promulgated by MOFCOM on June 25, 2004, which came into effect on July 1, 2004 and last amended on May 10, 2021 and the Administrative Provisions of the Customs of the People's Republic of China on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021 which came into effect on January 1, 2022, foreign trade business operators engaging in the import or export of goods or technology must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM. Unless otherwise provided for, the declaration of import or export goods and the payment of duties may be made by the consignees or consignors themselves, or by entrusted customs brokers. Customs declaration entities refer to consignees or consignors of imported or exported goods or customs brokers that have filed for record with Customs. Customs declaration entities may conduct customs declaration business within the customs territory of the PRC.

Laws and regulations of foreign investment

On January 1, 2020, the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) (the "**Foreign Investment Law**") promulgated by the

People's Congress came into effect and superseded the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》). The Foreign Investment Law has since then been the basic law to govern all enterprises invested solely foreign investors or jointly with other investors. The Company Law of the People's Republic of China (《中華人民共和國公司法》) shall also apply in respect of the establishment, organization and activities of foreign invested enterprises. In place of the previous system of approval and registration of establishment and alteration of foreign invested enterprises, China has adopted a system with respect to foreign investment administration, under which the Chinese government applies national treatment to foreign investors in terms of investment entry subject to a negative list for foreign investment. National treatment refer to the treatment of foreign invested enterprises to standards not less favorable than domestic invested enterprises. The negative list is a list of industries in which foreign investments are under special administration. Foreign investment in industries out of the negative list will be treated as domestic investment. The current negative list is the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)》) (2021年版) jointly issued by the National Development and Reform Commission of the PRC (the "**NDRC**") and MOFCOM on December 27, 2021 and effective from January 1, 2022, which sets out the requirement of foreign investment in respect of industry, equity holding and senior management qualification.

The Foreign Investment Law further promote and protect foreign investment and further strengthen the regulation of foreign investment. It requires the establishment of foreign investment information filing system in place of the original foreign investment approval and filing system administrated by the MOFCOM. The filing of foreign investment information is jointly administrated in accordance with the Regulation of Filing of Foreign Investment Information (《外商投資信息報告辦法》) jointly issued by the MOFCOM and the National Administration for Market Regulation, which came into effect on January 1, 2020. According to the Regulation of Filing of Foreign Investment Information, direct and indirect investment in China by foreign investors shall be reported to the competent authority of commercial matters through the business registration system and national business information disclosure system, including initial registration report, change report, de-registration report and annual report.

Laws and regulations of product liability

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National Congress on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, the seller shall be responsible for repair, replace and return of products and if consumers cause losses due to the purchase of products, the seller shall compensate for such losses if the

product sold (1) cannot perform the intended functions without notification; (2) is not of the quality as stated in product description on the product or its package; or (3) is not of the quality as stated in product description or as shown by product sample.

According to the Civil Law of the People's Republic of China (《中華人民共和國民法典》) promulgated by the National People's Congress of the PRC (the "**NPC**"), on May 28, 2020 and came into effect on January 1, 2021, patients may demand of compensation for damages suffered by patients and caused by defective drugs from drug marketing authorization holder or the healthcare institution involved. If compensation is settled with the patient by the healthcare institution, the healthcare institution may demand reimbursement from the drug marketing authorization holder.

The Law of the People's Republic of China on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and amended on August 27, 2009 and October 25, 2013 to protect the rights and interests of consumer in purchase of goods and acceptance of services. All business operators shall comply with such law in the production, sale and provision of products and services. According to the latest amendment on October 25, 2013, all business operators shall pay special attention to the privacy of consumers and shall keep confidential consumer information collected during business operation.

LAWS AND REGULATIONS OF ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

Environmental protection

The PRC Environmental Protection Law (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), which was promulgated by the Standing Committee of the National People's Congress on December 26, 1989 and recently amended on April 24, 2014, provides a regulatory framework and outlines the respective responsibilities of all environmental protection authorities. The environmental protection department of the State Council is responsible for determining national standards for environmental protection, discharge of pollutants and the overall supervision of environmental protection works of China. The local environmental protection agents may impose stricter environmental protection requirements and all business has to comply with.

Environment impact evaluation

According to the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect on October 1, 2017, a project developer shall

prepare environmental impact report or complete an environmental impact registration from. If environmental impact report or environmental impact registration form is required for a construction project, the project developer shall submit such report or registration form to the competent authority for approval before commencement of construction. Commencement of the construction project is not allowed if no approval is given on the environmental impact documents.

According to the PRC Law on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and latest amended on December 29, 2018, if environmental impact report or environmental impact registration form is required for a construction project, the project developer shall submit such report or registration form to the competent authority.

Permission for discharge of pollutants

According to the Regulations on Discharge of Pollutants (Provisional) (《排污許可管理辦法（試行）》) promulgated by the Ministry of Ecology and Environment of the PRC (formerly known as Ministry of Environmental Protection of the PRC) (the "**Ministry of Ecology and Environment**") on January 10, 2018 and amended on August 22, 2019, business units and producers registered in the list of regular pollutant sources shall applied for permit for discharge of pollutants. No discharge of pollutants shall be allowed if such permit is required.

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 Environmental Protection department shall no longer be reserved and the Ministry of Ecology and Environment was established.

According to the List of Permitted Regular Pollutant Sources (2019) (《固定污染源排污許可分類管理名錄（2019年版）》) compiled by the Ministry of Ecology and Environment on December 20, 2019, the management of discharge of pollutants is based on the volume (amount) of pollutants generated or discharged and their impact on the environment and is classified into three categories: discharge under close inspection; discharge under general inspection; and registration of discharge. No permit for discharge of pollutant is required if the business units are only required to register their discharge of pollutants.

The State Council promulgated the Regulations on Permission of Discharge of Pollutants (《排污許可管理條例》) on January 24, 2021 to further strengthen the management of pollutants. The management of discharge of pollutants is based on the volume (amount) of pollutants generated or discharged and their impact on the environment and is classified as discharge under close inspection and discharge under general inspection. The information about inspection and approval of permit for discharge of pollutants shall be disclosed on the national permit for discharge of pollutant management platform. The permit for discharge of

pollutants shall be valid for five years. If the pollutant discharge units require to discharge pollutants upon expiry of the permit, they shall apply for extension within 60 days before the expiry.

Inspection and acceptance of environmental protection facilities

According to the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), upon completion of projects requiring the preparation of environmental impact report or registration, the project developer shall inspect the environmental protection facilities of the project and prepare an acceptance report in accordance with the standards and procedures as required by the environmental protection agent of the State Council. The acceptance report shall be disclosed to the public unless it is required to keep confidential under government policy. The construction project shall not put into use of the environmental protection facilities are not acceptable upon inspection.

Design and acceptance of fire fighting facilities

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "Fire Prevention Law"), was adopted in April 29, 1998 and amended on April 23, 2019 and April 29, 2021, respectively.

According to the Fire Prevention Law, the project developer of construction projects specified by the Ministry of Housing and Urban-Rural Development shall submit the design of fire prevention facilities to the Ministry of Housing and Urban-Rural Development for approval. For other construction projects, the project developers shall provide the design and technical specifications of the fire prevention facilities when they apply for permit for construction or apply for commencement of works and the fire prevention facilities shall satisfy the relevant requirement of the project. According to the Inspection and Acceptance of Fire Prevention Facilities of Construction Projects (Provisional) (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development on April 1, 2020, the fire prevention facilities of special projects shall be subject to examination and acceptance system while that of other projects are required to file design for random inspection.

Laws and regulations relating to intellectual property rights

Patent

On October 17, 2020, the Standing Committee of the National People's Congress amended the Patent Law which came into effect on June 1, 2021. According to the current Patent Law, Patents in China are categorized into 3 types, namely invention patents, utility

model patents and design patents. The terms of invention patent, utility model patent and design patent shall be 20 years, 10 years and 15 years, respectively, commencing from the filing date of application. After patent of invention or utility is granted, no entity or individual shall use such patent without permission from the patent holder subject to the Patent Law, i.e. to produce, use, promise to sell, sell or import the patented products; to use the patented method and to use, promise to sell, sell, import products produced by using such patent. Upon the granting of a design patent, no organization or individual shall exploit such patent without permission from the patentee, i.e. to produce, promise to sell, sell or import the design patent products for the purposes of production and business operation. Any dispute arising from the use of patent without the consent of the patent holder shall be settled by the parties involved through negotiation. If there is no willingness to negotiate or no settlement is agreed, the patent holder or other stake holder of the patent may initiate legal proceeding at court or request the patent management authority for settlement.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**") amended by the Standing Committee of the National People's Congress on April 23, 2019 and came into effect on November 1, 2019, the registration of a trademark shall be valid for a term of 10 years from the date of registration. The registered holder of a trademark shall have the exclusive rights of the trademark. The registered holder of a trademark shall conduct renewal procedures within 12 months prior to its expiry or the 6-month grace period according to the rules. The renewed registration shall have a validity period of 10 years, commencing from the day immediately after the expiry of the last validity period of the trademark. The registered trademark shall be revoked if no renewal procedure is conducted upon expiry. Any dispute arising from the infringement as set out in clause 57 of the Trademark Law shall be settled by the parties involved through negotiation. If there is no willingness to negotiate or no settlement is agreed, the trademark holder or other stake holder of the trademark may initiate legal proceeding at court or request the administration of industry and commerce for settlement.

Copyright

The copyright in China is protected by the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the Standing Committee of the National People's Congress on September 7, 1990, and recently amended on November 11, 2020 and came into effect on June 1, 2021, and the Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002 and recently amended on January 30, 2013. The legislation provides for the classification and the procedure for obtaining copyright.

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 National People's Congress in September 1993 and recently amended on April 23, 2019, trade secrets refer to technical and business information and other commercial information that is unknown to the public, has commercial value, and is taken by the right holders of the corresponding confidentiality measures. Under the PRC Anti-Unfair Competition Law, business owners are prohibited from infringing others' trade secrets. If a third party knows or should have known any of the illegal acts which infringe other's trade secrets, but still accepts, publishes, uses or allows any other to use such secrets, this practice will be deemed as an infringement of trade secrets. A party whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine the infringing parties.

Domain names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology of the People's Republic of China ("**MIIT**") on August 24, 2017 and came into effect on November 1, 2017, the MIIT shall be responsible for managing Internet domain names in the PRC while its provincial offices shall be responsible for the management of Internet domain names in their respective administrative districts. The principle of "first-to-file" is adopted for domain name registration. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for.

Laws and regulations of labor and social welfare

According to the PRC Labor Law (《中華人民共和國勞動法》), which came into effect on January 1, 1995 and amended on December 29, 2018, and the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which came into effect on January 1, 2008 and amended on December 28, 2012, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Labor contract shall be agreed by both parties through negotiation and can be entered into with fixed term, indefinite term or to be terminated upon completion of a specific task. Wages shall not be lower than local minimum wage. The employer and the employee shall perform their respective obligations according to the labor contract.

According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and came into effect on July 1, 2011 and was amended on December 29, 2018, the employer and employee shall enter into a labor contract and to maintain the social insurance of the employee, including the pension insurance, basic medical

insurance, labor injury insurance, unemployment insurance and maternity insurance. According to the Provisional Regulation of Social Insurance Premium (《社會保險費徵繳暫行條例》), Regulation of Insurance for Labor Injury (《工傷保險條例》), Regulation of Unemployment Insurance (《失業保險條例》) and the Provisional Regulation of Maternity Insurance of Employees (《企業職工生育保險試行辦法》), companies are required to registered with the social insurance agent for their employees and make payment of social insurance premium on behalf of their employees. The PRC Social Insurance Law has provisions for pension insurance, unemployment insurance, maternity insurance, labor injury insurance and basic medical insurance and has specified the legal obligations and responsibilities of employers in respect of social insurance.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and amended on March 24, 2019, companies must pay and deposit housing funds on behalf of their employees in full and in a timely manner, not less than 5% of the average monthly income of the employee in previous year. The employee shall be entitled to the balance of payments made by the employer and the employee.

Laws and regulations of foreign exchange

The major regulation governing the settlement and trading of foreign exchange by domestic enterprises and individuals and overseas enterprises and individuals in China is the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and was subsequently amended on January 14, 1997 and August 5, 2008. According to the Foreign Exchange Administration Regulations of the PRC, domestic enterprises and individuals are allowed to retain their foreign exchange which is no longer required to be sold and can be remitted into China or maintain overseas subject to applicable requirements. Foreign exchange income under current accounts of domestic enterprises can be retained by the enterprises or be sold to financial institutions engaged in the settlement and trading of foreign exchanges at their discretion. Domestic enterprises can settle foreign exchange payment under current accounts by using their own foreign exchange or foreign exchange bought from financial institutions engaged in the settlement and trading of foreign exchanges by producing valid invoice.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), which canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts. On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the date of

the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment. The proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《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》) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On October 23, 2019, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross- Border Trade and Investment (《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》) (the "Circular 25"), which came into effect on the same day (except paragraph 2 of clause 8, which became effective on January 1, 2020). In addition to investment foreign enterprises, non-investment foreign enterprises can also make equity investments in the PRC with their capital funds provided that such investment does not violate the Negative List and the investment is genuine and in compliance with laws.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支援涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing evidence concerning authenticity of each expenditure. The handling bank shall follow the principle of prudential business development to manage and control relevant business risks, and conduct random checks on the facilitation of capital project income payment afterwards in accordance with relevant requirements. The local foreign exchange bureau shall strengthen monitoring and analysis and supervision during and after the event.

According to the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《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》) issued by the SAFE on July 4, 2014, PRC residents who make direct or indirect investments in offshore special purpose vehicles, or SPVs, are required to register such investments with SAFE or its local branches. In the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc.,

or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall promptly complete the change of foreign exchange registration formality for offshore investment. According to the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on 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》) (partial lapse) issued by the SAFE on February 13, 2015, which took effect on June 1, 2015, financial institutions having been issued the identity code by the SAFE SAFE and registered with the capital item reporting system of the local office of the SAFE can complete the registration directly which is supervised by banks as authorized by the SAFE.

TAXATION LAWS AND REGULATIONS

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) promulgated on March 16, 2007 and became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 by the Standing Committee of the National People's Congress and the Regulation on the Implementation of EIT Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated on December 6, 2007 and became effective from January 1, 2008, and amended on April 23, 2019 by the State Council, all enterprises in China (including foreign-invested enterprises) shall pay EIT at a flat rate of 25%, except that enterprises of high and new technology supported by the government shall pay EIT at a reduced rate of 15% and eligible SMEs shall pay EIT at a reduced rate of 20%.

Value-added tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) promulgated on December 13, 1993, came into effect on January 1, 1994 and recently amended on November 19, 2017, and the Implementing Rules to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated on December 25, 1993 with immediate effect and amended on December 15, 2008 and October 28, 2011, and became effective on November 1, 2011, tax payers engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall pay value-added tax. Unless otherwise stipulated, the tax rate for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods shall be 17%, and exported goods and services are free of value-added tax. According to the Notice on the Adjustment to VAT Rates (《關於調整增值税税率的通知》) jointly promulgated by the Ministry of Finance and the SAT on April 4, 2018 and became effective on May 1, 2018, the taxpayers who are previously subject to 17% and 11% respectively on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10%, respectively. According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) jointly

issued by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, the tax rate of VAT-taxable sales activities or imported goods further reduced to 13% and 9%, respectively.

OVERVIEW

We are a clinical-stage biopharmaceutical and revenue-generating pre-clinical research services company, empowered by our proprietary gene editing technology, transgenic mice platforms, comprehensive animal disease models and *in vivo* antibody discovery platform.

Our Company was initially established in Beijing, PRC as a limited liability company in 2009 to engage in the provision of gene editing services, pre-clinical pharmacology and efficacy evaluation services, animal models selling, antibody development and innovative biologic drug research and development in the PRC, and was converted to a joint stock company as part of the Reorganization in 2020.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2009	Our Company was established in Beijing, PRC, as our headquarters to commence research and development of biotechnology in the PRC
2011	Developed ESC/HR-based gene editing technology platform and delivered our gene editing services to our first customer
2013	Completed the series A round financing and raised an aggregate amount of approximately RMB35 million
2014	Developed CRISPR/EGE-based gene editing technology, which enables simultaneous gene knock-in of two genes in rats
	Developed the severe immunodeficient B-NDG™ mice and developed a series of immune checkpoint humanized mice based on the genetic background of C57BL/6
2015	Established a comprehensive pharmacology service platform, covering cell-based functional assays, pharmacokinetic assays and drug metabolism assays
	Completed the series B round financing and raised an aggregate amount of approximately RMB40 million

Year	Milestone
2016	Haimen Animal Center began operations and earned the full-qualification AAALAC accreditation, building an international high-standard animal center
	Established an evidence-based *in vivo* antibody discovery platform
	Eucure (Beijing) was established to engage in pre-clinical and clinical development of drug candidates that are derived from our Group's antibody discovery platform, including YH001 and YH003
	Completed the series B+ round financing in the form of convertible loans of an aggregate amount of approximately RMB21.7 million, which was subsequently converted into equity in our Company in February 2018
2018	BIOCYTOGEN BOSTON CORP was incorporated through which we expanded our operations in the U.S.
	Completed the series C round financing and raised an aggregate amount of approximately RMB260 million
2019	Developed technology for megabase-scale chromosomal editing and released RenMab Mice, a fully human antibody mouse model
	Obtained approval for commencing Phase I clinical trials of YH001 in patients with advanced solid tumors in the U.S. in October.
	Completed the series D round financing and raised an aggregate amount of approximately RMB500 million
2020	Completed first patient screening for Phase I clinical studies of YH001 in May, YH002 in June and YH003 in June in Australia
	Launched Project Integrum (千鼠萬抗) in March, a large-scale *in vivo* antibody discovery program
	Completed the series D+ round financing and raised an aggregate amount of approximately RMB850 million

Year	Milestone
2021	Completed first patient screening for Phase I clinical study of YH001 in January and obtained approval in May to initiate Phase I clinical trial of YH003 in the PRC
	Entered Phase II clinical study of YH003 in Australia in August, and obtained approvals to commence Phase II clinical trials for YH001 in June and YH003 in June in the United States and Phase I clinical trial of YH004 in June in Australia
	Completed the cross-over round financing and raised an aggregate amount of approximately RMB311.0 million
	Entered into the Tracon Agreement with TRACON in relation to the development and commercialization of YH001 in the United States in October
	Obtained Taiwan FDA approval in October for and entered the Phase II clinical trial of YH001 in combination with toripalimab.
	Obtained IND approval from the FDA of YH004 in October.
	Obtained IND approval from the NMPA to initiate and entered Phase II clinical trial of YH003 in combination with toripalimab in the PRC in October.

OUR MAJOR SUBSIDIARIES

During the Track Record Period and up to the Latest Practicable Date, we conduct our business activities primarily through our Company and the following major wholly-owned subsidiaries:

Name of subsidiaries	Place of establishment	Principal business activity	Date of establishment and commencement of business
Eucure (Beijing) Biopharma Co., Ltd.* (祐和醫藥科技（北京）有限公司) ("**Eucure (Beijing)**")	PRC	Pharmaceutical technology development and technical services	November 11, 2016
Biocytogen Jiangsu Co., Ltd. * (百奧賽圖江蘇基因生物技術有限公司)	PRC	Biotechnology development, technical services and animal models selling	October 14, 2014

Name of subsidiaries	Place of establishment	Principal business activity	Date of establishment and commencement of business
BIOCYTOGEN BOSTON CORP	U.S.	Biotechnology development and technical services	June 19, 2018
EUCURE BIOPHARMA BOSTON CORP	U.S.	Clinical trial and related services	May 29, 2018
Biocytogen (Beijing) Biological Engineering Co., Ltd. * (百奧賽圖（北京）生物工程有限公司)	PRC	Biotechnology development and technical services	June 25, 2014

In particular, Eucure (Beijing) became a wholly-owned subsidiary of the Company on September 15, 2020, when the then shareholders of Eucure (Beijing) entered into an equity transfer agreement with our Company to transfer their interest in Eucure (Beijing) to our Company in consideration of the increased registered capital of our Company. The Eucure (Beijing) Restructuring (as defined in the sub-section headed "Reorganization — Eucure (Beijing) Restructuring" in this section) has been accounted for using the merger basis of accounting in the consolidated financial statements of our Group. The financial statements of Eucure (Beijing) and its subsidiaries are incorporated in the consolidated financial statements of the Group as if the current group structure had always been in existence.

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of Our Company

On November 13, 2009, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB1,000,000. The shareholding structure of our Company upon establishment is set forth in the table below:

Shareholders	Registered capital subscribed for	Corresponding equity interest in our Company
	(RMB'000)	*(%)*
Dr. Shen [(1)]	288.5	28.8
Dr. Ni [(1)]	259.9	26.0
Mr. Yang Xiaoming (楊曉明) ("**Mr. Yang**") [(2)]	351.6	35.2
Mr. Wan Liming (萬里明) ("**Mr. Wan**") [(2)]	100.0	10.0
Total	**1,000.0**	**100.0**

Note:

(1) Dr. Shen and Dr. Ni are spouses and are parties to the AIC Agreements. Together, Dr. Shen and Dr. Ni held approximately 54.8% of the registered capital in our Company as members of the Concert Parties upon establishment of our Company.

(2) Mr. Yang and Mr. Wan were angel investors at the time of the establishment of our Company and are independent third parties.

(2) Major Shareholding Changes of Our Company

(1) March 2012 Equity Transfers

On March 15, 2012, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest in our Company were agreed:

Transferors	Transferees	Registered capital transferred	Consideration
		(000' RMB)	*(000' RMB)*
Dr. Ni[(1)]	Dr. Shen	23.9	23.9
Dr. Ni[(1)]	Mr. Wan	33.4	33.4
Mr. Yang	Dr. Shen	87.6	87.6

Note:

(1) Together, Dr. Shen and Dr. Ni held approximately 60.3% of the registered capital in our Company as members of the Concert Parties upon completion of the aforesaid equity transfers.

The consideration was determined based on the amount of registered capital being transferred at par value.

(2) Series A Financing and Conversion into a Sino-Foreign Equity Joint Venture

Pursuant to a capital increase agreement entered into by and amongst our Company, BioVeda China Fund II RMB, Limited ("**BioVeda**") and our then Shareholders on March 22, 2012 (the "**Series A Investment Agreement**"), the registered capital of our Company was increased from RMB1,000,000 to RMB1,333,333, and BioVeda agreed to subscribe for the increased registered capital of RMB333,333 of our Company at a total consideration of the USD equivalent of RMB35,000,000 (the "**Series A Financing**"). The Series A Financing was completed on January 22, 2013 when its necessary change in registration formalities was filed on the same date. Upon completion of the capital increase, the nature of our Company changed to a Sino-foreign equity joint venture. BioVeda is a professional investment institution and an independent third party.

(3) November 2013 Equity Transfers

On September 16, 2013, the following parties entered into equity transfer agreements, respectively, pursuant to which the following transfers of equity interest in our Company were agreed (the "**Nov-13 Transfers**"):

Transferors	Transferees	Registered capital transferred	Consideration
		(000' RMB)	*(000' RMB)*
Dr. Shen(1)	BioVeda	266.7	4,600.0(2)
Mr. Yang	Dr. Shen(1)	264.0	4,550.0

Note:

(1) Dr. Shen held approximately (i) 29.8% on his own and (ii) when aggregated with the equity interests held by Dr. Ni, 45.0% of the registered capital in our Company upon completion of the aforesaid equity transfers.

(2) To the best of its knowledge and belief and upon due inquiry, the Company was informed that in conjunction with the Nov-13 Transfers, a limited partner of BioVeda also agreed to write off at nil consideration certain loans of approximately RMB7.9 million lent to Dr. Shen in 2011, the proceeds of which were lent to the Company in form of a shareholder loan around the same time. Such shareholder loan provided by Dr. Shen to the Company was eventually repaid after completion of the Nov-13 Transfers.

The consideration of the Nov-13 Transfers were determined based on the parties' then valuation of the Company's business and prospects, which was significantly lower than the post-money valuation of the Company after the Series A Financing as the business and operations of our Company experienced widened net loss in 2012 and had limited cash reserves by the end of 2012 despite having already received the first tranche investment of USD1.10 million from BioVeda as part of the Series A Financing. To promote BioVeda's confidence to complete the final tranche investment of USD4.54 million of the Series A Financing, Dr. Shen, after arm's length negotiation with BioVeda, agreed to transfer to the latter RMB0.27 million of the registered capital in the Company, at a consideration that represents a discount to the Company's then post-money valuation following the Series A Financing. For details, please refer to the subsection headed "Detailed Terms of the **[REDACTED]** – (2) Principal terms of the **[REDACTED]** and **[REDACTED]** Rights in this section. The above mentioned equity transfers were completed on November 11, 2013 when its necessary change in registration formalities was filed on the same date.

(4) Conversion of Capital Reserves to Registered Capital

On December 9, 2013, our Board passed resolutions approving, among other matters, the increase of the registered capital of our Company from RMB1,333,333 to RMB20,000,000,

from the conversion of capital reserves of our Company. The increase of the registered capital of our Company from the conversion of capital reserves of our Company was completed on March 26, 2014 when its necessary change in registration formalities was filed on the same date.

Upon the completion of the abovementioned increase in the registered capital of our Company on March 26, 2014, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital**	**Equity interest**
	(000' RMB)	*(%)*
Dr. Shen(1)	5,960.0	29.8
Dr. Ni(1)	3,039.0	15.2
BioVeda	9,000.0	45.0
Mr. Wan	2,001.0	10.0
Total	**20,000**	**100.00**

Note:

(1) Together, Dr. Shen and Dr. Ni held approximately 45.0% of the registered capital in our Company upon completion of the aforesaid increase in registered capital.

(5) Series B Financing

Pursuant to an investment agreement dated September 30, 2015 entered into by and amongst Gaoxin Investment Development Co., Ltd. (高新投資發展有限公司) ("**Gaoxin Investment**"), our Company and our then Shareholders, the registered capital of our Company was increased from RMB20,000,000 to RMB23,333,333, and Gaoxin Investment and BioVeda agreed to subscribe for the increased registered capital of RMB3,333,333 of our Company at a total consideration of RMB40,000,000 (the "**Series B Financing**"). The Series B Financing was completed on November 12, 2015 when its necessary change in registration formalities was filed on the same date.

The respective subscription amount and consideration paid by the relevant **[REDACTED]** were as follows:

[REDACTED]	**Registered capital subscribed for**	**Consideration paid**
	(000' RMB)	*(000' RMB)*
Gaoxin Investment(1)	2,500.0	30,000.0
BioVeda(2)	833.3	10,000.0
Total	**3,333.3**	**40,000.0**

Note:

(1) Gaoxin Investment is a professional investment institution and an independent third party.

(2) The consideration paid by BioVeda in U.S. Dollars in such an amount that is equivalent to RMB10,000,000.

(6) May 2016 and November 2017 Equity Transfers

Pursuant to an equity transfer agreement dated April 30, 2016 entered into by and between Mr. Wan and Zhu Mingchen (朱明臣) ("**Mr. Zhu**"), Mr. Wan agreed to transfer a total of RMB1,200,000 of the registered capital in our Company to Mr. Zhu at a consideration of RMB14,400,000 (the "**May-16 Transfers**"). To the best of the Company's knowledge after making due inquiry, Mr. Zhu is an acquaintance of Dr. Shen, a private investor, and an independent third party.

The consideration was determined upon arm's length negotiations among the parties taking into account our Company's post-money valuation after the completion of the Series B Financing and our then prospects with the launch of our pharmacology service platform. The equity transfer was completed on May 18, 2016 when its necessary change in registration formalities was filed on the same date.

Pursuant to an equity transfer agreement dated November 6, 2017 entered into by and amongst Dr. Shen, Dr. Ni, Mr. Wan, BioVeda and Baiao Evergreen, the following transfers of equity interest in our Company were agreed:

Transferors	Transferees	Registered capital transferred	Consideration
		(000' RMB)	
Dr. Shen[(1)]	Baiao Evergreen[(1)]	1,060.5	RMB7,678,802
Dr. Ni[(1)]	Baiao Evergreen[(1)]	540.8	RMB3,915,416
BioVeda	Baiao Evergreen[(1)]	1,098.6	US$1,198,008
Mr. Wan	Baiao Evergreen[(1)]	300.2	RMB2,173,286

Note:

(1) Baiao Evergreen is one of the Employee Shareholding Platforms for which Dr. Shen acts as the sole general partner and sole managing partner, who is entitled to exercise all voting rights held by Baiao Changsheng on its behalf. Baiao Evergreen is a party to the AIC Agreements. Together, Dr. Shen, Dr. Ni and Baiao Evergreen held approximately 44.6% of the registered capital in our Company as members of the Concert Parties upon completion of the aforesaid equity transfers.

The consideration was determined upon arm's length negotiations among the parties taking into account that Baiao Evergreen is an Employee Incentive Platform. Accordingly, the relevant consideration of the November 2017 Transfers was determined among the parties at a discount to our Company's post-money valuation after the completion of the Series B Financing. The transfers were completed on November 30, 2017 when their necessary change in registration formalities were filed on the same date.

(7) January 2018 Equity Transfer

Pursuant to an agreement dated December 25, 2017 entered into by and between Gaoxin Investment and State Development & Investment Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)) ("**SDIC Shanghai**"), Gaoxin Investment agreed to transfer a total of RMB2,500,000 of the registered capital in our Company to SDIC Shanghai at a consideration of RMB38,891,820 (the "**Jan-18 Transfers**"). For details of the basis of the consideration for the above equity transfer, please refer to the subsection headed "Detailed Terms of the **[REDACTED]** – (2) Principal terms of the **[REDACTED]** and **[REDACTED]** Investors' Rights in this section. The equity transfer was completed on December 28, 2017 when its necessary change in registration formalities was filed on the same date.

(8) Series B+ Financing

Pursuant to an investment agreement dated February 5, 2018 entered into by and amongst State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited

Partnership) (國投高新(深圳)創業投資基金(有限合夥)) ("**SDIC Shenzhen**"), our Company, BioVeda, Dr. Shen, Dr. Ni, Mr. Wan and Mr. Zhu, a supplemental investment agreement and a convertible loan investment agreement both dated May 30, 2017 and entered into by the aforesaid parties, SDIC Shenzhen, a professional investment institution and an independent third party, subscribed for loans in an aggregate amount of RMB21,650,000 which are convertible into registered capital of RMB1,666,667 in our Company. The consideration for the subscription was settled on September 14, 2016. The registered capital of our Company was increased from RMB23,333,333 to RMB25,000,000 when such loans were converted into equity interests subscribed by SDIC Shenzhen (the "**Series B+ Financing**") on February 6, 2018.

(9) Series C Financing and Series C Transfers

Pursuant to an investment agreement and a supplemental investment agreement dated March 9, 2018 entered into by and amongst Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長柒號投資(深圳)合夥企業(有限合夥)) ("**Zhaoyin Chengzhang Qihao**"), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)) ("**Zhaoyin Gongying**"), Suzhou Yuanqing Bencao Equity Investment Center (Limited Partnership) (蘇州元清本草股權投資中心(有限合夥)) (currently known as Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)) ("**3E Bioventures**"), SIP ORIZA SEED FUND II VENTURE CAPITAL INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP) (蘇州工業園區原點正則貳號創業投資企業(有限合夥)) ("**Oriza Seed Fund II**"), SDIC Shanghai, our Company and our then Shareholders, the registered capital of our Company was increased from RMB25,000,000 to RMB30,416,667, and the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB5,416,667 of our Company at a total consideration of RMB260,000,000 (the "**Series C Financing**").

The respective subscription amount and consideration paid by the relevant **[REDACTED]** in the Series C Financing were as follows:

[REDACTED]	**Registered capital subscribed for**	**Consideration paid**
	(000' RMB)	*(000' RMB)*
Zhaoyin Chengzhang Qihao[(1)]	2,358.5	113,210.0
SDIC Shanghai[(1)]	2,083.3	100,000.0
3E Bioventures[(1)]	625.0	30,000.0
Oriza Seed Fund II[(1)]	208.3	10,000.0
Zhaoyin Gongying[(1)]	141.5	6,790.0
Total	**5,416.6**	**260,000.0**

Note:

(1) Each of Zhaoyin Chengzhang Qihao, SDIC Shanghai, 3E Bioventures, Oriza Seed Fund II, and Zhaoyin Gongying is a professional investment institution and are independent third parties of our Company.

Pursuant to an equity transfer agreement dated March 9, 2018 entered into by and amongst Mr. Wan, Oriza Seed Fund II and our Company, Mr. Wan agreed to transfer a total of RMB500,850 of the registered capital in our Company to Oriza Seed Fund II at a consideration of RMB24,040,000. The consideration was determined upon arm's length negotiations among the parties taking into account our Company's post-money valuation after the completion of the Series C Financing. The aforementioned equity transfer and subscription were completed on March 12, 2018 when their necessary change in registration formalities were filed on the same date.

Pursuant to an equity transfer agreement dated April 18, 2018 entered into by, among others, BioVeda and COWIN CHINA GROWTH FUND I, L.P. ("**COWIN CHINA Fund I**"), and another equity transfer agreement dated the April 3, 2018 entered into by, among others, BioVeda and Astral Eminent Limited ("**Astral**"), BioVeda agreed to transfer a total of RMB1,943,690 registered capital in our Company to COWIN CHINA Fund I and Astral for a total consideration of USD14,850,000. The consideration was determined upon arm's length negotiations among the parties taking into account our Company's post-money valuation after the completion of the Series C Financing. The equity transfers were completed on July 3, 2018 and September 28, 2018, respectively, when their necessary change in registration formalities were filed on the same respective dates (together with the equity transfer completed on March 12, 2018, the "**Series C Transfers**").

Pursuant to the Series C Transfers, the following transfers of equity interest in our Company were agreed:

Transferors	Transferees	Registered capital transferred	Consideration
		(000' RMB)	
Mr. Wan	Oriza Seed Fund II	500.9	RMB24,040,000
BioVeda	COWIN CHINA Fund I	1,177.9	USD9,000,000
BioVeda	Astral	765.8	USD5,850,000

(10) Series D Financing

Pursuant to an investment agreement, a supplemental investment agreement and a capital increase agreement dated July 25, 2019 entered into by and amongst China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）) ("**China Life Chengda**"), Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (L.P.) (深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥

)) ("**Zhaoyin Langyao**"), 3E Bioventures, SDIC Shanghai, Baiao Changsheng, our Company and our then Shareholders, the registered capital of our Company was increased from RMB30,416,667 to RMB36,500,000, and the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB6,083,333 of our Company at a total consideration of RMB500,000,000 (the "**Series D Financing**"). The Series D Financing was completed on August 1, 2019, when its necessary change in registration formalities was filed on the same date.

The respective subscription amount and consideration paid by the relevant **[REDACTED]** were as follows:

[REDACTED]	**Registered capital subscribed for**	**Consideration paid**
	(000' RMB)	*(000' RMB)*
China Life Chengda[(1)]	2,433.3	200,000.0
SDIC Shanghai	2,311.7	190,000.0
Zhaoyin Langyao[(1)]	1,095.0	90,000.0
3E Bioventures	243.3	20,000.0
Total	**6,083.3**	**500,000.0**

Note:

(1) Each of China Life Chengda and Zhaoyin Langyao is a professional investment institution and an independent third party.

In addition, together with the Series D Financing, Baiao Changsheng also subscribed for the registered capital of RMB3,173,913 in our Company for a consideration of RMB43,478,261. Baiao Changsheng is a party to the AIC Agreements with Dr. Shen acting as the sole general partner and sole managing partner. Dr. Shen is entitled to exercise all voting rights held by Baiao Changsheng on its behalf. The aforesaid consideration was determined taking into account that Baiao Changsheng is an Employee Incentive Platform and the subscription was part of an initiative to enhance our employee incentive mechanism. The valuation underlying such subscription is, therefore, at a discount to our Company's post-money valuation after the completion of the Series D Financing. Together, Dr. Shen, Dr. Ni, Baiao Evergreen and Baiao Changsheng held approximately 34.2% of the registered capital in our Company as members of the Concert Parties upon completion of the aforesaid capital increase.

(11) Restructuring of Eucure (Beijing) Biopharma Co., Ltd. and Capital Increase relating to the Employee Incentive Schemes

On September 9, 2020, each of the then existing shareholders of Eucure (Beijing) entered into a capital increase agreement with our Company with respect to their subscription of

registered capital in our Company, in exchange for the transfer of the respective equity interest held by them, respectively, in Eucure (Beijing) to our Company, details of which are set forth below (the **"Eucure (Beijing) Restructuring**").

Subscribers	**Registered capital of the Company subscribed for**	**Consideration paid (in the form of equity interest in Eucure (Beijing))**
	(000' RMB)	*(%)*
Dr. Shen(1)	325.7	3.3
Dr. Ni(1)	2,438.5	25.0
Baiao Evergreen(1)	180.9	1.9
Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）) ("**Biofortune**")(2)	2,067.2	21.2
SDIC Shenzhen	1,566.6	16.1
Zhaoyin Chengzhang Qihao	1,488.6	15.3
BioVeda	480.5	4.9
State Development & Investment Corporation (SDIC) VC Fund (Ningbo) of Technology Transfer and Commercialization (Limited Partnership) (國投（寧波）科技成果轉化創業投資基金合夥企業（有限合夥）) ("**SDIC Ningbo**")(2)	440.0	4.5
3E Bioventures(3)	277.9	2.9
SDIC Shanghai	276.4	2.8
Zhaoyin Gongying	89.3	0.9
Mr. Zhu	72.4	0.7
Astral	46.2	0.5
Total	**9,750.2**	**100.0**

Notes:

(1) Together, Dr. Shen, Dr. Ni, Baiao Evergreen and Baiao Changsheng, held approximately 32.9% of the registered capital in our Company as members of the Concert Parties upon completion of the aforesaid equity transfers.

(2) Each of Biofortune and SDIC Ningbo is a professional investment institution and an independent third party.

(3) The entity name of 3E Bioventures was changed from 蘇州元清本草股權投資中心(有限合夥) to 北京元清本草股權投資中心(有限合夥).

The consideration was determined with reference to the valuation of Eucure (Beijing) and our Company as appraised by third party valuer, Beijing Zhongqin Yongli Asset Valuation Co., Ltd.* (北京中勤永勵資產評估有限責任公司).

Together with the Eucure (Beijing) Restructuring, Eucure Evergreen subscribed for registered capital of RMB809,974 in our Company for a consideration of RMB25,356,724. Eucure Evergreen is a party to the AIC Agreement dated September 24, 2020 with Dr. Shen acting as the sole general partner and sole managing partner. Dr. Shen is entitled to exercise all voting rights held by Eucure Evergreen on its behalf. The consideration for these subscription was determined taking into account that Eucure Evergreen is an Employee Incentive Platform and the subscription was part of an initiative to enhance our employee incentive mechanism. The valuation underlying such subscription, therefore, at a discount to the valuation of our Company for the purpose of the Eucure (Beijing) Restructuring. Taking into account the increased holding in our registered capital by Dr. Shen, Dr. Ni, Baiao Evergreen and Baiao Changsheng following the Eucure (Beijing) Restructuring, and the subscription by Eucure Evergreen of additional registered capital in the Company, the Concert Parties held approximately 35.0% of the registered capital in our Company in aggregate.

The abovementioned capital increases were completed on September 15, 2020, when its necessary change in registration formalities was filed on the same date, and Eucure (Beijing) became a wholly owned subsidiary of our Company.

(12) Series D+ Financing and September 2020 Equity Transfers

Pursuant to a capital increase and equity transfer agreement dated September 23, 2020 entered into by and amongst Eucure Changsheng, Shenzhen Zhaoyin Chengzhang Shijiuhao Equity Investment Fund Partnership (Limited Partnership) (深圳市招銀成長拾玖號股權投資基金合夥企業（有限合夥）) ("**Zhaoyin Chengzhang Shijiuhao**"), CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理（深圳）有限公司) ("**CMB International Capital**"), Zhuhai Growth Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金（有限合夥）) ("**Zhuhai Growth**"), Jiangsu China Life Jiequan Equity Investment Center (Limited Partnership) (江蘇國壽聿泉股權投資中心（有限合夥）) ("**China Life Jiequan**"), PICC Beijing Health Care Fund, L.P. (北京人保健康養老產業投資基金（有限合夥）) ("**PICC Health Care Fund**"), SDIC Ningbo, our Company and our then Shareholders, the registered capital of our Company was increased from RMB50,234,037 to RMB59,129,649, and the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB8,895,612 of our Company at a total consideration of RMB850,000,000 (the "**Series D+ Financing**").

The respective subscription amount and consideration paid by the relevant **[REDACTED]** were as follows:

[REDACTED]	**Registered capital subscribed for**	**Consideration paid**
	(000' RMB)	*(000' RMB)*
Zhaoyin Chengzhang Shijiuhao(1)	3,244.3	310,000.0
SDIC Ningbo	1,569.8	150,000.0
China Life Jiequan(1)	1,569.8	150,000.0
PICC Health Care Fund(1)	1,569.8	150,000.0
CMB Capital(1)	523.3	50,000.0
Zhuhai Growth(1)	418.6	40,000.0
Total	**8,895.6**	**850,000.0**

Note:

(1) Each of Zhaoyin Chengzhang Shijiuhao, CMB International Capital, China Life Jiequan, PICC Health Care Fund and Zhuhai Growth is a professional investment institution and an independent third party.

As part of the Series D+ Financing, Eucure Changsheng was a party to the relevant capital increase agreement and subscribed for registered capital of RMB2.1 million of our Company. Eucure Changsheng is an Employee Incentive Platform with Dr. Shen acting as the sole general partner and sole managing partner who is entitled to exercise all voting rights held by Eucure Changsheng on its behalf. Together, Dr. Shen, Dr. Ni, Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng held 30.6% of the registered capital in our Company as members of the Concert Parties upon completion of the aforesaid capital increase.

Pursuant to an equity transfer agreement dated September 23, 2020 entered into by and amongst Dr. Shen, Oriza Seed Fund II, 3E Bioventures, Xinyu Cowin Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新餘市同創國盛科創產業投資合夥企業（有限合夥）) ("**Cowin Guosheng**"), Yiwu Shenyuan Investment Management Partnership (Limited Partnership) (義烏神元投資管理合夥企業（有限合夥）) ("**Yiwu Shenyuan**"), each of them being a professional investment institution and an independent third party, the following transfers of equity interest in our Company were agreed (the "**Sep-20 Transfers**":

Transferors	**Transferees**	**Registered capital transferred** *(000' RMB)*	**Consideration** *(000' RMB)*
Dr. Shen(1)	3E Bioventures	418.6	40,000.0
Dr. Shen(1)	Cowin Guosheng	314.0	30,000.0
Oriza Seed Fund II	Yiwu Shenyuan	209.3	20,000.0

Note:

(1) Dr. Shen held approximately 7.33% of the registered capital in our Company upon completion of the aforesaid equity transfers.

The consideration was determined upon arm's length negotiations among the parties taking into account our Company's post-money valuation after the completion of the Series D+ Financing. The aforesaid equity transfer and capital increase were completed on September 24, 2020, when their necessary change in registration formalities were filed on the same date.

(13) October 2020 Equity Transfers

On October 27, 2020, the following parties entered into separate equity transfer agreements, respectively, pursuant to which the following transfers of equity interest in our Company were agreed (the "**Oct-20 Transfers**"):

Transferors	**Transferees**	**Registered capital transferred** *(000' RMB)*	**Consideration** *(000')*
BioVeda	Astral	3,628.5	USD equivalent of RMB 383,180.8
BioVeda	Nanjing Wedo Alpha Venture Capital Partnership (Limited Partnership) (南京葦渡阿爾法創業投資合夥企業（有限合夥）) ("**Wedo Alpha**")[(1)]	189.4	USD equivalent of RMB20,000.0

Note:

(1) Wedo Alpha is a professional investment institution and an independent third party.

The consideration was determined upon arm's length negotiations among the parties taking into account our Company's post-money valuation after the completion of the Series D+ Financing. The equity transfer was completed on October 30, 2020, when its necessary change in registration formalities was filed on the same date.

(14) Cross-over Round Financing

Pursuant to a capital increase agreement dated May 31, 2021 entered into by and amongst LBC Sunshine Healthcare Fund II L.P. ("**LBC**"), CTW Finance Limited ("**CTW**"), OrbiMed New Horizons Master Fund, L.P. ("**OrbiMed**"), CbioMice Investment Limited ("**CPE-CbioMice**"), Octagon Investments Master Fund LP ("**Octagon**"), our Company and our

then Shareholders, the registered capital of our Company was increased from RMB360,000,000 to RMB374,929,920, and the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB14,929,920 of our Company at a total consideration of the USD equivalent of RMB311,040,000 (the "**Cross-over Round Financing**").

The respective subscription amount and consideration paid by the relevant **[REDACTED]** were as follows:

[REDACTED]	**Registered capital/Number of shares subscribed for**	**Consideration paid**
	(000' RMB)	*(USD equivalent of 000' RMB)*
LBC[(1)]	4,665.6	97,200.0
CPE-CbioMice[(1)]	4,665.6	97,200.0
Octagon[(1)]	4,043.5	84,240.0
CTW[(1)]	933.1	19,440.0
OrbiMed[(1)]	622.1	12,960.0
Total	14,929.9	**311,040.0**

Note:

(1) Each of LBC, CPE-CbioMice, Octagon, CTW and OrbiMed is an independent third party.

The aforementioned capital increase was completed on June 2, 2021, when its necessary change in registration formalities was filed on the same date.

DETAILED TERMS OF THE [REDACTED]

(1) Overview

Between March 2012 and June 2021, our Company obtained several rounds of investments from the **[REDACTED]** through subscriptions for increased registered capital of our Company. For further details, see the subsection headed "Establishment and Development of Our Company" in this section.

(2) Principal terms of the [REDACTED] and [REDACTED] Rights

The following table summarizes the key terms of the **[REDACTED]** to our Company made by the **[REDACTED]**:

	Series A	Nov-13 Transfers (BioVeda)	Series B	May-16 Transfer (Mr. Zhu)	Jan-18 Transfer (SDIC Shanghai)	Series B+	Series C	Series C Transfers (Oriza Seed Fund II, COWIN CHINA Fund I, Astral)	Series D	Series D+	Sep-20 Transfers (3E Bioventures, Cowin Guosheng, Yiwu Shenyuan)	Oct-20 Share Transfers (Astral, Wedo Alpha)	Cross-over Round
Amount of registered capital increased / transferred (RMB)	333,333	266,667	3,333,333	1,200,000	2,500,000	1,666,667	5,416,667	2,444,540	6,083,333	8,895,612	941,888	3,817,841	14,929,920
Amount of registered capital after each round of **[REDACTED]** (RMB million)	1.3	1.3	23.3	23.3	23.3	25.0	30.4	30.4	36.5	59.1	59.1	61.2	374.9
Aggregate amount of consideration paid	USD5.64 million (equivalent to RMB35 million)	RMB4.6 million(2)	RMB30.0 million plus USD1.575 million (equivalent to RMB10.0 million)	RMB14.4 million	RMB38.9 million	RMB21.7 million	RMB260.0 million	RMB24.0 million and USD14.9 million	RMB500 million	RMB850 million	RMB90 million	USD60.0 million (equivalent to RMB403.2 million)	USD48.5 million (equivalent to RMB311.0 million)
Post-money valuation of our Company	RMB140 million	RMB23.0 million(2)	RMB 280.0 million(3)	RMB 280.0 million	RMB 363.0(4) million	RMB324.8 million(5)	RMB1,460.0 million(6)	RMB1,460.0 million	RMB3,000.0 million(7)	RMB5,650.0 million(8)	RMB5,650.0 million	RMB6,470.8 million	RMB7,811.0 million(9)
Date of agreement(s)	Mar 22, 2012	Sep 16, 2013	Sep 30, 2015	Apr 30, 2016	Dec 25, 2017	Feb 5, 2018	Mar 9, 2018	Mar 9, Apr 3, 18, 2018	Jul 25, 2019	Sep 23, 2020	Sep 23, 2020	Oct 27, 2020	May 31, 2021
Date of settlement of full consideration	Aug 19, 2013	Nov 11, 2013	Nov 25, 2015	May 11, 2016	Jan 3, 2018	Feb 6, 2018	Jun 15, 2018	Apr 19, 27, May 3, 2018	Sept 9, 2019	Oct 19, 2020	Sep 27, Oct 20, Oct 30, 2020	Oct 28, 2020, May 14, 2021	Jul 6, 2021
Cost per Share (RMB)	1.2	0.2	2.0	2.0	2.7	2.2	8.2	8.2	14.0	16.3	16.3	18.0	20.9
[REDACTED] to the **[REDACTED]**(1) (approximation)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Basis of determination of the valuation and consideration **[REDACTED]**	The valuation and considerations for each round of **[REDACTED]** were determined based on arm's length negotiation amongst the respective **[REDACTED]** and our Group after taking into consideration of the timing of the investments/equity transfers and the status of our business operations and product development advancement at the time of the investments/transfers.												
Use of **[REDACTED]** from the **[REDACTED]**	Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all current Shareholders (including the **[REDACTED]**) could not dispose of any of the Shares held by them. We utilized the **[REDACTED]** from the **[REDACTED]** for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]** had been utilized.												
Strategic benefits to our Company brought by the **[REDACTED]**	At the time of the **[REDACTED]**, our Directors were of the view that our Group could benefit from the additional funds provided by the **[REDACTED]** investments/transfers in our Group and the knowledge and experience of the **[REDACTED]**.												

Notes:

(1) Calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**).

(2) The stated consideration of RMB4.6 million and the "post money valuation" of RMB23 million did not take into account the transactions having taken place in conjunction with the Nov-13 Transfers as set out in the paragraph headed "Establishment and Development of the Company – (2) The November 2013 Transfers". Even if such transactions that took place in conjunction with the Nov-13 Transfers were taken into account, the underlying valuation of the Company remained significantly lower than that of the post money valuation upon completion of the Series A Financing, as the business and operations of our Company went through a period of fluctuation during the early development stages of various service platforms. In particular, the Company experienced widened net loss in 2012 as the Group's early stage developments continued to require intensive working capital. By the end of 2012, the Company had limited cash reserves despite having already received the first tranche investment of USD1.10 million from BioVeda as part of the Series A Financing. To promote BioVeda's confidence to complete the final tranche investment of USD4.54 million of the Series A Financing, Dr. Shen, after arm's length negotiation with BioVeda, agreed to transfer to the latter RMB0.27 million of the registered capital in the Company, at a consideration that represents a discount to the Company's then post-money valuation following the Series A Financing.

(3) The increase in the valuation of the Company from the Nov-13 Transfers in late-2013 to the Series B Financing in late 2015 was primarily due to the significant progress made in our development of CRISPR/EGE-based gene editing technology by filing the relevant formal patent application in August 2015, as we made progress in the development of the severe immunodeficient B-NDG™ mice in August, 2014 and a series of immune checkpoint humanized mice based on the genetic background of C57BL/6 by successfully completing its research in March 2015.

(4) To the best of its knowledge and belief upon due inquiry, the Company was informed that the consideration of the Jan-18 Transfer was determined in accordance with relevant procedures of China Beijing Equity Exchange based on a valuation conducted by a professional valuer engaged by the parties to the Jan-18 Transfer, having taken into account, among other things, the post money valuation of the Company after the Series B Financing, the then prospects of the Group with the commencement of operations of the Haimen Animal Center in April 2016, and the financial performance of the Company as at June 30, 2017.

(5) The increase in the valuation of the Company from the Series B Financing in late 2015 to the Series B+ Financing in early 2018 was primarily due to the progress made with the operations of Haimen Animal Center and obtained full-qualification AAALAC accreditation in October 2016 for our Haimen Animal Center. The post-money valuation for the Series B+ Financing was lower than that of the Jan-18 Transfer as the consideration for the Series B+ Financing was determined before the consummation of the Jan-18 Transfer when the relevant parties entered into the convertible loan investment agreement in May 2017, pursuant to which SDIC Shenzhen subscribed for loans in an aggregate amount of RMB21,650,000 which are convertible into registered capital of RMB1,666,667 in our Company. The completion of the Series B+ Financing on February 2018 represent the completion of conversion of the aforesaid convertible loan into equity of the Company at valuation determined in May 2017.

(6) The increase in the valuation of the Company from the Series B+ Financing in mid-2016 to the Series C Financing in early 2018 was primarily due to the significant progress made in the establishment of our evidence-based in vivo antibody discovery platform in November 2016 and expanded our operations in the United States with the on-boarding of Dr. Lin Qingcong as a member of the senior management in February, 2018.

(7) The increase in the valuation of the Company from the Series C Financing in early 2018 to the Series D Financing in mid-2019 was primarily due to the significant progress made in (i) the development of technology for megabase-scale chromosomal editing in April 2019, and (ii) the release of RenMab Mice in April 2019.

(8) The increase in the valuation of the Company from the Series D Financing in mid-2019 to the Series D+ Financing in late 2020 was primarily due to the significant progress made in (i) first patient screening for Phase I clinical studies of YH001, YH002 and YH003 in Australia in May, June and June of 2020, respectively, (ii) obtaining approval for commencing Phase I clinical trials of YH001 in China in August 2020, and YH001 in the United States in October 2019, and (iii) launching Project Integrum (千鼠萬抗) in March 2020.

(9) The increase in the valuation of the Company from the Series D+ Financing in late 2020 to the Cross-over Round Financing in mid-2021 was primarily due to the significant progress made in the first patient screening for our Phase I clinical study of YH001 in January 2021, and obtaining approval in May 2021 to initiate the Phase I clinical trial of YH003 in the PRC.

(3) Rights of the [REDACTED]

Pursuant to the capital increase agreements, including the capital increase agreement for the Cross-over Round Financing, dated May 31, 2021, and as supplemented on July 1, 2021, entered into by and among our Company, the Employee Incentive Platforms and the **[REDACTED]**, the **[REDACTED]** had been granted certain special rights, including, among others, (i) right of first refusal and co-sale, (ii) pre-emptive rights, (iii) divestment rights and (iv) information rights. Pursuant to such capital increase agreements, our Company, the Employee Incentive Platforms and the **[REDACTED]** agreed that:

(i) all special rights shall cease to be effective on the day on which our Company submits its **[REDACTED]** to the CSRC and be discontinued upon **[REDACTED]**; and

(ii) in the event that the Company fails to **[REDACTED]** its Shares within 18 months from the date of its **[REDACTED]** or otherwise, the aforementioned special rights shall automatically be reinstated as if the relevant terms had never been terminated.

As a result, all special rights of the **[REDACTED]** (including any divestment rights) will be terminated and be discontinued upon **[REDACTED]**.

(4) Joint Sponsors' Confirmation

On the basis that (i) the consideration for the **[REDACTED]** was irrevocably settled more than 28 clear days before the date of our first submission of the **[REDACTED]** to the Stock Exchange, and (ii) the special rights granted to the **[REDACTED]** have been terminated prior to the filing of the **[REDACTED]** by the Company, the Joint Sponsors confirm that the **[REDACTED]** are in compliance with the Interim Guidance on **[REDACTED]** issued by the Stock Exchange on October 13, 2010 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

(5) Information about our [REDACTED]

Our **[REDACTED]** include Sophisticated Investors, such as SDIC Shanghai, who has made meaningful investment in the Company at least six months before the **[REDACTED]**. The background information on our **[REDACTED]** which made meaningful investment in the Company is set out below. [To the best knowledge of our Directors, the decision of each **[REDACTED]** in investing into our Company was made based on their own assessment of our Company taking into account its unique combination of proprietary gene editing technology, well established fully-human antibody transgenic mice platforms and high-throughput *in vivo* discovery capability. To the best knowledge of our Directors, save as disclosed below and in the section headed "[Capitalization of our Company]" below, none of these **[REDACTED]** have any relationship with other **[REDACTED]**.]

(i) SDIC Funds

Three funds managed by general partners controlled by State Development & Investment Corporation (國家開發投資公司) ("**SDIC**") made **[REDACTED]** in our Company. Details of these three funds, of which the same ultimate beneficial owner of the three fund's respective general partners is SDIC, are set out as below:

SDIC Shanghai

SDIC Shanghai is a limited partnership established in the PRC on March 4, 2016. It is an investment fund that is managed by its general partner, SDIC (Shanghai) Venture Capital Management Co., Ltd （國投（上海）創業投資管理有限公司） ("**SDIC VC**"). SDIC Shanghai has a total of nine limited partners, with the largest limited partner holding 26.9% of total equity interest in SDIC Shanghai. SDIC VC and its affiliates had over RMB22.7 billion of assets under management as of June 30, 2021. Its portfolio companies in biotech and healthcare sectors include, among others, RemeGen Co., Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 9995). SDIC Shanghai is an equity investment fund with a fund size of approximately RMB10 billion as of June 30, 2021 and thus a Sophisticated Investor. To the best knowledge of our Directors, other than Mr. Wei Yiliang, a non-executive Director who represents SDIC Shanghai to the Board and in the section headed "Capitalization of our Company" below, SDIC Shanghai does not have any past or present relationships with the Company, its subsidiary, the other shareholders of the Company, Directors, Supervisors, senior management or their respective associates, and that each of SDIC Shanghai's general partner and limited partners is an independent third party. For the biographical details of Mr. Wei Yiliang, please refer to the section headed "Directors, Supervisors and Senior Management" in this Document.

SDIC Shenzhen

SDIC Shenzhen is a limited partnership established in the PRC on March 25, 2016. It is an investment fund managed by its general partner, SDIC Venture Capital Management Co., Ltd.（國投創業投資管理有限公司）. SDIC Shenzhen has a total of five limited partners with the largest limited partner, China SDIC High-Tech Industry Investment Co., Ltd.（中國國投高新產業投資有限公司） holding 49% ownership. SDIC Shenzhen focuses its investments in active areas of innovation and entrepreneurship. To the best knowledge of our Directors, SDIC Shenzhen, and each of its general partner and limited partners is an independent third party.

SDIC Ningbo

SDIC Ningbo is a limited partnership established in the PRC on December 13, 2018. Its general partners are SDIC Venture Capital Management Co., Ltd. （國投創業投資管理有限公司）and Veken Industrial Investment Management Co., Ltd. （維科產業投資管理有限公司）.

SDIC Ningbo has a total of seven limited partners, with the largest limited partner, Veken Holdings Group Co., Ltd.（維科控股集團股份有限公司） holding 49.0% ownership. SDIC Ningbo focuses its investments on the fields of advanced manufacturing, electronic information, biomedicine, environmental protection and new energy. To the best knowledge of our Directors, SDIC Ningbo, and each of its general partners and limited partners is an independent third party.

(ii) Zhaoyin Funds

Five funds managed by general partners controlled by China Merchants Bank Co., Ltd (招商銀行股份有限公司) (shares of which are listed on the Stock Exchange with stock code: 03968) ("**Zhaoyin**") made **[REDACTED]** in our Company. Details of these five funds, of which the same ultimate beneficial owner of the five fund's respective general partners is Zhaoyin, are set out as below:

Zhaoyin Chengzhang Qihao

Zhaoyin Chengzhang Qihao is a limited partnership established in China on November 24, 2015 specializing in equity investment, investment consulting (excluding restricted projects), and venture capital business and its general partner is CMB International Capital Management (Shenzhen) Co., Ltd. （招銀國際資本管理（深圳）有限公司） dedicated to providing private equity and venture capital fund management services. Its sole limited partner, Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (Limited Partnership)（深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）） , holds 99.8% ownership. Zhaoyin Chengzhang Qihao focuses its investments in the areas of biomedicine, advanced manufacturing, electronic information and new energy. To the best knowledge of our Directors, Zhaoyin Chengzhang Qihao, and each of its general partner and limited partner is an independent third party.

Zhaoyin Chengzhang Shijiuhao

Zhaoyin Chengzhang Shijiuhao is a limited partnership established in China on March 28, 2017 specializing in investment management, entrusted asset and equity investment funds management, and investment consulting and its general partner is CMB International Capital Management (Shenzhen) Co., Ltd.（招銀國際資本管理（深圳）有限公司） dedicated to providing private equity and venture capital fund management services. Its sole limited partner, CMB International Financial Holdings (Shenzhen) Co., Ltd.（招銀國際金融控股（深圳）有限公司） , holds 99.9% ownership. Zhaoyin Chengzhang Shijiuhao focuses its investments in the areas of biomedicine, advanced manufacturing, electronic information and new energy. To the best knowledge of our Directors, Zhaoyin Chengzhang Shijiuhao and each of its general partner and limited partner is an independent third party.

Zhaoyin Langyao

Zhaoyin Langyao is a limited partnership established in China on October 19, 2017 specializing in venture capital fund management and investment consulting and its general partner is CMB International Capital Management (Shenzhen) Co., Ltd.（招銀國際資本管理（深圳）有限公司） dedicated to providing private equity and venture capital fund management services. Zhaoyin Langyao has a total of four limited partners with the largest limited partner, Shenzhen Zhaoyin Equity Investment Partnership IV (Limited Partnership) （深圳市招銀肆號股權投資合夥企業(有限合夥）） holding 41.9% ownership. Zhaoyin Langyao focuses its business in the areas of biomedicine, advanced manufacturing, electronic information and new energy. Other than Mr. Zhou Kexiang, a non-executive Director who Zhaoyin Langyao appointed to the Board, Zhaoyin Langyao does not have any past or present relationships with the Company, its subsidiary, the other shareholders of the Company, Directors. Supervisors, senior management or their respective associates, and that each of Zhaoyin Langyao's general partner and limited partners is an independent third party. For the biographical details of Mr. Zhou Kexiang, please refer to the section headed "Directors, Supervisors and Senior Management" in this Document.

CMB Capital

CMB Capital is a limited liability company established in the PRC on March 26, 2014 specializing in entrusted asset management, investment funds management and consulting and it is wholly owned by CMB Financial Holding (Shenzhen) Co., Ltd （招银金融控股（深圳）有限公司）. [To the best knowledge of our Directors, CMB Capital and each of its general partner and limited partner is an independent third party.]

Astral

Astral is a British Virgin Islands (BVI) limited company incorporated in BVI on May 15, 2018 specializing in investment and it is owned by two funds established in the Cayman Islands who are managed and advised by their investment manager, CMB International Asset Management Limited (招銀國際資產管理有限公司), who is dedicated to providing management services. CMB International Asset Management Limited is ultimately controlled by Zhaoyin. To the best knowledge of our Directors, Astral and each of CMBI Private Equity Series SPC–Biotechnology Fund I SP and CMBI Private Equity Series SPC–Biotechnology Fund V SP is an independent third party.

(iii) Cowin Funds

Two funds managed by general partners controlled by Mr. Zheng Weihe (鄭偉鶴) and Ms. Huang Li (黃荔) made **[REDACTED]** in our Company. Details of these two funds, of which the same ultimate beneficial owners are Mr. Zheng Weihe (鄭偉鶴) and Ms. Huang Li (黃荔), are set out as below:

Cowin Guosheng

Cowin Guosheng is a limited partnership established in the PRC on May 9, 2018 specializing in corporate investment, venture capital, investment management and consulting and its general partner is Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司), Cowin Guosheng has a total of forty-four limited partners, with the largest limited partner holding 21.7% ownership. To the best knowledge of our Directors, Cowin Guosheng and each of its general partner and limited partner is an independent third party.

COWIN CHINA Fund I

COWIN CHINA Fund I is a limited liability partnership established in Cayman Islands on November 23, 2012 specializing in growth stage healthcare and technology investment in China, and its general partner is Cowin Capital Investment Limited dedicated to providing investment management services. COWIN CHINA Fund I has a total of five limited partners with the largest limited partner holding 43% of equity interest in COWIN CHINA Fund I. To the best knowledge of our Directors, COWIN CHINA Fund I and each of its general partner and limited partners is an independent third party.

(iv) Hongshu Growth Funds

Two funds managed by Shenzhen Hongshu Growth Investment Management Ltd. (深圳紅樹成長投資管理有限公司) made **[REDACTED]** in our Company. Details of these two funds are set out as below:

Zhuhai Growth

Zhuhai Growth is a limited partnership established in the PRC on July 6, 2020 specializing in venture capital, investment fund and equity investment and its general partner is Shenzhen Hongshu Growth Investment Management Ltd. (深圳紅樹成長投資管理有限公司), Zhuhai Growth has a total of seven limited partners, with the largest limited partner holding 25% ownership. To the best knowledge of our Directors, Zhuhai Growth and each of its general partner and limited partners is an independent third party.

Zhaoyin Gongying

Zhaoyin Gongying is a partnership established in the PRC on October 20, 2015 specializing in equity investment and investment consulting and its general partner is Shenzhen Hongshu Growth Investment Management Ltd. (深圳紅樹成長投資管理有限公司), Zhaoyin Gongying has a total of six limited partners with the largest limited partner holding 76.7% ownership. To the best knowledge of our Directors, Zhaoyin Gongying and each of its general partner and limited partners is an independent third party.

(v) China Life Funds

Two funds managed by general partners controlled by China Life Insurance (Group) Company (中國人壽保險（集團）公司) ("**Chinese Life**") made **[REDACTED]** in our Company. Details of these two funds, of which the same ultimate beneficial owners of the two fund's respective general partners is Chinese Life, are set out as below:

China Life Chengda

China Life Chengda is a limited partnership established in China on November 11, 2016 specializing in equity investment, investment management and asset management services and its general partner is China Life Chengda (Shanghai) Healthcare Equity Investment Management Company Limited （國壽成達（上海）健康醫療股權投資管理有限公司） dedicated to providing private equity and venture capital fund management services. China Life Chengda has a total of two limited partners with the largest limited partner, Chinese Life Insurance Co., Ltd.（中國人壽保險股份有限公司） holding 74.9% ownership and focuses its investments in life science, medical devices and healthcare services section. Other than Mr. Huang Xiaolu, a non-executive Director who China Life Chengda appointed, to the Board, China Life Chengda does not have any past or present relationships with the Company, its subsidiary, the other shareholders of the Company, Directors. Supervisors, senior management or their respective associates, and that each of China Life Chengda's general partner and limited partners is an independent third party. For the biographical details of Mr. Huang Xiaolu, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

China Life Jiequan

China Life Jiequan is a limited partnership established in China on December 27, 2019 specializing in non-securities equity investment, industrial investment, and investment and asset management and its general partner is China Life (Jiangsu) Private Equity Investment Company Limited（國壽（江蘇）股權投資有限公司） dedicated to providing private equity and venture capital fund management services. China Life Jiequan has a total of three limited partners, with the largest limited partner, China Life Insurance Co., Ltd.（中國人壽保險股份有限公司） holding 60.0% ownership and focuses its investments in life science, biotechnology,

medical devices and healthcare services section. To the best knowledge of our Directors, China Life Jiequan and each of its general partner and limited partners is an independent third party.

(vi) Biofortune Funds

Two funds managed by Shanghai Biofortune Medical Investment Management Co., Ltd. （上海 百奧財富醫療投資管理有限公司） made **[REDACTED]** in our Company. Details of these two funds are set out as below:

Biofortune

Biofortune is a limited partnership established in China on February 17, 2016 specializing in investment management, industrial investment, and business and investment consulting and its general partners are Shanghai Biofortune Medical Investment Management Co., Ltd. （上海百奧財富醫療投資管理有限公司） dedicated to private equity investment management and Shanghai Jingzhou Investment Management Co., Ltd. （上海景洲投資管理有限公司） dedicated to investment management. Biofortune has a total of four limited partners, with the largest limited partner, Juzhou Baiao High-end Medical Investment Private Equity Fund II（上海易鉅資產管理有限公司 / 鉅洲百奧高端醫療投資私募基金二期） holding 38.1% ownership and focuses its investments in life science, medical devices section. To the best knowledge of our Directors, Biofortune and each of its general partners and limited partners is an independent third party.

Yiwu Shenyuan

Yiwu Shenyuan is a limited partnership established in the PRC on August 29, 2017 specializing in investment management, asset management, industrial investment, private equity investment, investment and businesses service consulting and its general partner is Shanghai Biofortune Medical Investment Management Co., Ltd. （上海 百奧財富醫療投資管理有限公司）. Yiwu Shenyuan has a total of three limited partners with the largest limited partner holding 40% ownership. To the best knowledge of our Directors, Yiwu Shenyuan and each of its general partner and limited partner is an independent third party.

(vii) PICC Health Care Fund

PICC Beijing Health Care Fund, L.P. （北京人保健康養老產業投資基金（有限合夥）） is a limited partnership established in China on December 20, 2018 specializing in investment management for non-securities business. Its general partner is PICC Capital Equity Investment Company Limited （人保資本股權投資有限公司） dedicated to providing growth equity and fund management services. PICC Health Care Fund has a total of three limited partners, with the largest limited partner, PICC Life Insurance Co., Ltd.（中國人民人壽保險股份有限公司）

holding 66.5% ownership. PICC Health Care Fund focuses its investments in life science, biotechnology, medical devices and healthcare services section. To the best knowledge of our Directors, PICC Health Care Fund and each of its general partner and limited partners is an independent third party.

(viii) 3E Bioventures

3E Bioventures is a limited partnership established in China on July 21, 2017. It is dedicated to investing in cutting-edge life sciences and biomedical technologies, with a focus on breakthrough first-in-class therapies and disruptive cross-disciplinary innovations in medical devices and diagnostics. The general partner of 3E Bioventures is Nantong 3E Tongxing Management Consulting Center, L.P. （南通三益同 興管理諮詢中心（有限合夥））. 3E Bioventures has 12 limited partners in the aggregate, the two largest limited partners of which each holds 19.6% ownership. To the best knowledge of our Directors, 3E Bioventures and each of its general partner and limited partners is an independent third party.

(ix) Oriza Seed Fund II

Oriza Seed Fund II is a limited partnership established in the PRC on January 19, 2017. It is managed by its management company, SIP Oriza Seed Fund Management Co., Ltd （蘇州工業園區元禾原點創業投資管理有限公司). Oriza Seed Fund II has a total of 15 limited partners, with the largest limited partner, Suzhou Oriza Holdings Co., Ltd （蘇州元禾控股股份有限公司）, holding 30.0% ownership and focuses its investments in the medical sector. To the best knowledge of our Directors, Oriza Seed Fund II and each of its management company and limited partners is an independent third party.

(x) BioVeda

BioVeda is a limited company incorporated in Hong Kong on September 30, 2008 specializing in growth stage healthcare and technology investment and its shares are held by InnoVeda Medtech, Ltd. dedicated to providing investment management services. BVFC Realization Fund, L.P. is the sole shareholder of InnoVeda Medtech, Ltd., whose general partner is BVCF Realization Fund GP, Ltd., which holds 1.01% of equity interest in the fund. BVCF Realization Fund, L.P. has a total of 20 limited partners with the largest limited partner holding 60.07% of equity interest in BVCF Realization Fund, L.P.. To the best knowledge of our Directors, BioVeda, InnoVeda Medtech, Ltd. and each of its general partner and limited partners is an independent third party.

(xi) LBC

LBC is an exempted limited partnership registered in the Cayman Islands. It specializes in investing in late-stage healthcare companies in Asia/Greater China, with investments in

pharmaceuticals, biotech, medical devices, and healthcare services. LBC GP II Limited, an exempted company incorporated in the Cayman Islands acts as the general partner of LBC. After due inquiry, each of LBC, its general partner and limited partners is an independent third party. To the best of our Directors' knowledge, LBC is a party acting in concert with CTW, with the ultimate decision making power among these two funds reserved to LBC at the general meeting of the Company.

(xii) CTW

CTW is a limited company established in Hong Kong on April 27, 2020. CTW is wholly owned by Whealthfields Ltd, a company incorporated in the Cayman Islands. To the best of our Directors' knowledge, CTW is a party acting in concert with LBC, with the ultimate decision making power among these two funds reserved to LBC at the general meeting of the Company.

(xiii) CPE-CbioMice

CPE-CbioMice is a company incorporated in the British Virgin Islands with limited liability. After due inquiry, the ultimate beneficial owners of CPE-CbioMice are independent third parties. CPE Global Opportunities Fund II, L.P. is the sole shareholder of CPE-CbioMice. CPE Global Opportunities Fund II, L.P. is an exempted limited partnership registered in Cayman Islands on March 9, 2020. It specializes in investing in growth stage healthcare and technology investment in China. Its general partner is CPE GOF GP Limited, a limited company registered in Cayman Islands on February 5, 2018. The largest limited partner holds 40.11% of equity interest in CPE Global Opportunities Fund II, L.P.. To the best knowledge of our Directors, CPE-CbioMice, CPE Global Opportunities Fund II, L.P. and each of its general partner and limited partners is an independent third party.

(xiv) Wedo Alpha

Wedo Alpha is a limited partnership established in the PRC on July 15, 2019, specializing in private equity investment, venture capital and its general partner is Nanjing Wedo Yunshi Management Consulting Partnership (Limited Partnership). Wedo Alpha has eleven limited partners with the largest limited partner holding 31% ownership. To the best knowledge of our Directors, Wedo Alpha and each of its general partner and limited partner is an independent third party.

(xv) OrbiMed

OrbiMed is an exempted limited partnership established under the laws of the Cayman Islands. It is a pooled-investment fund with OrbiMed Advisors LLC acting as the Investment Manager. OrbiMed Advisors LLC is under common control of Carl L. Gordon, Sven H. Borho, and W. Carter Neild. After due enquiry and to the best knowledge of our Directors, each of OrbiMed, its general partner(s) and limited partners is an independent third party.

(xvi) Octagon

Octagon is an exempted limited partnership formed under the laws of the Cayman Islands and operating as a private investment fund. Octagon Capital Advisors LP ("**Octagon Capital**"), a Delaware limited partnership and registered investment advisor with the U.S. SEC, serves as the investment manager to Octagon. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to investing in public and private healthcare companies. Octagon Capital strives to build concentrated, long-term investments and work with its portfolio management teams as partners. Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices and established asset managers. To the best knowledge of our Directors, Octagon and each of its general partner and limited partners is an independent third party.

LETTER OF SUPPORT FROM CERTAIN [REDACTED]

On or around July 9, 2021, each of SDIC Shanghai, SDIC Shenzhen, SDIC Ningbo, Zhaoyin Chengzhang Qihao, Zhaoyin Chengzhang Shijiuhao, Zhaoyin Langyao, CMB Capital, Zhuhai Growth, Zhaoyin Gongying, Astral, China Life Chengda, China Life Jiequan and BioVeda (the "**[REDACTED]**") signed a letter (the "**Letter of Support**") to, among other things, acknowledge that they and their designated directors to our Company, respectively, (i) had voted in a manner that is consistent with the Controlling Parties on decisions relating to material operational strategies, financing and investment (the "**Significant Matters of the Group**"), and (ii) had not exercised any veto rights or voted in any manner that is inconsistent with the Controlling Parties, at meetings of Shareholders and the Board of each of our Company and Eucure (Beijing). Pursuant to the Letter of Support, the Major **[REDACTED]** undertook to refrain from acquiring controlling stake in our Company within three years after the **[REDACTED]** or otherwise procure the increase of their representation at Board level. The **[REDACTED]** also undertook that they and their designated directors to our Company, respectively, shall support the commercial decision of the Controlling Parties at meetings of Shareholders and the Board in resolving Significant Matters of the Group. The Letter of Support does not constitute voting proxies to the Controlling Parties, because (i) the ultimate beneficial owners of the Major **[REDACTED]** are Independent Third Parties; (ii) the **[REDACTED]** were granted customary veto rights to protect their interests as financial investors; (iii) the **[REDACTED]** undertakings to support the Controlling Parties are limited to certain Significant Matters of the Group only, excluding certain other key corporate governance matters, such as amendments to the Company's constitutional documents, variation of rights attached to any class of shares, the appointment or removal of directors and auditors, distribution, or winding-up of Company; and (iv) there was no obvious consideration nor express provisions in the relevant shareholders' agreements that the **[REDACTED]** intend to grant to the Controlling Parties voting proxies.

MAJOR SHAREHOLDING CHANGES OF EUCURE (BEIJING)

(1) Establishment

Eucure (Beijing) was established on November 11, 2016, with a registered capital of RMB300,000, fully subscribed by Youhoe Biopharma Limited ("**Eucure (Hong Kong)**"), a private company limited by shares incorporated under the laws of Hong Kong on September 21, 2016. Since its establishment, Eucure (Beijing) has been focusing on pre-clinical and clinical development of drug candidates derived from our Group's antibody discovery platform, including YH001 and YH003. The shareholding structure of Eucure (Beijing) upon its establishment is set forth in the table below:

Shareholder	Registered capital subscribed for	Corresponding equity interest in our Company
	(000'RMB)	(%)
Eucure (Hong Kong)[(1)]	300.0	100.0
Total	**300.0**	**100.0**

Note:

(1) Eucure (Hong Kong) was wholly owned by Youhoe Biopharma Inc., a company incorporated on September 12, 2016 under the laws of the Cayman Islands, which was in turn wholly owned by Eucure Biopharma Co., Ltd., a company incorporated on September 9, 2016 under the laws of the British Virgin Islands. Dr. Ni then owned the entire equity interests in Eucure Biopharma Co., Ltd.

(2) Eucure (Beijing) Series A Financing

Pursuant to a capital increase agreement entered into on December 12, 2016, by and amongst Biofortune, SDIC Shenzhen, Eucure (Beijing), Dr. Shen, and Eucure (Hong Kong) (the "**Eucure (Beijing) Series A Investment Agreement**"), the registered capital of Eucure (Beijing) was increased from RMB300,000 to RMB1,000,000, and each of Eucure (Hong Kong), and the above mentioned **[REDACTED]** agreed to subscribe for the increase registered capital of RMB350,000, at a total consideration of RMB60,000,000 (the "**Eucure (Beijing) Series A Financing**").

The subscription amount and consideration paid by the subscribers in the Eucure (Beijing) Series A Financing were as follows:

Subscribers	Registered capital subscribed for	Consideration agreed to be paid
	(000' RMB)	(000' RMB)
Biofortune	210.0	36,000.0
SDIC Shenzhen	140.0	24,000.0
Total	**350.0**	**60,000.0**

Together with the Eucure (Beijing) Series A Financing, Eucure (Hong Kong) subscribed registered capital of RMB350,000 of Eucure (Beijing) at a consideration of RMB350,000. The consideration was determined at a discount from the valuation of our Company underlying the Eucure (Beijing) Series A Financing after taking into account the fact that Eucure (Hong Kong) is controlled and established primarily by Dr. Ni for enhancing Eucure (Beijing)'s employee incentive mechanism.

(3) Eucure (Beijing) Series A+ Financing

Pursuant to a further capital increase agreement entered into on June 29, 2017, by and amongst Biofortune, SDIC Shenzhen, Eucure (Beijing), Dr. Shen, and Eucure (Hong Kong) (the "**Eucure (Beijing) Series A+ Investment Agreement**"), the registered capital of Eucure (Beijing) was increased from RMB1,000,000 to RMB1,372,998, and each of Eucure (Hong Kong) and the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB304,348, at a total consideration of RMB70,000,000 (the "**Eucure (Beijing) Series A+ Financing**").

The subscription amount and consideration paid by the subscribers in the Eucure (Beijing) Series A+ Financing were as follows:

Subscribers	Registered capital subscribed for	Consideration agreed to be paid
	(000' RMB)	(000' RMB)
Biofortune	130.4	30,000.0
SDIC Shenzhen	173.9	40,000.0
Total	**304.3**	**70,000**

Together with the Eucure (Beijing) Series A+ Financing, Eucure (Hong Kong) subscribed registered capital of RMB68,650 of Eucure (Beijing) at a consideration of RMB68,650. The

consideration was determined at a discount from the valuation of our Company underlying the Eucure (Beijing) Series A+ Financing after taking into account the fact that Eucure (Hong Kong) is controlled and established primarily by Dr. Ni for enhancing Eucure (Beijing)'s employee incentive mechanism.

(4) Eucure (Beijing) Series B Financing

Pursuant to a further capital increase agreement entered into on February 26, 2018, by and amongst Zhaoyin Chengzhang Qihao, Zhaoyin Gongying, 3E Bioventures, Eucure (Beijing), Dr. Shen, and Eucure (Hong Kong) (the "**Eucure (Beijing) Series B Investment Agreement**"), the registered capital of Eucure (Beijing) was increased from RMB1,372,998 to RMB1,647,598, and each of the abovementioned **[REDACTED]** agreed to subscribe for the increased registered capital of RMB274,600, at a total consideration of RMB120,000,000 (the "**Eucure (Beijing) Series B Financing**").

The subscription amount and consideration paid by the subscribers in the Eucure (Beijing) Series B Financing were as follows:

Subscribers	Registered capital subscribed for	Consideration agreed to be paid
	(000' RMB)	(000' RMB)
Zhaoyin Chengzhang Qihao	215.9	94,340.0
Zhaoyin Gongying	13.0	5,660.0
3E Bioventures	45.8	20,000.0
Total	**274.6**	**120,000.0**

(5) Eucure (Beijing) March 2020 Capital Increase

Pursuant to a further capital increase agreement entered into on December 25, 2019, by and amongst Eucure (Beijing), Dr. Shen, and Eucure (Hong Kong) (the "**Eucure (Beijing) March 2020 Capital Increase Agreement**"), the registered capital of Eucure (Beijing) was increased from RMB1,647,598 to RMB1,739,131, and Eucure (Hong Kong) agreed to subscribe for the increased registered capital of RMB91,533, at a total consideration of RMB91,533 (the "**Eucure (Beijing) Mar-20 Capital Increase**").

(6) June 2020 Equity Transfer and Conversion into a Domestic Enterprise

Pursuant to an equity transfer agreement dated June 5, 2020 entered into by Eucure (Hong Kong) and Dr. Ni, Eucure (Hong Kong) agreed to transfer of equity interest of RMB810,183 in Eucure (Beijing) to Dr. Ni for a consideration of RMB11,879,303 (the "**Jun-20 Transfer**").

Upon completion of the Jun-20 Transfer, the nature of Eucure (Beijing) changed from a foreign enterprise to a domestic enterprise.

Transferor	Transferee	Corresponding registered capital transferred	Consideration
		(000' RMB)	(000' RMB)
Eucure (Hong Kong)	Dr. Ni	810.2	11,879.3

The consideration was determined upon arm's length negotiations among the parties taking into account the net asset value of Eucure (Beijing) at the time of transfer. Any relevant tax implications were borne by Eucure (Hong Kong), the transferor.

(7) July 2020 Equity Transfer and Conversion into a Sino-Foreign Equity Joint Venture

Pursuant to an equity transfer agreement dated July 8, 2020 entered into by and among Dr. Shen, Dr. Ni, Baiao Evergreen, BioVeda, Astral, SDIC Shanghai, Mr. Zhu, and Eucure (Hong Kong), the following transfers of equity interest in Eucure (Beijing) were agreed, where Dr. Ni was the transferor to all such transfers (the "**Jul-20 Transfer**"). Upon completion of the Jul-20 Transfer, the nature of Eucure (Beijing) changed from a domestic enterprise into a Sino-foreign equity joint venture.

Transferees	Corresponding registered capital transferred	Consideration
	(000'RMB)	(000'RMB)
Dr. Shen	58.1	58.1
Baiao Evergreen	32.3	473.0
BioVeda	85.7	1,256.6
Astral	8.2	120.8
SDIC Shanghai	49.3	722.7
SDIC Shenzhen	44.0	645.1
Mr. Zhu	12.9	189.2
Zhaoyin Chengzhang Qihao	49.6	727.8
Zhaoyin Gongying	3.0	43.7
Biofortune	28.3	414.6
3E Bioventures	3.8	55.7

The consideration was determined primarily based on the net asset value of Eucure (Beijing) at the time of transfer. The parties had, upon arm's length consideration, agreed to such basis of determination on the basis that Eucure (Beijing) had been cooperating with other members of our Group closely on pre-clinical and clinical development of drug candidates derived from our Group's anti-body discovery platform, and that the transferees were also existing shareholders (or affiliates thereof) of our Company at the relevant time.

(8) August 2020 Equity Transfer

Pursuant to an equity transfer agreement dated August 25, 2020 entered into by SDIC Shenzhen and SDIC Ningbo, SDIC Shenzhen agreed to transfer equity interest of RMB78,484 in Eucure (Beijing) to SDIC Ningbo for a consideration of RMB36,000,000 (the "**Aug-20 Transfer**").

The consideration was determined with reference to the valuation of Eucure (Beijing) as of August 2020, as appraised by third party valuers.

Upon completion of the abovementioned equity transfer, the shareholding structure of Eucure (Beijing) was as follows:

Shareholders	**Registered capital**	**Equity interest**
	(000' RMB)	**(%)**
Dr. Ni	435.0	25.0
Dr. Shen	58.1	3.3
Baiao Evergreen	32.3	1.9
BioVeda	85.7	4.9
Astral	8.2	0.5
SDIC Shanghai	49.3	2.8
SDIC Shenzhen	279.4	16.1
SDIC Ningbo	78.5	4.5
Mr. Zhu	12.9	0.7
Zhaoyin Chengzhang Qihao	265.5	15.3
Zhaoyin Gongying	15.9	0.9
Biofortune	368.7	21.2
3E Bioventures	49.6	2.9
Total	1,739.1	100.0

(9) Restructuring of Eucure (Beijing)

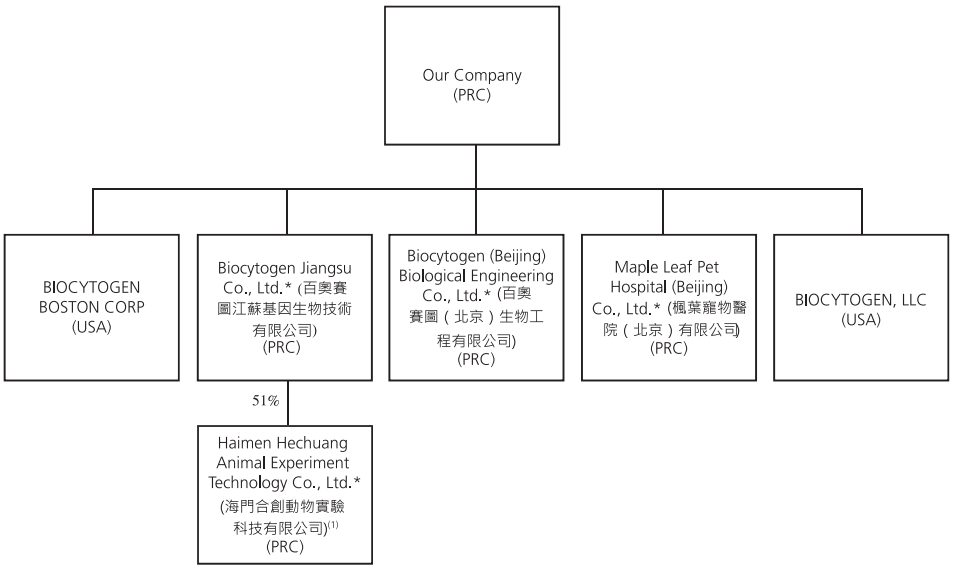
On September 9, 2020, each of the then existing shareholders of Eucure (Beijing) entered into a capital increase agreement with our Company to exchange the respective equity interest held by them in Eucure (Beijing) for registered capital in our Company, For details of such transfers and subscriptions, please refer to the subsection headed "Establishment and Development of our Company – Restructuring of Eucure (Beijing) Biopharma Co., Ltd. and Capital Increase relating to the Employee Incentive Schemes" in this section.

(10) January 2021 Eucure (Beijing) Subscription

Pursuant to a capital increase agreement entered into on January 18, 2021, by and amongst Eucure (Beijing) and our Company, the registered capital of Eucure (Beijing) was increased from RMB1,739,131 to RMB2,391,305, with our Company agreeing to subscribe for the increased registered capital of RMB652,174 at a total consideration of RMB300,000,000. Upon completion of the aforesaid capital increase, Eucure (Beijing) continued to be a wholly owned subsidiary of our Company.

(11) July 2021 Eucure (Beijing) Conversion of Reserves to Registered Capital

On August 1, 2021, our board of directors of Eucure (Beijing) passed resolutions approving, among other matters, the increase of the registered capital of Eucure (Beijing) from RMB2,391,305 to RMB50,000,000, from the conversion of its capital reserves of RMB47,608,695. The aforesaid increase of the registered capital of Eucure (Beijing) from the conversion of capital reserves was completed in August 2021.



Note:

(1) Owned as to 49% by Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd.* (江蘇東布州科技園集團有限公司), an independent third party.

(2) BIOCYTOGEN, LLC was acquired and became a wholly-owned subsidiary of the Company on March 13, 2014 and was deregistered with effect from June 30, 2021.

REORGANIZATION

To establish fully integrated research and development capabilities ranging from early target validation and antibody discovery to clinical development, enhance our operational efficiencies, and help secure future investments as may be required by our operations and expansion plans going forward, our Group has undergone a corporate reorganization (the "**Reorganization**") to streamline the corporate structure of our Group.

(1) Eucure (Beijing) Restructuring

In September 2020, as part of the Reorganization, the then existing shareholders of Eucure (Beijing) entered into a capital increase agreement with our Company, pursuant to which the then existing shareholders agreed to subscribe for the increased registered capital of RMB9,750,150 in our Company, in exchange for the transfer of the equity interest they held in Eucure (Beijing) to our Company. See sub-section headed "Establishment and Development of our Company – Restructuring of Eucure (Beijing) Biopharma Co., Ltd. and Capital Increase relating to the Employee Incentive Schemes" for details.

Upon completion of the Eucure (Beijing) Restructuring, Eucure (Beijing) legally became a wholly-owned subsidiary of our Company on September 14, 2020. The Eucure (Beijing) Restructuring was considered as a business combination involving businesses under common control from an accounting perspective. Despite Dr. Shen and Dr. Ni not holding more than 50% of the equity interests in the Company and Eucure (Beijing) for the purpose of IFRS 10, *Consolidated Financial Statements,* the Eucure (Beijing) Restructuring has been accounted for using the merger basis of accounting in the consolidated financial statements of our Group and the financial statement of Eucure (Beijing) and its subsidiaries are incorporated in the consolidated financial statements of the Group as if the current group structure had always been in existence, for the following reasons:

- Since the establishment of the Company by Dr. Shen and his wife Dr. Ni in 2009, the Company has been mainly engaging in the provision of gene editing services, pre-clinical pharmacology and efficacy evaluation services, animal models selling, antibody discovery and development in the PRC.

- In 2016, to ringfence the Company's research and development efforts on innovative drugs with a focus on oncology and autoimmune disease therapeutics and hence to facilitate additional equity financing, Dr. Shen and Dr. Ni decided to move the related operations to a new entity, which is Eucure (Beijing). Since its establishment, Eucure (Beijing) has been solely relying on the Company's antibody discovery platform to provide relevant antibodies to develop its drug candidates, and has been solely outsourcing most of its significant pre-clinical pharmacology and efficacy evaluation activities to the Company.

- The operating activities related to the biotechnology businesses are considered as the relevant activities that significantly affect the returns of the Company and Eucure (Beijing). As such, decisions relating to material operational strategies, financing and investment would be those that would most significantly affect the returns of the Company and Eucure (Beijing).

- When the Company was established in 2009, Dr. Shen and Dr. Ni collectively held equity interests of over 50% in the Company. As for Eucure (Beijing), when it was

established in 2016, Dr. Ni indirectly held equity interests of over 50% in Eucure (Beijing); and since 2018, Dr. Shen and Dr. Ni collectively indirectly held equity interests of over 50% in Eucure (Beijing). Due to the need to raise finance to fund the underlying biotechnology research and development activities for both entities, their equity interests in these two entities had gradually decreased to less than 50% after several rounds of equity financing from **[REDACTED]**. Immediately before the Eucure (Beijing) Restructuring, together with the voting rights eventually assigned to Dr. Shen under the AIC Agreements, Dr. Shen and Dr. Ni legally and collectively held 34.2% and 30.2% of the voting interests at the shareholders' meetings of the Company and Eucure (Beijing), respectively.

- Throughout the Track Record Period, there have been a mutual understanding between Dr. Shen and Dr. Ni on the one hand, and the **[REDACTED]**, who collectively held 55.8% and 45.0% of voting interests in the Company and Eucure (Beijing) before the Eucure (Beijing) Restructuring, respectively, on the other hand that these **[REDACTED]** would defer to the decisions of Dr. Shen and Dr. Ni when exercising their votes on Significant Matters of the Group. This means, while Dr. Shen and Dr. Ni do not hold more than 50% of the equity interests in the Company and Eucure (Beijing), for the purpose of IFRS 10, *Consolidated Financial Statements*, Dr. Shen and Dr. Ni via the above mutual understanding with the **[REDACTED]** have the power to exercise more than 50% of the votes on the Significant Matters of the Group, and, therefore, for the purpose of IFRS 10 have the power to direct the relevant activities of these two entities throughout the Track Record Period. This mutual understanding was also re-affirmed in the Letter of Support, in which the **[REDACTED]** acknowledged and confirmed that: (i) Dr. Shen and Dr. Ni owned the controlling power over the Company and Eucure (Beijing), and they could make the major decisions in respect of the business and operations of these two entities since their respective establishment; (ii) these investors had voted in a manner that is consistent with Dr. Shen and Dr. Ni on decisions relating to Significant Matters of the Group; (iii) these investors undertook that they and their designated directors respectively shall support the commercial decision of Dr. Shen and Dr. Ni at meetings of Shareholders and the Board in resolving the Significant Matters. Such mutual understanding was further evidenced by the following facts:

  - Throughout the Track Record Period, the **[REDACTED]** had voted in a manner that is consistent with Dr. Shen and Dr. Ni on all resolutions in the board meetings and the shareholders' meetings of both entities;

  - During the Track Record Period and up to the completion of the Eucure (Beijing) Restructuring Dr. Shen and Dr. Ni had the contractual rights to nominate the chairman of the respective boards and other key management

members of the two entities. For the Company, Dr. Shen as the general manager of the Company has the right to appoint, reassign or remove the management personnel of the Company, in particular those in the research team. More importantly, the other investors do not have sufficient voting power to remove Dr. Shen as the general manager. For Eucure (Beijing), Dr. Ni has the right under the articles of Eucure (Beijing) to nominate the general manager and key management personnel and make decisions on the composition of the research team; and

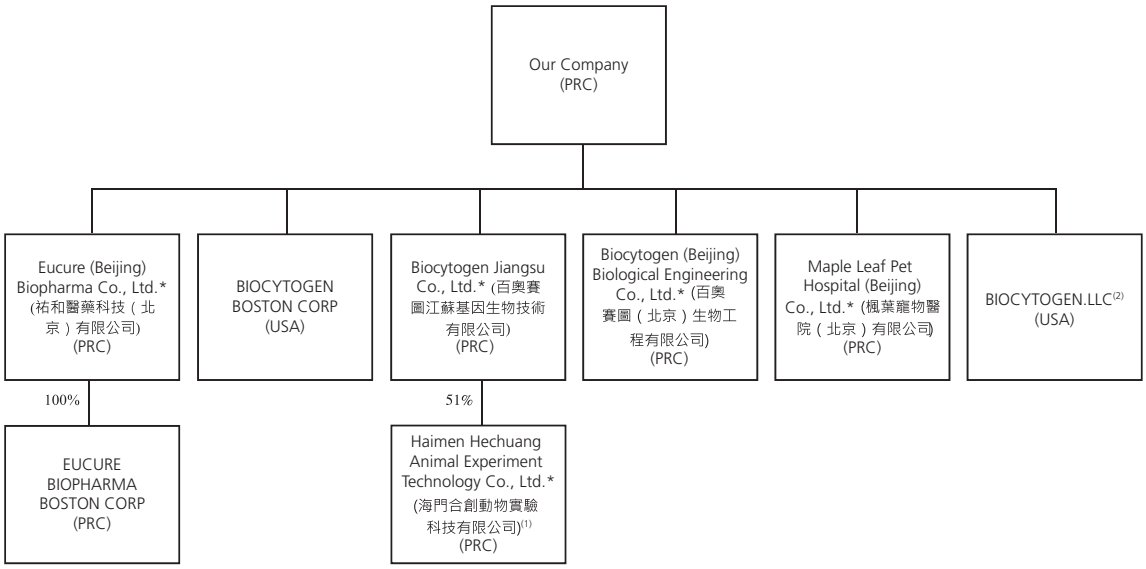
- Throughout the Track Record Period, matters regarding the relevant activities, such as the business plans for the provision of different types of CRO services by the Company, the development plans of the antibody discovery platform for the Company, the development route for the antibody pipelines of Eucure (Beijing), and clinical study plan for the drug candidates of Eucure (Beijing) were undertaken by the senior management team led by Dr. Shen and Dr. Ni on a day-to-day basis.

Based on the forgoing, the Board concluded that Dr. Shen and Dr. Ni had the current ability to direct the relevant activities of and therefore had common control over the Company and Eucure (Beijing) throughout the Track Record Period, and there has been a continuation of the risks and benefits to the controlling party (or parties) that existed prior to restructuring, and as such control was not transitionary, and accordingly the Eucure (Beijing) Restructuring was accounted for using merger accounting.

(2) Conversion to a Joint Stock Limited Company

On December 12, 2020, our Board passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company and the change of name of our Company from Beijing Biocytogen Co. Ltd. (北京百奧賽圖基因生物技術有限公司) to Biocytogen Pharmaceuticals (Beijing) Co. Ltd. (百奧賽圖（北京）醫藥科技股份有限公司). Pursuant to the promoters' agreement dated December 13, 2020 entered into by all the then Shareholders, who then acted in the collective capacity as joint promoters to approve the conversion of the net assets value of our Company as of October 31, 2020 into 360 million Shares, with the remaining RMB1,219.46 million in net assets included as capital reserves of the Company. On December 15, 2020, our Company convened our founding meeting and first extraordinary general meeting in 2020, and passed related resolutions approving the conversion of our Company into a joint stock limited company, the articles of association and the relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB360,000,000 divided into 360,000,000 Shares with a nominal value of RMB1 each, which were subscribed by all the then Shareholders in proportion to their respective interests held in the registered capital in our Company as at October 31, 2020. The conversion was completed on December 29, 2020 when our Company obtained a new business license.

Immediately following the reorganization steps above, the simplified corporate structure of our Group was as follows:



Note:

(1) Owned as to 49% by Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd.* (江蘇東布州科技園集團有限公司), an independent third party.

(2) BIOCYTOGEN LLC was acquired and became a wholly-owned subsidiary of the Company on March 13, 2014 and was deregistered with effect from June 30, 2021.

Our PRC Legal Adviser has confirmed that the Reorganization as described above have been completed with necessary legal procedures, and with necessary regulatory approvals having been obtained in accordance with the PRC laws.

EMPLOYEE INCENTIVE SCHEMES

In recognition of the contributions of our employees and to incentivize them to further promote our development, we have established four Employee Incentive Platforms ("**Employee Incentive Platforms**") to hold equity interests in our Company in accordance with the terms of our Employee Incentive Schemes. The details of these Employee Incentive Platforms are set forth below. Other than the named beneficiaries set out below, all other beneficiaries of each of the Employee Incentive Platforms are the Company's employees, who are Independent Third Parties. For details of the effective interests held by such other beneficiaries in the relevant Employee Incentive Platform, please refer to the section headed "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes" in this Document.

Baiao Evergreen

Baiao Evergreen is a limited partnership established in China on April 12, 2016, with Dr. Shen acting as sole general partner and managing partner. Baiao Evergreen has [93] beneficiaries, including two executive Directors, three Supervisors and five members of our senior management (other than the two executive Directors), holding approximately 18.7%, 8.7% and 30.0%, respectively, of the limited partnership interests therein. As of the Latest Practicable Date, it held approximately 5.0% equity interest in our Company.

Details of our Directors', Supervisors, and members of senior management's entitlements to the limited partnership interest in Baiao Evergreen is as follows:

Name of participant	**Limited partnership interest effectively held**	**Contribution made by the participant**
	(%)	*(RMB)*
Executive Director		
Dr. Shen	12.7	402,478
Dr. Zhang	6.0	190,854
Total:	**18.7**	**593,332**
Supervisors		
Ms. Huang Rui	3.3	106,030
Ms. Sun Chunli	2.7	84,824
Ms. Liyan	2.7	84,824
Total:	**8.7**	**275,678**
Senior management		
Ms. Zhu Yan	14.7	466,533
Dr. Guo Chaoshe	5.3	169,648
Dr. Yang Yi	4.0	127,236
Mr. Wang Yongliang	3.3	106,030
Dr. Lin Qingcong	2.7	84,824
Total:	**30.0**	**954,271**

Baiao Changsheng

Baiao Changsheng is a limited partnership established in China on June 24, 2019, with Dr. Shen acting as sole general partner and managing partner. Baiao Changsheng has [177] beneficiaries, including [one] Director and [four] other members of our senior management (excluding the executive Director), holding approximately 55.0% and 8.1%, respectively, of the limited partnership interests therein. As of the Latest Practicable Date, it held approximately 5.0% equity interest in our Company.

Details of our executive directors' and members of senior management's entitlements to the limited partnership interest in Baiao Changsheng is as follows:

Name of participant	**Limited partnership interest effectively held**	**Contribution made by the participant**
	(%)	*(RMB)*
Executive Director		
Dr. Shen	55.0	1,744,532
Total:	**55.0**	**1,744,532**
Senior management		
Mr. Liu Bin	3.70	117,340
Dr. Lin Qingcong	1.0	32,537
Dr. Yu Zhaoxue	2.0	63,603
Mr. Wang Yongliang	1.4	44,643
Total:	**8.1**	**258,123**

Eucure Evergreen

Eucure Evergreen is a limited partnership established in China on May 9, 2020, with Dr. Shen acting as sole general partner and managing partner. Eucure Evergreen has [24] beneficiaries, including [two] Directors and [four] members of our senior management excluding the executive Director, holding approximately 0.4% and 76.3%, respectively, of the limited partnership interests therein. As of the Latest Practicable Date, it held approximately 1.3% equity interest in our Company.

Details of our executive directors' and members of senior management's entitlements to the limited partnership interest in Eucure Evergreen is as follows:

Name of participant	Limited partnership interest effectively held	Contribution made by the participant
	(%)	*(RMB)*
Executive Director		
Dr. Shen	0.2	1,336
Dr. Ni	0.2	1,666
Total:	**0.4**	3,002
Senior management		
Dr. Yang Yi	22.5	182,168
Mr. Wang You	18.6	150,673
Dr. Li Zhihong	18.6	150,673
Dr. Chen Zhaorong	16.6	134,673
Total:	**76.3**	**618,187**

Eucure Changsheng

Eucure Changsheng is a limited partnership established in China on September 1, 2020, with Dr. Shen acting as sole general partner and managing partner. Eucure Changsheng has [three] beneficiaries, including [one] Director, one Supervisor and [one] other member of our senior management (excluding the executive Director), holding approximately 99.2%, 0.1% and 0.7%, respectively, of the limited partnership interests therein. As of the Latest Practicable Date, it held approximately 3.4% equity interest in our Company.

Details of our executive directors', Supervisors' and member, of senior management entitlements to the limited partnership interest in Eucure Changsheng is as follows:

Name of participant	Limited partnership interest effectively held	Contribution made by the participant
	(%)	*(RMB)*
Executive Director		
Dr. Shen	99.2	2,127,527
Supervisor		
Ms. Li Yan	0.1	1,072
Senior management		
Dr. Chen Zhaorong	0.7	16,000

The sole general partner and the sole managing partner of each Employee Incentive Platform is Dr. Shen. Thus, in effect, all management powers and voting rights of the Employee Incentive Platforms reside with Dr. Shen in his full and absolute discretion.

Economic interests will be paid by the Company by way of cash dividends to the relevant selected participants through the relevant Employee Incentive Platform proportionate to such selected participant's partnership interests held in that specific Employee Incentive Platform with reference to such Employee Incentive Platform's relative holding of Shares in the Company.

The Company may require selected participants to transfer their partnership interests held by any of the Employee Incentive Schemes to the sole general partner upon occurrence of the certain events in respect of such selected participant, primarily including positive exit events ranging from death, termination of employment with company's consent, or other exit events which are not considered as having adverse effects on the Company, or negative exit events ranging from conviction, misconduct, or other exit events which are considered as having adverse effects on the Company. Subject to any lock up requirements under applicable laws and regulations, the selected participants involved in either Positive Exit Events or Negative Exit Events (for definition, please see "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes") may (as the case may be) (i) retain his/her entitlement; or (ii) dispose of his relevant entitlement to economic interests pursuant to the rules of the relevant Employment Incentive Platform. An exception to such entitlement is that in the event of death or declared death or disappearance by a people's court during any

applicable lock-up period after **[REDACTED]** or in the case of incapability for civil conduct, the relevant selected participant's partnership interest held in the respective the Employee Incentive Platforms shall be purchased by the general partner or a third party designated by the general partner at a price that is equivalent to 80% of the average price of the Shares in five trading days prior to the purchase, and the proceeds thereof be allocated to the successor of the participant within 30 days after the exit is known. If such purchase is impracticable, the corresponding number of Shares held by the relevant Employee Incentive Platform that correspond to the interest of such selected participants shall be disposed of by the relevant Employee Incentive Platform within three months after the expiry of the lock-up period and the proceeds of the disposal shall be paid to the successors of the participant and the relevant selected participant shall be removed from the partnership. However, in the event of Negative Exit Events, the Company may demand that the relevant selected participant pay compensation for damages (if any) of the Company caused by the Negative Exit Event.

For further information regarding the terms of the Employee Incentive Schemes please refer to the section headed "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes" in this Document.

AIC AGREEMENTS

Pursuant to the AIC Agreements entered into among the Concert Parties, the Concert Parties agreed to reach consensus on all matters requiring approval by the Board and/or Shareholders, and to vote in the same manner on such matters in meetings of the Board of directors and Shareholders. The Concert Parties further agreed that if they are unable to reach consensus on any such matters, the party with the largest shareholding interest shall make the final decision. As of the Latest Practicable Date, Dr. Shen has the largest shareholding interest among the Concert Parties. Dr. Shen and Dr. Ni are spouses. Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng are Employee Incentive Platforms controlled by Dr. Shen.

Immediately prior to the **[REDACTED]**, the Concert Parties, being the single largest group of Shareholders, are collectively interested in approximately 29.4% of our total issued share capital. Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, the Concert Parties will hold approximately **[REDACTED]**% of our total issued share capital.

CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the date of this Document and upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):

Shareholders	Number of Shares as of the date of this Document	Ownership percentage as of the date of this Document	Number of Shares as of the [REDACTED]	Ownership percentage as of the [REDACTED]
Dr. Shen	26,394,840 Domestic Shares	8.6%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Dr. Ni	29,004,840 Domestic Shares	9.5%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Baiao Evergreen	18,688,680 Domestic Shares	6.1%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Baiao Changsheng	18,647,640 Domestic Shares	6.1%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Encure Changsheng	12,600,000 Domestic Shares	4.1%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Eucure Evergreen	4,758,840 Domestic Shares	1.6%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
SDIC Shanghai	42,133,320 Domestic Shares	13.7%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Zhaoyin Chengzhang Qihao	22,602,960 Domestic Shares	7.4%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Zhaoyin Chengzhang Shijiuhao	19,060,920 Domestic Shares	6.2%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
SDIC Shenzhen	18,996,120 Domestic Shares	6.2%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
China Life Chengda	14,296,320 Domestic Shares	4.7%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Biofortune	12,144,960 Domestic Shares	4.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
SDIC Ningbo	11,808,000 Domestic Shares	3.9%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
China Life Jiequan	9,222,840 Domestic Shares	3.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
PICC Health Care Fund	9,222,840 Domestic Shares	3.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
3E Bioventures	9,193,680 Domestic Shares	3.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Mr. Zhu	7,475,400 Domestic Shares	2.4%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Zhaoyin Langyao	6,433,560 Domestic Shares	2.1%	**[REDACTED]** Domestic Shares	**[REDACTED]**%

Shareholders	Number of Shares as of the date of this Document	Ownership percentage as of the date of this Document	Number of Shares as of the [REDACTED]	Ownership percentage as of the [REDACTED]
CMB Capital	3,074,400 Domestic Shares	1.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Oriza Seed Fund II	2,936,880 Domestic Shares	1.0%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Zhuhai Growth	2,459,520 Domestic Shares	0.8%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Cowin Guosheng	1,844,640 Domestic Shares	0.6%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Zhaoyin Gongying	1,355,760 Domestic Shares	0.4%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Yiwu Shenyuan	1,229,760 Domestic Shares	0.4%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Wedo Alpha	1,112,760 Domestic Shares	0.4%	**[REDACTED]** Domestic Shares	**[REDACTED]**%
Sub-total	***306,699,480 Domestic Shares[(1)]***	***100%***	**[REDACTED]** ***Domestic Shares[(1)]***	**[REDACTED]%**
Astral	26,088,480 Unlisted Foreign Shares	38.2%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
BioVeda	20,291,400 Unlisted Foreign Shares	29.7%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
COWIN CHINA Fund I	6,920,640 Unlisted Foreign Shares	10.1%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
LBC	4,665,600 Unlisted Foreign Shares	6.8%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
CPE-CbioMice	4,665,600 Unlisted Foreign Shares	6.8%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
Octagon	4,043,520 Unlisted Foreign Shares	5.9%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
CTW	933,120 Unlisted Foreign Shares	1.4%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
OrbiMed	622,080 Unlisted Foreign Shares	0.9%	**[REDACTED]** Unlisted Foreign Shares	**[REDACTED]**%
Sub-total	***306,699,480 Unlisted Foreign Shares***	***100.00***	**[REDACTED]** ***Unlisted Foreign Shares***	**[REDACTED]%**
[REDACTED] taking part in the **[REDACTED]**	—	—	**[REDACTED]** H-Shares	**[REDACTED]**%
Total:	***374,929,920 Shares***	***100%***	**[REDACTED]** ***Shares***	**100%**

Notes:

(1) As at the Latest Practicable Date, the Company has no plan to apply for H-share full circulation to convert all Unlisted Shares into H Shares.

PUBLIC FLOAT AND MARKET CAPITALIZATION UPON [REDACTED]

The 374,929,920 Shares held by all existing Shareholders, representing approximately all of our total issued Shares as of the Latest Practicable Date, or approximately **[REDACTED]**% of our total issued Shares upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), or approximately **[REDACTED]**% of our total issued Shares upon exercise of the **[REDACTED]** in full, will not be considered as part of the public float as the Shares they hold are **[REDACTED]** which will not be converted into H Shares and **[REDACTED]** following the completion of the **[REDACTED]**.

Pursuant to the applicable PRC law, within the 12 months following the **[REDACTED]**, all current Shareholders could not dispose of any of the Shares held by them.

Based on the minimum **[REDACTED]** HK$**[REDACTED]** and assuming no exercise of the **[REDACTED]**, we expected that our market capitalization will be **[REDACTED]**. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, the **[REDACTED]** of the Company shall be the highest of (1) approximately **[REDACTED]**% of the total issued share capital of the Company, (2) such percentage of H Shares to be held by the public immediately after the completion of the **[REDACTED]** and the exercise of the **[REDACTED]**. Please refer to the section headed "Waivers and Exemptions – Waiver in respect of public float requirements" of this Document.

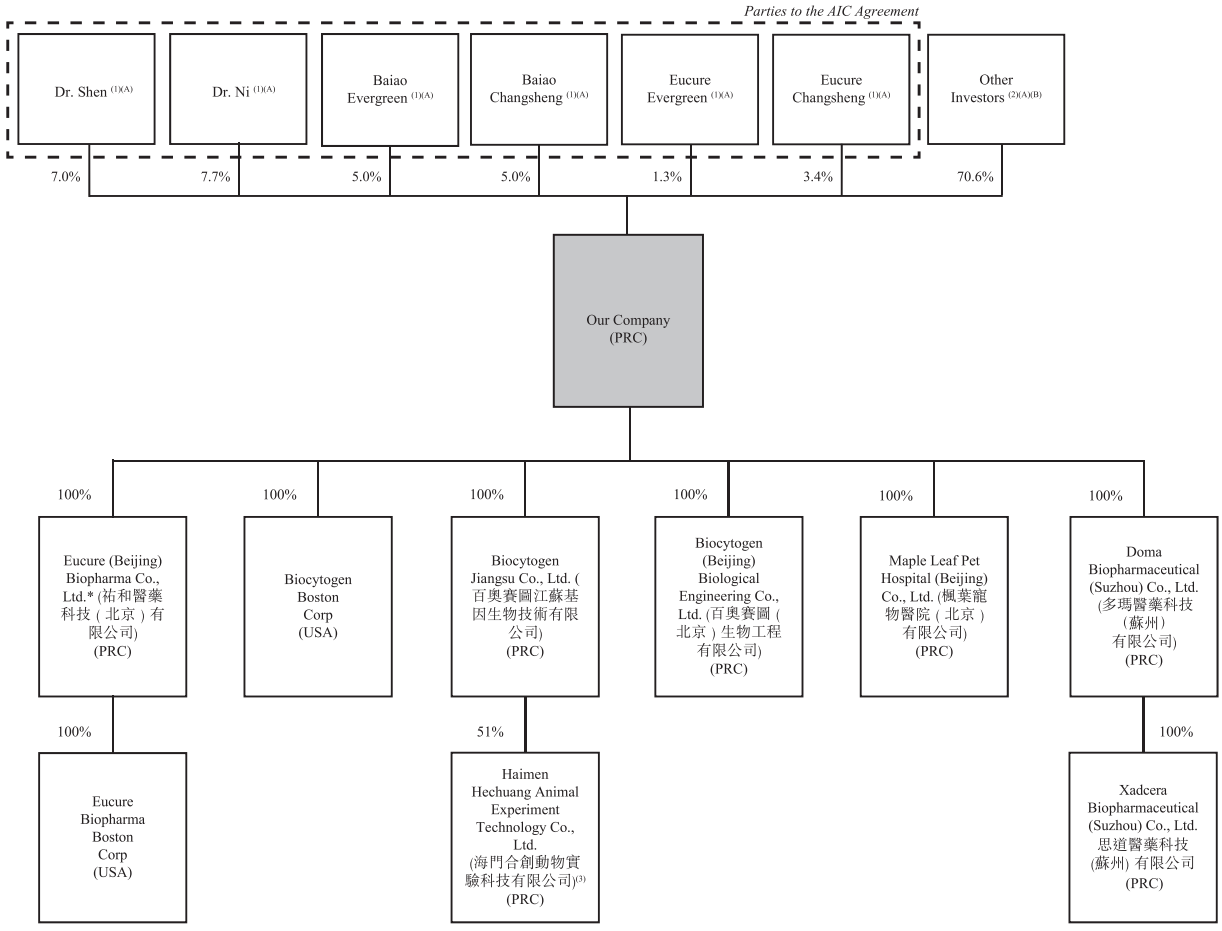
Immediately upon **[REDACTED]**, assuming that (i) **[REDACTED]** H Shares are issued in the **[REDACTED]**, and (ii) the **[REDACTED]** is not exercised, based on an **[REDACTED]** of HK$**[REDACTED]** per H Share (being the low-end of the indicative **[REDACTED]**), the Company will have a market capitalization of at least HK$**[REDACTED]** held by the public as required under Rule 18A.07 of the Listing Rules.

Assuming the **[REDACTED]** is between HK$**[REDACTED]** and HK$**[REDACTED]**, upon completion of the **[REDACTED]**, we will have a market capitalization in the range of approximately HK$**[REDACTED]** to HK$**[REDACTED]**, representing a significant increase in post money valuation as compared with the Company's post money valuation immediately after the completion of the Cross-over Round Financing in July 6, 2021, when all considerations thereto were irrevocably settled and received by our Company. Such expected increase reflected the business progress we made during or shortly after the completion of the Cross-over Round Financing, including but not limited to (i) the receipt of approvals to commence Phase II

clinical trial of YH001 and YH003 in the United States in June and July, 2021, respectively, and Phase I clinical trial of YH004 in June, 2021 in Australia; (ii) a 39.9% year-to-year increase in total revenue for the year ended December 31, 2021, primarily attributable to our increased antibody development, pre-clinical pharmacology and efficacy evaluation services and animal models selling; (iii) the securing of IND milestone payments by the out-licensing of YH005 to RemeGen for the development of RC118; and (iv) the entry into of the Tracon Agreement with TRACON in October, 2021, in relation to the development and commercialization of YH001 in North America. For details of these developments, please refer generally to the section headed "Business" in this Document.

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE [REDACTED]

The chart below sets out the shareholding structure of our Company immediately before completion of the **[REDACTED]**:



Notes:

(1) Dr. Shen, Dr. Ni and Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng are parties to the AIC Agreement.

(2) For details on the other investors, please refer to the paragraphs headed "Detailed Terms of the **[REDACTED]** – (5) Information about our **[REDACTED]**" and "Capitalization of our Company" in this section.

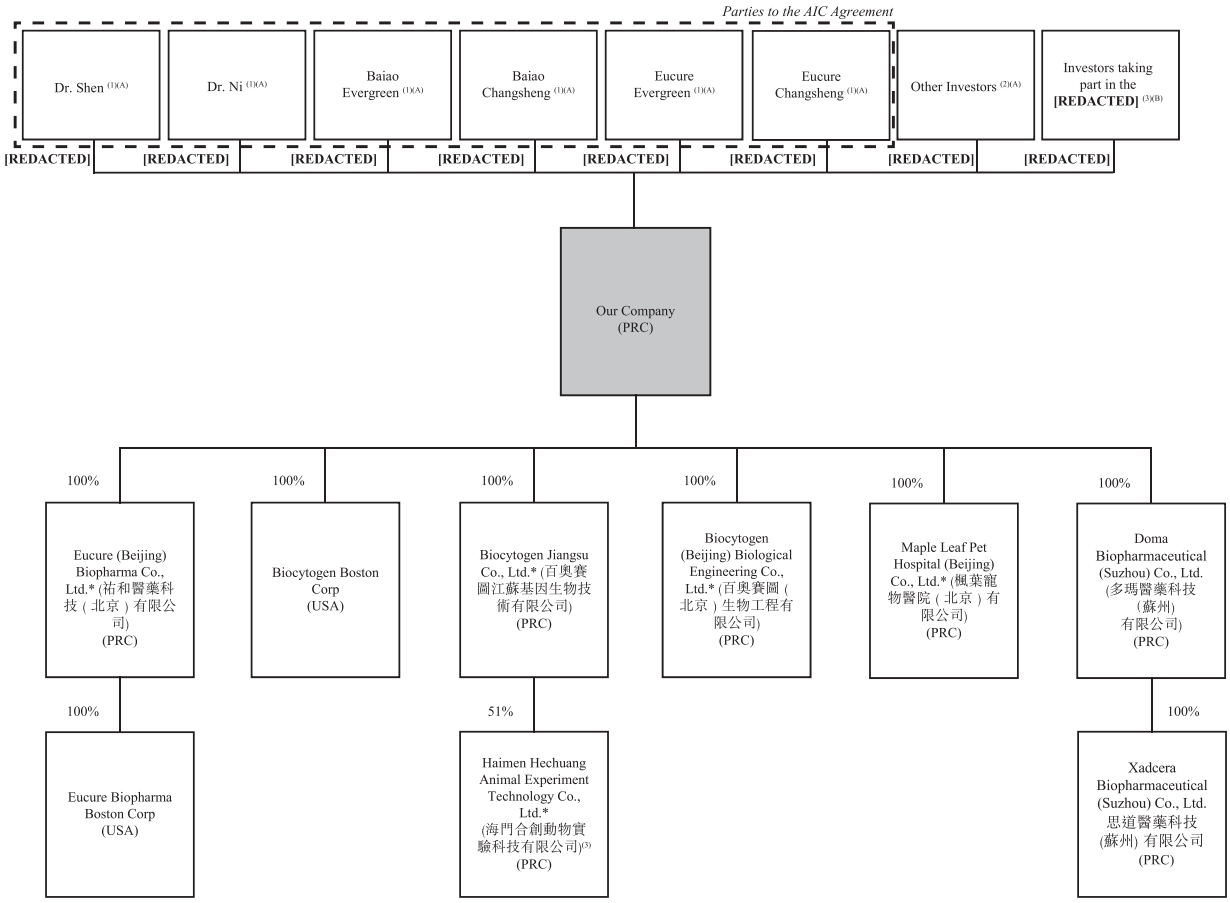
(3) Owned as to 49% by Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd.* (江蘇東布州科技園集團有限公司), an independent third party.

(A) The Shares held by these Shareholders are Domestic Shares.

(B) The Shares held by these Shareholders are Domestic Shares, except for 26,088,480 Shares, 20,291,400 Shares, 6,920,640 Shares, 4,665,600 Shares, 4,665,600 Shares, 4,043,520 Shares, 933,120 Shares, and 622,080 Shares, held by Astral, BioVeda, COWIN CHINA Fund I, LBC, CPE-CbioMice, Octagon, CTW, and OrbiMed, respectively, being Unlisted Foreign Shares.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED]

The chart below sets out the shareholding structure of our Company immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

See page [221] for notes (1) to (3)

(A) The Shares held by these Shareholders are Domestic Shares except for 26,088,480 Shares, 20,291,400 Shares, 6,920,640 Shares, 4,665,600 Shares, 4,665,600 Shares, 4,043,520 Shares, 933,120 Shares, and 622,080 Shares, held by Astral, BioVeda, COWIN CHINA Fund I, LBC, CPE-CbioMice, Octagon, CTW, and OrbiMed, respectively, being Unlisted Foreign Shares.

(B) The Shares to be held by these Shareholders are H Shares.

OVERVIEW

We are a clinical-stage biopharmaceutical and revenue-generating pre-clinical research services company, empowered by our proprietary gene editing technology, transgenic mice platforms, comprehensive animal disease models and *in vivo* antibody discovery platform. We have two Core Products, YH003 and YH001, and 10 other pipeline product candidates. YH003 is a recombinant humanized agonistic anti-Cluster of Differentiation 40 (CD40) Immunoglobulin G2 (IgG2) monoclonal antibody and YH001 is a recombinant humanized anti-CTLA-4, a protein receptor expressed constitutively on T cells that functions as an immune checkpoint and downregulates immune responses, Immunoglobulin G1 (IgG1) monoclonal antibody. Our Core Products are primarily being developed for advanced solid tumor, pancreatic cancer, programmed cell death protein 1 (PD-1) refractory melanoma, hepatocellular carcinoma (HCC) and non-small-cell lung carcinoma (NSCLC). Since our inception in 2009, we have also established fully integrated research and development capabilities ranging from early target validation and antibody generation to clinical development. Our capabilities are validated through our years of services to multinational companies and domestic biotechnology companies and evidenced by our in-house clinical-stage drug candidates.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCTS.

As of the Latest Practicable Date, we had strategically designed and built a selective antibody drug pipeline of 12 drug candidates, including four clinical candidates, six pre-clinical stage candidates and two out-licensed candidates. As of the Latest Practicable Date, we had seven ongoing clinical trials and four clinical trials planned for initiation. Our pipeline includes drug candidates targeting novel targets or drug candidates with differentiated efficacy or safety profiles demonstrated in pre-clinical and clinical studies. Our Core Products include (i) YH003, a humanized IgG2 agonistic monoclonal antibody targeting CD40, a costimulatory protein found on antigen-presenting cells, with favorable safety and efficacy profiles, and (ii) YH001, a humanized anti-CTLA-4, IgG1 monoclonal antibody with favorable safety and efficacy profiles. In addition to internal development, we intend to proactively explore and build strategic and synergistic partnerships with leading biopharmaceutical companies. We believe that the complementary expertise and resources of our partners and us will increase the success probability of our drug candidates and maximize their clinical and commercial value on a global scale.

The following chart summarizes our pipeline and the development status of each drug candidate as of the Latest Practicable Date. For more details of each drug candidate and its development status, see "– Our Drug Candidates."

	Candidate	Target	Combination	Indication	Pre-clinical	IND	Phase I	Phase II	Phase III	Upcoming Milestone	Rights
Clinical-stage Drug Candidates	★ YH003	CD40	PD-1	Melanoma	Global MRCT					2022 Q4 Complete Recruitment	Global
			PD-1	Pancreatic cancer (1L&2L)	Global MRCT					2022 Q4 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Recruitment	
			PD-1+ YH001	Solid tumors	Global MRCT					2023 Q1 Complete Recruitment	
			PD-1	Mucosal melanoma	China					2022 Q3 Patient Recruitment	China
	★ YH001	CTLA-4	PD-1	Non-small-cell lung cancer (NSCLC) (1L)	Global MRCT					2023 Q1 Complete Recruitment	Global
			PD-1	Hepatocellular carcinoma (HCC) (2L)	Global MRCT					2023 Q1 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Site Visit	
			PD-L1	Sarcoma	Global MRCT					2022 Q3 Patient Recruitment	TRACON [1]
	YH002	OX40	Monotherapy	Solid tumors	Australia					2022 Q3 Complete Phase I Trial	Global
			Monotherapy	Solid tumors	China					Launch based on clinical results in Australia	
			YH001	Solid tumors	China/Australia					2023 Q1 Complete Recruitment	
	YH004	4-1BB	PD-1	Hematological malignancies	Australia					2023 Q4 Complete Recruitment	Global
			PD-1	Solid tumors	Australia					2023 Q4 Complete Recruitment	
	YH005-ADC	Claudin18.2-ADC		Solid tumors	Australia						RemeGen 荣昌生物 [2]
Preclinical Drug Candidates	YH008	PD-1/CD40 (bispecific antibody)		Solid tumors	CMC						Global
	YH006	CTLA-4/ OX40 (bispecific antibody)		Solid tumors	CMC						Global
	YH009	RSV		Prevention/ Treatment for RSV infection	CMC						Global
	YH010	PD-L1/IL12		Solid tumors	Discovery						Global
	YH011	PD-L1/ cytokine		Solid tumors	Discovery						启德医药 GeneQuantum Healthcare [3]
	YH012	Bispecific antibody ADC		Solid tumors	CMC						Global
	YH013	Bispecific antibody ADC		Solid tumors	CMC						Global

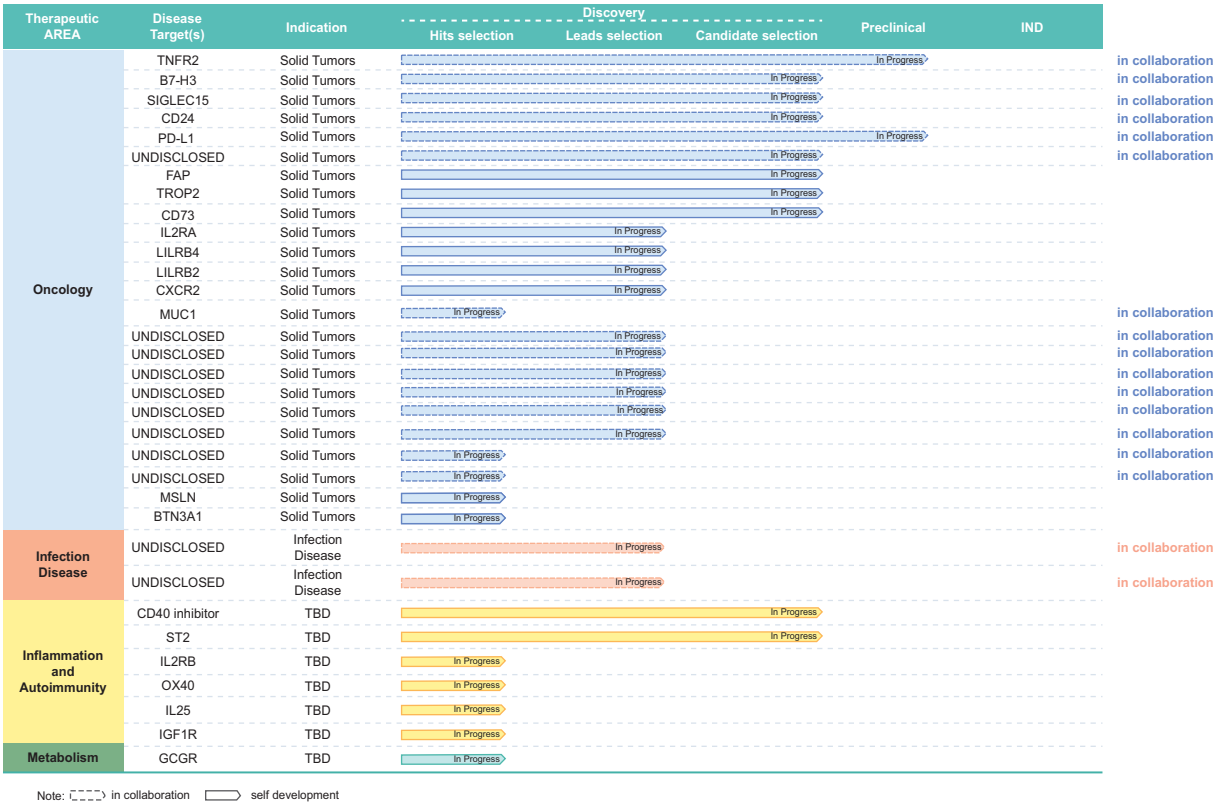
Notes: ★ Core Product; Co-development; Out-licensing; Oncology; Non-oncology

1. We co-develop YH001 with Tracon for selected indications in the North American regions (the United States, Canada and Mexico) and are entitled to collect double-digit percentage royalties on net sales in North America once commercialized. We remain development/ commercialization rights in regions other than the North American regions.
2. We are entitled to collect licensing fee from RemeGen for the out-license of YH005.
3. We are entitled to collect licensing fee from GeneQuantum for our PD-L1 antibody and co-own the intellectual property rights.
4. Full term of each abbreviation used:

   CD40: Cluster of Differentiation 40
   CTLA-4: Cytotoxic T-Lymphocyte-Associated protein 4
   OX40: also known as TNFRSF4, Tumor Necrosis Factor Receptor Superfamily, member 4
   4-1BB: also known as TNFRSF9, Tumor Necrosis Factor Receptor Superfamily, member 9 PD-1: Programmed Death-1
   RSV: Respiratory Syncytial Virus
   PD-L1: Programmed Death-1 Ligand 1
   IL12: Interleukin 12
   ADC: Antibody Drug Conjugate
   MRCT: Multi-Center Clinical Trial
   CMC: Chemistry, Manufacturing, and Controls
   MRCT: Multi-regional Clinical Trial(s)
   1L: First-line
   2L: Second-line

Source: Company data

We had completed more than 980 knock-out under our Project Integrum as of the Latest Practicable Date, including more than 280 targets entering into antibody immune stage and more than 40 targets entering into the molecular screening stage. We would be able to complete the antibody molecule selection for 200 to 300 potential targets per year with our development capacity. During the Track Record Period, we signed 17 co-development deals with pharmaceutical and biotechnology companies in China and Japan under Project Integrum. The following chart summarizes our Project Integrum pipeline and the development status of selected candidates for both self-developed and collaborated programs.



We are led by a seasoned management team with global vision, in-depth know-how, and a track record of efficient execution. Our founder, chairman of the Board and general manager, Dr. Yuelei Shen, has more than 20 years of research experience including immunology. Besides Dr. Shen, our management's leadership capabilities and industry experiences cover all stages of the drug development cycle from early discovery to clinical development and commercialization. They bring extensive R&D experience from academia and industry to our Company and serve as a key to our future success.

Our focus on developing innovative technology and drug development platform serves as the cornerstone of our continuing growth. We intend to develop and commercialize first-in-class and/or best-in-class drugs and contribute to human health improvement.

Leveraging our unique combination of proprietary gene editing technology, well established fully-human antibody transgenic mice platforms and comprehensive *in vivo* discovery capability, we have launched Project Integrum (千鼠萬抗), the world's first large scale antibody discovery screening program, according to Frost & Sullivan. Project Integrum adopts an evidence-based *in vivo* efficacy screening methodology to concurrently generate and screen antibodies against over 1,000 potential antibody drug targets, most of which have not been explored in clinical trials yet. Among such potential targets, approximately 300 of them have entered into clinical stage. Project Integrum is expected to be the birthplace of numerous antibodies for novel and/or challenging drug targets, and then quickly advance them to clinical development.

We have developed RenMice platforms consisting of two fully human transgenic mice lines (RenMab and RenLite) through our gene editing technologies. RenMab platform uses RenMab mice for the discovery and generation of fully human monoclonal antibodies, and RenLite platform uses RenLite mice to produce diverse bi-specific antibodies. Additionally, the antibodies generated from RenMice platforms may be further used to develop antibody drug conjugates (ADCs). Antibodies generated from RenMice platforms are well validated by our internal pipeline of drug candidates and external licensing to leading biotechnology and pharmaceutical companies in China and globally. These antibodies have high affinity, low immunogenicity and favorable developability.

Project Integrum is made possible by our proprietary gene editing technology, RenMice platforms, extensive portfolio of disease animal models, large scale animal production and *in vivo* efficacy studies. We have developed and optimized our gene editing technology through more than a decade of dedicated research. Our in-house developed Size-unlimited and Precise Chromosome Engineering System (SUPCE) technology allows for megabase scale chromosomal editing, with high reproducibility. Furthermore, our Extreme Genome Editing (EGE) system, which is based on the CRISPR/Cas9 gene targeting platform, is approximately 20-fold more efficient at knocking in large DNA fragments compared with CRISPR/Cas9 alone. We have also developed our mouse embryonic stem cells for generating gene-targeted mouse models.

Leveraging our advanced gene editing technologies, we have completed approximately 3,500 customized gene editing projects for our clients and self-developed approximately 2,500 gene edited animal and gene edited cell model products. Our large scale *in vivo* efficacy studies are supported by a total of approximately 55,500 sq.m. animal facilities and a dedicated mouse production team of over 380 employees.

OUR STRENGTHS

Clinical and pre-clinical pipeline of novel and differentiated antibody drug candidates

We have a pipeline of in-house developed antibody drug candidates with novel targets that are challenging for traditional antibody development or with *in vivo* efficacy or safety demonstrated in pre-clinical and clinical studies. As of the Latest Practicable Date, we had strategically designed and built a highly selective pipeline of 12 drug candidates, including four clinical candidates, six pre-clinical candidates and two out-licensed candidates. As of the same date, we had seven ongoing clinical trials and four clinical trials planned for initiation. These drug candidates serve as a strong validation of our proprietary evidence-based *in vivo* antibody discovery platform.

YH003 – a humanized IgG2 agonistic monoclonal antibody targeting CD40

YH003 is a recombinant humanized agonistic anti-CD40 IgG2 monoclonal antibody. We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability, efficacy and pharmacokinetics of YH003 in combination with toripalimab in patients with advanced solid tumors, which has reached the primary end-point of the trial with the recommended Phase II dose (RP2D) identified in April 2021. Preliminary results from the Phase I clinical trial showed a favorable safety and efficacy profile without liver toxicity. YH003 also demonstrated strong anti-tumor activities in combination with anti-PD-1 mAb in pre-clinical animal studies.

As of the data cut-off date of May 31, 2021, among 17 subjects dosed, YH003 was well tolerated up to 1.0 mg/kg dose levels when combined with toripalimab (a PD-1 mAb). Eight Grade 2 treatment related AEs and two Grade 3 treatment related AE were reported. One patient with ocular melanoma who failed anti-PD-1 and anti-PD-1 plus anti-CTLA-4 treatments achieved PR after study drug treatment for 10 weeks that has lasted for more than eight months and the patient remains on treatment in the clinical trial. On July 16, 2021, a second patient with NSCLC who failed three lines of treatments developed PR after receiving the study treatment for 10 weeks.

We are initiating a Phase II MRCT of YH003 in combination with toripalimab in subjects with PD-1 refractory unresectable/metastatic melanoma as well as pancreatic ductal adenocarcinoma in the United States. We have completed the dosing of the first patient in Australia in December 2021. We received the IND approval from the FDA in June 2021, from the TGA in August 2021, from the NMPA in October 2021 and are applying for IND approval from the Taiwan FDA. We also obtained the IND approval from the NMPA for a Phase I clinical trial of YH003 in advanced solid tumor patients in China.

YH001 – a humanized anti-CTLA-4 IgG1 monoclonal antibody

YH001 is a recombinant humanized anti-CTLA-4 IgG1 monoclonal antibody. We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH001 when combined with toripalimab in patients with advanced solid tumors, which has reached the primary end-point of the trial with the RP2D identified in April 2021. Preliminary results from the Phase I clinical trial in Australia showed favorable safety and efficacy profile. As of the data cut-off date of May 31, 2021, YH001 was well tolerated up to 1.0 mg/kg dose levels when combined with toripalimab and no DLT, SAE, Grade 3 or above adverse events in relation to study drug or AEs leading to treatment discontinuation were reported. As of the data cut-off date of May 31, 2021, among 15 evaluable patients, one patient achieved PR and eight patients achieved SD. On July 8, 2021, a second patient with urothelial carcinoma developed PR after receiving the study treatment for 15 weeks. We are conducting a Phase I clinical trial of YH001 as a single agent in advanced solid tumors in China. Patients have received up to 6.0 mg/kg dose levels.

We are initiating a Phase II clinical trial in patients with advanced non-small-cell lung cancer (NSCLC) or hepatocellular carcinoma (HCC) in the United States, mainland China, Taiwan and Australia. As of the Latest Practicable Date, we have received FDA, Taiwan FDA and NMPA approvals for the Phase II clinical trial of YH001 in combination with toripalimab.

YH002 – an anti-OX40 mAb, with potential to combine with YH001

YH002 is an agonistic monoclonal antibody targeting OX40, which mimics the function of the OX40L ligand in binding to OX40. The unique antigen-binding epitope of YH002 makes it an excellent immune-activating antibody with good safety profile.

Pre-clinical data indicate that YH002 showed strong *in vivo* anti-tumor activity even at the low dose of 0.3 mg/kg and no toxicity even at 30 mg/kg. While anti-CTLA-4 mAb YH001 promotes T cell activation by targeting the CTLA-4, YH002 further stimulates the T cell activity while inhibiting the effect of Tregs. Emerging data has shown that CTLA-4 and OX40 expressed at highest density on tumor-infiltrating Treg cells in mice and humans (Arce Vargas et al., 2018, Cancer Cell 33, 649–663), therefore YH002 might have better efficacy when combining anti-CTLA-4 and OX40 therapy. Consistent with our hypothesis, our results showed that when combined with YH001, YH002 demonstrated synergistic effects in double targets humanized mouse models and excellent anti-tumor activity at low dosage (0.3 mg/kg).

We are currently conducting a Phase I dose escalation clinical trial of YH002 in Australia. As of the data cut-off date of May 31, 2021, two case of dose limiting toxicity (DLT) were observed in the 3.0 mg/kg dose group, together with two cases of Grade 3 SAE and six cases of Grade 2 AE. There were no death due to drug-related AE.

YH004 – a humanized anti-4-1BB Agonists

YH004 is a humanized anti-4-1BB IgG1 antibody, with a unique mechanism of action that differentiates itself from other anti-4-1BB antibodies. In pre-clinical studies, YH004 has demonstrated a favorable safety and efficacy profile with no liver toxicity.

In addition to our four clinical-stage drug candidates, we have a pipeline of innovative monoclonal antibody drug candidates targeting diseases with large unmet medical needs and significant total addressable markets, including bi-specific antibody and ADCs.

Proven gene editing technology platform serving as the foundation of our antibody discovery mouse models and disease animal models

Our gene editing technology serves as the foundation of our technology platforms, from which we have developed our proprietary transgenic RenMice platforms and our gene edited disease animal models. As of the Latest Practicable Date, we have completed approximately 3,500 customized gene editing projects for our clients and self-developed approximately 2,500 gene edited animal and gene edited cell model products.

We have developed powerful gene editing platforms, SUPCE, CRISPR/EGE and ESC/HR, through more than a decade of dedicated research, which serves as our driving force for underlying technological innovations. Since our establishment, we have been providing customized gene editing services based on animals as well as cell lines to meet the needs of basic science research and drug development of our customers. After years of dedicated research and technology accumulation, we have established a mature technology platform and professional service system.

Compared with other common gene editing technologies that can only precisely knocking in DNA fragments less than 30,000 bases at a time using plasmid, our proprietary in-house developed SUPCE technology allows for megabase-scale chromosomal editing, with high stability and reproducibility. Our SUPCE technology is well validated by our RenMice platform, which was successfully developed applying this technology. We achieved full length *in situ* gene replacement for diverse antibodies in RenMice and produced very healthy mice retaining a strong immune system.

We have developed the innovative Extreme Genome Editing, or EGE™, a proprietary system based on the CRISPR/Cas9 gene targeting platform. With its site-specific gene editing, EGE™ is approximately 20-fold more efficient at knocking in DNA fragments compared to CRISPR/Cas9 alone and is ideal for generating various types of genetically engineered mouse/rat and cell models.

We also have well established and consistent Embryonic Stem Cell/Homologous Recombination (ESC/HR) platform enhanced by our accumulated knowhow. We use the principle of homologous recombination to obtain mouse embryonic stem cells that have undergone targeted gene editing. These cells maintain differentiated totipotency and can develop into germ cells of chimeric mice, allowing the genetic information that has been genetically edited to be inherited reproductively, ultimately resulting in a gene-edited mouse model.

Project Integrum (千鼠萬抗): Our unique and innovative large scale antibody drug discovery program

Project Integrum adopts an evidence-based *in vivo* efficacy screening methodology as a novel approach, to concurrently generate and screen antibodies against over 1,000 potential antibody drug targets, most of which have not been explored in clinical trials yet. Among these potential targets, approximately 300 of them have entered into clinical stage. It enables us to rapidly determine the druggability of a target and discover antibodies for novel and/or challenging drug targets with desirable safety and efficacy profiles.

A drug target is a molecule in the body, usually a protein, that is intrinsically associated with a particular disease process and that could be addressed by a drug to produce a desired therapeutic effect. Since the approval of the first monoclonal antibody muromonab in 1986, the FDA and EMA have approved 144 monoclonal antibodies against approximately 60 targets, according to Frost & Sullivan. However, there are more than 1,000 potential antibody drug targets in the human body, most of which are still to be further discovered and explored, according to Frost & Sullivan. The limited understanding of the MOAs of these potential drug targets presents significant challenges to the traditional antibody discovery and screening methodology. In contrast to the traditional approach, we believe Project Integrum significantly accelerates the drug development process. For example, it reduces the time needed from pre-clinical discovery to PCC from an average of 5.5 years to 12-18 months, according to Frost & Sullivan. It saves years of research time and effort traditionally spent on early stage target-by-target research, *in vitro* assay development, target validation, antibody humanization, lead screening and optimization. Most importantly, it has the potential to resolve the challenges of the traditional approach to developing effective and safe antibodies for clinical application.

Project Integrum simplifies the complex drug development process by following the principle of beginning with the end. We intend to knock out each of the over 1,000 potential antibody drug targets one-by-one in our fully-human RenMice platforms to create over 1,000 target knock-out mouse lines, and more than 980 target genes have been knocked out as of the Latest Practicable Date. Each type of such knock-out RenMab mice allows us to generate 400 to 600 antibodies recognizing different epitopes of a given target protein, including antibodies recognizing the conserved epitopes across mouse and human with species cross-reactivity. For

each target, approximately 200 selected antibodies are screened in our extensive disease mouse models to study their efficacy and safety profiles before validating one to two of them in larger animals with spontaneous diseases and entering human clinical trials. As such, Project Integrum ensures that the screened antibody candidates will be of potentially better safety and efficacy profile and have a higher success rate during clinical development.

Project Integrum is both comprehensive and cost effective. It is only made possible by integrating our proprietary gene editing technology, immunoglobulin humanized RenMice, disease animal models, and extensive experimental animal platform and facilities, into one seamlessly-designed workflow. Leveraging such integrated platform, we are able to rapidly and concurrently screen over 1,000 potential antibody drug targets, most of which have not been explored in clinical trials yet, and we aim to complete screening in the next three to five years. We believe that Project Integrum will generate a large number of antibody drug candidates with high possibility of success in clinical studies. Our *in vivo* target screening effort will also provide critical data on different druggable targets and form the foundation for us to further develop bi-specific antibodies, ADCs, bispecific ADCs and other modalities in the future.

Our unique evidence-based *in vivo* antibody discovery and screening methodology has been validated through both our internal drug pipeline and our external partnerships. For example, the preliminary results of our clinical trials for our self-discovered anti-CD40 antibody, which was originally selected based on our *in vivo* efficacy study data, demonstrated a favorable safety and efficacy profile in human. As another example, our drug candidate YH005 has been out-licensed to RemeGen and reached the IND stage.

The large number of high-quality antibodies generated from Project Integrum enable us to pursue a flexible business strategy to either develop internally or seek external partnerships. During the Track Record Period, we signed 17 co-development agreements with biotechnology and pharmaceutical companies including RemeGen, Mabworks Biotech, China Resources Biopharm, Shanghai Institute of Biological Products, North China Pharmaceutical, Dragon Boat Biopharmaceutical, GeneQuantum and Libero Thera Co., Ltd. These co-development collaborations not only bring us substantial short-term and long-term economic returns, but also allow us to leverage partners' clinical and commercial resources to advance the development of the numerous potential antibody drug candidates.

RenMice platforms for generation of a diverse repertoire of fully human antibodies

We have developed RenMice platforms to generate a diverse repertoire of fully human monoclonal antibodies and bi-specific antibodies. Our RenMice platforms are consisted of two fully human transgenic mice lines, namely RenMab and RenLite.

RenMab

Our RenMab platform uses RenMab mice for the discovery and generation of fully human monoclonal antibodies. Our in-house developed RenMab mice are transgenic mice with full human heavy chain variable region and kappa light chain variable region replacement *in situ*. RenMab mice carry the full human immunoglobulin variable region repertoire, which have an intact immune system and are healthy even after gene editing.

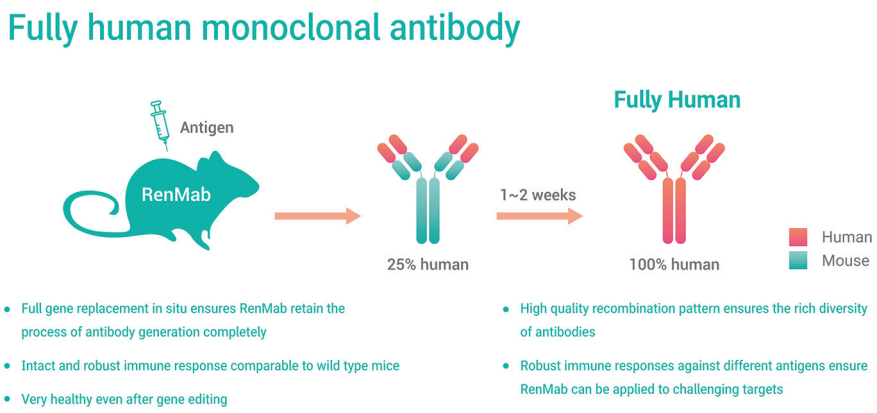
This proprietary, megabase-scale gene editing technology enables the efficient replacement of the entire murine immunoglobulin heavy chain and kappa light chain variable domains (including distal Vk) with the corresponding human immunoglobulin variable domains *in situ*, which leads to the following advantages:

- With the full human heavy and light chain variable region, RenMab mice are able to produce a diverse repertoire of antibodies. This then allows us to optimize and select antibodies with the best specificity and affinity at subnanomolar ranges in the lead antibody screening process.

- Our SUPCE gene editing technology enables entire megabase-scale genes and chromosomes editing with high efficiency and fidelity, while maintaining the integrity of the inserted gene, the host genome environment and other aspects of host immune system. Thus, our RenMab mice exhibit immune response comparable to wild-type mice.

- Our RenMab mice are as healthy as regular wild-type mice, and well suited to knock out drug target genes. These knock-out mice can establish immune response and generate antibodies that bind to diverse epitopes of target protein including epitopes conserved between mouse and human. The knockout mice are an essential building block of our Project Integrum.

According to Frost & Sullivan, our RenMab platform is one of the top three fully human transgenic mice antibody generation platforms globally generated by *in situ* replacement technology, together with VelocImmune from Regeneron and Kymouse from Kymab/Sanofi. The following diagram further illustrates RenMab's advantageous features:



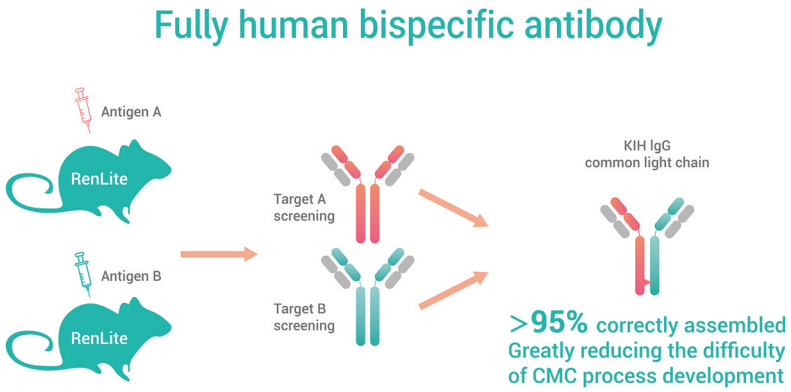
Source: Company data

RenLite

Our RenLite platform uses RenLite mice to produce diverse bi-specific antibodies with high affinity and to generate bi-specific ADCs. In our RenLite mice, the mouse heavy chain antibody gene variable region is replaced with full human heavy chain variable region *in situ*, which results in diversified heavy chain repertoire similar to that of humans. This gene editing ensures the diversity and affinity of immune responses to generate antibodies with desired drug-like properties. In contrast, the kappa chain variable domain has been replaced by a single fixed human common kappa light chain. Presence of the single human common kappa chain ensures light chain complementarity for the future discovery of bi-specific antibodies.

RenLite mice are able to seamlessly resolve the light chain and heavy chain mismatch issues often seen in bi-specific antibody platforms, thereby greatly reducing the difficulty of CMC process development. Our RenLite mice were utilized to generate our YH006 drug candidate, an anti-CTLA-4 and OX40 bi-specific antibody currently at CMC stage.

Such simple bi-specific antibody structural design allows us to explore whether different targets can be combined to generate bi-specific antibodies on a large scale. The following diagram further illustrates RenLite's advantageous features:



Source: Company data

In addition to bi-specific antibodies, our RenLite mice are able to generate antibodies for ADCs and bi-specific ADCs. Our bi-specific ADCs can be used to effectively target two tumor-associated antigens and deliver the payload specifically to tumor cells, overcoming the non-tumor cytotoxicity of traditional ADC drugs.

External License

Our RenMice platforms are highly competitive and well validated through external licenses. During the Track Record Period, we reached license and trial collaboration agreements with 14 well-known multinational pharmaceutical companies and leading pharmaceutical companies such as Innovent (信達生物製藥（蘇州）有限公司) and Xencor, Inc., including 13 license agreements and five trial collaborations. We typically allow our licensees to initiate their projects on our RenMice platforms prior to entering into formal license agreements with them, to provide extra flexibility and efficiency for our licensees. We generally will enter into formal license agreements with our licensees upon the expiry of the trial period if they choose to continue the usage of our RenMice platforms upon completion of the trial period. As of the Latest Practicable Date, the licensees have initiated 31 projects in total, including 22 targets with formal license agreements. See "– Business – Our Antibody Discovery Platform – RenMice Platforms – Customer Base" for further details.

Extensive portfolio of animal models, large-scale animal production and *in vivo* efficacy studies

The combination of our extensive portfolio of animal models and large-scale animal production and *in vivo* efficacy studies has enabled our large-scale *in vivo* antibody discovery and screening for our own internal pipeline and initiatives as well as providing disease animal

models and *in vivo* pharmacology services to biotechnology and large pharmaceutical company clients worldwide. During the Track Record Period, we worked with nine of the top ten largest pharmaceutical companies globally, according to Frost & Sullivan.

At the foundation of our *in vivo* efficacy testing services are a large collection of genetically humanized mouse models for checkpoint inhibitors and cytokine/cytokine receptors, our highly immune-deficient B-NDG mice and their variants, including CDX (cell derived xenograft) models, and engineered cell line models, among others. Using these models, we are capable of providing *vivo* pharmacology services including in vivo efficacy, pharmacokinetics (PK), pharmacodynamics (PD) and biomarker assessments, and pathology and toxicology studies. Complementary to our *in vivo* capabilities, our *in vitro* pharmacology services include immune cell profiling such as tumor infiltrating lymphocytes (TIL) analysis, cytokine profiling, primary T, NK, and macrophage cell-based functional assays. Leveraging our advanced gene editing technologies, we have created a comprehensive set of antibody discovery and disease mouse models worldwide, including more than 2,500 unique gene-edited animal/cell line models.

We have also established model animal production centers, including three animal facilities encompassing a total of approximately 55,500 sq.m., with annual supply capacity of 800,000 genetically edited mice. Our large animal facilities allow us to have a broad set of genetically engineered mice, disease mouse models and aged small animal with a significant cost advantage.

We have also built a dedicated and experienced international pharmacology team in Beijing, Haimen and Boston of over 200 researchers, including 29 Ph.D. and 49 master degree researchers, to support both our internal research and development and client service projects. Our pharmacology team has significant expertise in testing novel therapeutics for immuno-oncology, oncology, autoimmune/inflammatory disease and metabolic disease applications. The team has successfully supported our pharmaceutical and biotech customers in evaluating the efficacy of multiple therapeutic modalities, including monoclonal antibodies, bi-specific antibodies, ADCs, small molecules, CAR-T cell therapy, and oncolytic viruses, and has completed over 500 drug evaluation projects for more than 200 partners globally. We have also successfully assisted our customers in IND applications. Our pre-clinical pharmacology team will continue to deliver high-quality, timely and cost-effective services, provide comprehensive and accurate data, and facilitate drug discovery and development for our customers worldwide.

Seasoned management team with global vision, in-depth know-how, and a proven track record of efficient execution

We have established a corporate culture consisting of empowerment, collaboration, innovation and efficiency. Led by a visionary industry veteran in the sector with proven

entrepreneur and operational leadership and record, we have been well-positioned and prepared to disrupt the existing antibody and drug discovery market, rapidly develop and commercialize drug candidates, and achieve sustainable business growth. In particular, our founder, chairman of the Board and general manager, Dr. Shen Yuelei, has more than 20 years of research experience including in the field of immunology. Dr. Shen found the Company in 2009 after completing his post-doctor program under the guidance of Dr. Dan R. Littman in the New York University School of Medicine.

Our success is also, to a large extent, the result of our management's leadership capabilities and industry experience, which cover all stages of the drug development cycle from early discovery to clinical development and commercialization. Our deputy general manager, Dr. Guo Chaoshe, is experienced in developmental biology, and Dr. Guo's research has been published in JCI, Development, and other highly reputed journals. Our deputy general manager Dr. Lin Qingcong has extensive expertise in biology and gene modification. Our deputy general manager and chief scientific officer Dr. Yang Yi has over 10 years of research experience, and has published a number of papers in top journals such as Nature. Our senior director of antibody discovery Dr. Chen Lei has over 10 years of experience in the industry and worked at Merck & Co. and AbbVie. Our deputy general manager Dr. Yu Zhaoxue has more than 15 years of research and technical experience. Our deputy general manager and chief medical officer Dr. Chen Zhaorong has more than 20 years of experience in the pharmaceutical industry. Our deputy general manager and chief regulatory and strategy officer of the clinical department Dr. Li Zhihong has 15 years of clinical development and review experience in several therapeutic areas including oncology. Dr. Li worked at Pfizer Inc. and the FDA of the United States before joining the Company. Our deputy general manager and chief operating officer of the clinical department Ms. Wang You has more than 15 years of experience in the pharmaceutical industry and worked at IQVIA and Parexel.

OUR STRATEGIES

We will continue to increase our investment in novel drug development. Leveraging our RenMice platform with proprietary IP rights and full-chain drug development platform, we plan to continue to explore monoclonal antibodies, bi-specific antibodies and ADC therapies, with a focus on oncology and autoimmune disease therapeutics, to complete the vital transformation from a R&D-focused biotechnology company to a fully-integrated biopharmaceutical company. We are committed to the discovery, development and commercialization of first-in-class and/or best-in-class antibody therapeutics to address significant unmet medical needs globally. We aim to achieve our goal and mission through the following strategies:

Rapidly advance clinical development to accelerate the commercialization of pipeline products

Leveraging our strong clinical development team and abundant clinical resources, we plan to promote our product pipeline globally to accelerate the commercialization of our drugs. We plan to independently bring two to three innovative drugs to the market in the following four to six years.

YH003 (CD40)

We are conducting a Phase I clinical trial of YH003 in combination with toripalimab in patients with advanced solid tumors, which has reached the primary end-point of the trial with the recommended Phase II dose (RP2D) identified in April 2021. We have initiated a Phase II multi-regional clinical trial (MRCT) in patients with PD-1 refractory unresectable/metastatic melanoma as well as pancreatic ductal adenocarcinoma to explore safety and the efficacy of YH003 in combination with toripalimab in the United States and have completed the dosing of the first patient in Australia in December 2021. We received the IND approval from the FDA in June 2021, the TGA in August 2021 and the NMPA in October 2021.

We are currently conducting a Phase I clinical trial of YH003 as a single agent in China. We intend to apply for orphan drug designation of YH003 in the United States for the treatment of pancreatic cancer.

Depending on the results of the Phase II MRCT, we may file BLAs in the United States and in China in 2024. We will consider whether to further file BLA in Australia according to our business plan.

YH001 (CTLA-4)

We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH001 when combined with toripalimab in patients with advanced

solid tumors, which reached the primary end-point of the trial with the recommended Phase II dose (RP2D) identified in April 2021. We expect to initiate a Phase II MRCT of YH001 in combination with toripalimab for the treatment of advanced NSCLC or HCC in the United States, mainland China, Taiwan and Australia. We have received FDA approval in June 2021 and Taiwan FDA approval in October 2021 for the Phase II clinical trial.

We are conducting a Phase I clinical trial of YH001 as a single agent in China. We intend to apply for orphan drug designation of YH001 in the United States for the treatment of hepatocellular carcinoma.

Depending on the results of the Phase II MRCT, we may be in a position to file BLAs in the United States and in China in 2025. We will consider whether to further file BLA in Australia according to our business plan.

YH002 (OX40)

We are conducting a Phase I clinical trial of YH002 in Australia. We received IND of YH002 from the FDA and the NMPA. In addition, we plan to initiate YH002 dose escalation in combination with YH001 to evaluate the safety, tolerability, preliminary efficacy and pharmacokinetics in patients with advanced solid tumors.

YH004 (4-1BB)

We have initiated a Phase I clinical trial of YH004 in Australia and have completed the dosing of the first patient in December 2021. The Phase I clinical trial is a first in human, multi-center, open-label, Phase I dose escalation study of YH004 as a single agent and YH004 in combination with toripalimab in subjects with advanced solid tumors or relapsed/refractory non-Hodgkin lymphoma. We have also received IND approval from the FDA in October 2021. We have received the approval for the IND applications by the NMPA on January 7, 2022.

We also plan to submit IND applications for our four pre-clinical drug candidates, namely YH008, YH009, YH006 and YH010, in 2022.

We aim to strengthen our clinical team and antibody drug production platform to become a fully-integrated biopharmaceutical company covering the whole chain of drug discovery, pre-clinical research, clinical development, manufacturing and commercialization. We plan to build a clinical development team consisting of 300 to 500 people in the next three to five years, including clinical research, clinical operations, pharmacovigilance, regulatory affairs, biostatistics and data management, CMC and non-clinical and other personnel, to support the global clinical development of our expanding pipeline.

Accelerate Project Integrum with a focus on the discovery of novel and differentiated antibodies

There are more than 1,000 potential targets for antibody drugs, and only approximately 144 drugs against 60 targets are approved by FDA and EMA since 1986. We believe there are huge market potential for the remaining targets to be explored. We plan to take advantage of our RenMab fully-human antibody mouse platform to discover novel and differentiated druggable monoclonal antibodies at scale, continuously expand our product portfolio and strategically promote the subsequent IND filings and clinical development.

We plan to complete the preparation of targets knockout RenMab mice by 2022, based on which we will generate and discover fully-human antibodies cross-reactive to human and mice, and *in vivo* efficacy screening in mice and re-validation in large animals. We plan to complete antibody discovery for over 1,000 potential targets, among which we expect to find PCC antibody molecules for hundreds of targets, within the next three to five years. We believe this target is achievable as we have completed more than 980 knock-out under our Project Integrum as of the Latest Practicable Date, including more than 280 targets entering into antibody immune stage and more than 40 targets entering into the molecular screening stage. We would be able to complete the drug research and development for 200 to 300 potential targets per year with our development capacity. We also intend to promote the IND filing and clinical development of the novel and differentiated antibodies identified in Project Integrum through internal research and development and external partnerships.

Strategically deploy the development of bi-specific antibodies and bi-specific ADC drugs from our RenLite fully-human antibody mouse platform

The development of bi-specific antibodies and bi-specific-antibody drug conjugates (ADC drugs) would be one of the important segments of our business in the future, which we believe present significant efficacy and safety advantages. We plan to achieve their development by leveraging our RenLite fully humanized antibody mouse platform.

As the first step, we intend to complete the preparation of RenLite knockout mice of approximately 60 immune checkpoint targets and over 190 TAA targets, based on which we will generate and discover bi-specific antibodies and bi-specific ADC drug candidates for further development. We will focus our efforts on the development of drug candidates for the treatment of oncology and autoimmune diseases with significant unmet medical needs.

We plan to recruit talents in the field of bi-specific antibodies and ADC drug development to further strengthen and expand our internal research and development capabilities and support the development of our RenLite platform and the pipeline of bi-specific antibodies and ADCs.

We will also further develop the bi-specific antibodies and ADC drugs generated from our RenLite platform through both internal research and development and external partnerships.

Enhance our business development and strengthen global partnerships

We will continue to make efforts to establish partnerships with top pharmaceutical companies in China and around the world. We plan to conduct target-exclusive co-development of antibody drug candidates via Project Integrum where each party can invest resources in areas that they have comparative advantages and share commercial rights. With shared benefits and risks, we are able to maximize our clinical development and commercial capabilities and realize the commercial value of our clinical pipeline.

Through the licensing of our RenMice platform, we aim to establish an international brand name, strengthen the connection with top overseas pharmaceutical companies, and attract more top domestic and overseas pharmaceutical companies for co-development partnerships.

We will also make full use of our technological advantages in drug discovery to seek high-quality partners globally in bi-specific antibodies, ADCs, cell therapies, and continue to enrich our antibody development technology through co-development and technology in-licensing.

We are committed to the strategy of global operations. We plan to attract and recruit more talents in business development and marketing in the coming three to five years, as well as expand our team in the United States, tap into the European and United States markets, and collaborate with global pharmaceutical companies to become a biopharmaceutical company with global influence.

Promote pre-clinical research services through our gene edited animal models as well as Project Integrum, and continue to explore overseas markets

Leveraging our leading gene editing platform, we plan to develop new disease mouse models with various tumors, autoimmune diseases, cardiovascular and cerebrovascular diseases, metabolic diseases, and neurological diseases to provide differentiated *in vivo* pharmacological and pharmacodynamics services to meet the needs of our customers.

Leveraging our large-scale drug discovery capability through Project Integrum, we aim to translate co-development or cooperation into business opportunities. In line with our global expansion strategy, we plan to further expand our facilities and staff based in Boston and strengthen business ties with overseas pharmaceutical companies, especially in pre-clinical pharmacology and efficacy evaluation services. We also intend to continuously expand our overseas CRO business.

Creatively develop new technology platform and initiate a new field of innovative drug research and development

We believe technology is key to our platform and services, and plan to advance our overall technology levels. For example, for the TCR humanized mouse models, we plan to apply them to TCR based therapy, research on the mechanism of immune response and more. For our NKC (Natural Killer Complex) humanized mouse models, we also plan to make them applied to NKC receptor antibody drug screening, and to achieve facilitated multiple antibodies drug development due to the inclusion of multiple immune checkpoints in the NKC gene cluster, which can greatly simplify the process of antibody drug development.

OUR DRUG CANDIDATES

As of the Latest Practicable Date, we had strategically designed and built a highly selective antibody drug pipeline of 12 drug candidates, including four clinical candidates, six pre-clinical stage candidates and two out-licensed candidates. As of the same date, we had four ongoing clinical trials and eight clinical trials planned for initiation. The following table summarizes our pipeline and the development status of each clinical stage drug candidate and selected pre-clinical stage drug candidate as of the Latest Practicable Date.

	Candidate	Target	Combination	Indication	Pre-clinical	IND	Phase I	Phase II	Phase III	Upcoming Milestone	Rights
Clinical-stage Drug Candidates	★ YH003	CD40	PD-1	Melanoma	Global MRCT					2022 Q4 Complete Recruitment	Global
			PD-1	Pancreatic cancer (1L&2L)	Global MRCT					2022 Q4 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Recruitment	
			PD-1+ YH001	Solid tumors	Global MRCT					2023 Q1 Complete Recruitment	
			PD-1	Mucosal melanoma	China					2022 Q3 Patient Recruitment	China
	★ YH001	CTLA-4	PD-1	Non-small-cell lung cancer (NSCLC) (1L)	Global MRCT					2023 Q1 Complete Recruitment	Global
			PD-1	Hepatocellular carcinoma (HCC) (2L)	Global MRCT					2023 Q1 Complete Recruitment	
			Monotherapy	Solid tumors	China					2022 Q2 Complete Site Visit	
			PD-L1	Sarcoma	Global MRCT					2022 Q3 Patient Recruitment	TRACON [1]
	YH002	OX40	Monotherapy	Solid tumors	Australia					2022 Q3 Complete Phase I Trial	Global
			Monotherapy	Solid tumors	China					Launch based on clinical results in Australia	
			YH001	Solid tumors	China/Australia					2023 Q1 Complete Recruitment	
	YH004	4-1BB	PD-1	Hematological malignancies	Australia					2023 Q4 Complete Recruitment	Global
			PD-1	Solid tumors	Australia					2023 Q4 Complete Recruitment	
	YH005-ADC	Claudin18.2-ADC		Solid tumors	Australia						RemeGen 荣昌生物 [2]
Preclinical Drug Candidates	YH008	PD-1/CD40 (bispecific antibody)		Solid tumors	CMC						Global
	YH006	CTLA-4/ OX40 (bispecific antibody)		Solid tumors	CMC						Global
	YH009	RSV		Prevention/ Treatment for RSV infection	CMC						Global
	YH010	PD-L1/IL12		Solid tumors	Discovery						Global
	YH011	PD-L1/ cytokine		Solid tumors	Discovery						启德医药 GeneQuantum Healthcare [3]
	YH012	Bispecific antibody ADC		Solid tumors	CMC						Global
	YH013	Bispecific antibody ADC		Solid tumors	CMC						Global

Notes: ★ Core Product; Co-development; Out-licensing; Oncology; Non-oncology

1. We co-develop YH001 with Tracon for selected indications in the North American regions (the United States, Canada and Mexico) and are entitled to collect double-digit percentage royalties on net sales in North America once commercialized. We remain development/ commercialization rights in regions other than the North American regions.
2. We are entitled to collect licensing fee from RemeGen for the out-license of YH005.
3. We are entitled to collect licensing fee from GeneQuantum for our PD-L1 antibody and co-own the intellectual property rights.
4. Full term of each abbreviation used:

   CD40: Cluster of Differentiation 40
   CTLA-4: Cytotoxic T-Lymphocyte-Associated protein 4
   OX40: also known as TNFRSF4, Tumor Necrosis Factor Receptor Superfamily, member 4
   4-1BB: also known as TNFRSF9, Tumor Necrosis Factor Receptor Superfamily, member 9 PD-1: Programmed Death-1
   RSV: Respiratory Syncytial Virus
   PD-L1: Programmed Death-1 Ligand 1
   IL12: Interleukin 12
   ADC: Antibody Drug Conjugate
   MRCT: Multi-Center Clinical Trial
   CMC: Chemistry, Manufacturing, and Controls
   MRCT: Multi-regional Clinical Trial(s)
   1L: First-line
   2L: Second-line

Source: Company data

Our drug candidates are subject to NDA approval by the relevant authorities, such as the NMPA and the FDA, before commercialization in the relevant jurisdictions. As of the date of this Document, we had not received any material concerns, objections or negative statements raised by the NMPA, the FDA or other relevant authorities that we are not able to address in a timely manner. We believe we are on track to advance the development of our clinical-stage drug candidates as described in "– Our Drug Candidates."

As of the date of this Document, we have out-licensed Claudin 18.2 antibody YH005 to RemeGen to develop a YH005 ADC, which is also known as RC118. RC118 has obtained TGA approval for clinical trials in Australia and is currently under IND application process in China. In addition, we have out-licensed our PD-L1 antibody to GeneQuantum to co-develop YH011, which is a bifunctional molecule for the treatment of solid tumors.

CLINICAL OR IND STAGE CANDIDATES

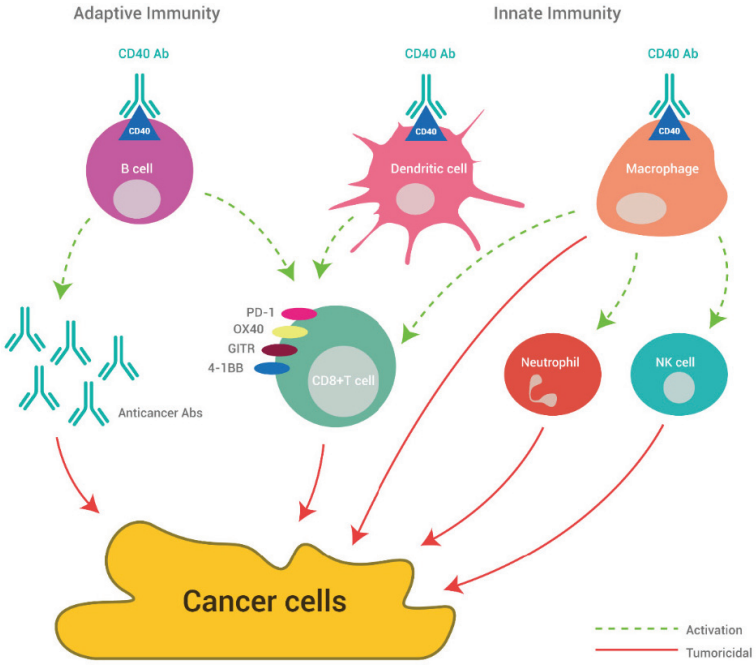
YH003

YH003 is one of our core products. YH003 is a recombinant, humanized agonistic anti-CD40 IgG2 monoclonal antibody (mAb). We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability, efficacy and pharmacokinetics of YH003 in combination with toripalimab in patients with advanced solid tumors, with the RP2D identified in April 2021. Data from the Phase I clinical trial demonstrated a favorable safety and efficacy profile of YH003. We are conducting a Phase II MRCT in patients with PD-1 refractory unresectable/metastatic melanoma as well as pancreatic ductal adenocarcinoma to explore safety and the efficacy of YH003 in combination with toripalimab in mainland China and Australia and have completed the dosing of the first patient in Australia in December 2021. We are also initiating the Phase II MRCT trial in the United States.

Mechanism of Action

CD40 (cluster of differentiation 40), a member of the tumor necrosis factor receptor superfamily (TNFRSF), is expressed on APCs (e.g., dendritic cells, B cells, monocytes), nonimmune cells and tumors. APCs are activated by interacting with the trimeric ligand CD154 on activated T helper cells, which is essential in mediating a variety of immune and inflammatory responses, such as T cell-dependent immunoglobulin class switching, development of memory B cells, and germinal center formation. Agonistic anti-CD40 antibodies have been demonstrated to activate APCs, promote anti-tumor T-cell responses, and stimulate cytotoxic bone marrow cells with the potential to control tumor growth. Furthermore, they have also been demonstrated to activate tumor-killing macrophages and indirectly activate natural killer (NK) cells. Binding of CD40L to CD40 on endothelial cells stimulates the production of cytokines and chemokines, which may promote tumor infiltration by immune cells such as T cells.

Agonistic anti-CD40 IgG2 antibodies are also capable of inducing FcR-mediated cross-linking for CD40. Thus, agonistic anti-CD40 antibodies can produce anti-tumor effects through several different mechanisms of action. CD40 agonists can be used either alone or in combination with other tumor immune drugs, targeted drugs, chemo and radiotherapies.



Source: Company data

Market Opportunity and Competition

According to Frost & Sullivan, the overall annual global CD40-related solid tumor incidence grew from 2.5 million in 2016 to 2.8 million in 2020, representing a CAGR of 2.7%, and is expected to grow to 3.6 million by 2030. Such number in China reached 750.7 thousand in 2020, representing a CAGR of 3.2% from 2016 to 2020, and is expected to reach approximately 1.0 million by 2030.

We will initially develop YH003 for the treatment of melanoma or pancreatic cancer.

- *Melanoma*. Melanoma is the most dangerous form of skin cancer. While represents less than 5% of all skin cancers, Melanoma is related to approximately 80% of skin cancer deaths. The incidence of melanoma is increasing worldwide, especially in white populations, related to an excess of sun exposure. The most typical treatment of Melanoma is radiation therapy and anti-PD1 therapy, according to Frost & Sullivan. In 2020, approximately 324.6 thousand and 7.7 thousand new cases of melanoma were recorded globally and in China, respectively, according to Frost & Sullivan.

- *Pancreatic cancer.* Pancreatic cancer is caused by the abnormal and uncontrolled growth of cells in the pancreas, a large gland of the digestive system. Its symptoms include jaundice, sudden weight loss and digestive problems as early warning signs, and severe upper abdomen or back pain, extreme fatigue and diagnosed diabetes as advanced warning signs. The conventional therapeutic options for pancreatic cancer include surgery, radiotherapy, chemotherapy and interventional therapy. Most of the patients taking certain first-line drugs, such as gemcitabine, have been found to develop drug resistance. In 2020, approximately 495.8 thousand and 112.0 thousand new cases of pancreatic cancer were recorded globally and in China, respectively, according to Frost & Sullivan.

According to Frost & Sullivan, there is no approved or commercialized anti-CD40 antibody globally as of the date of this Document, and all the CD40 antibody candidates are currently in an early phases of development.

The following table presents the status of CD40 antibody candidates as monotherapy at clinical stage globally.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Therapy Type
APX005M	Monoclonal antibody	Apexigen	Unresectable/Metastatic Melanoma	Phase 2	April-2020	Global	Monotherapy
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Monotherapy
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	Monotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced/Metastatic Tumors	Phase 1	Nov-2020	U.S.	Monotherapy
					Oct-2021	China	Monotherapy
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Late-Stage Solid Tumors	Phase 1	Jul-2021	China	Monotherapy
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Monotherapy
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	Monotherapy
RO7300490	Bispecific antibody	Hoffmann-La Roche	Advanced Solid Tumors	Phase 1	April-2021	Global	Monotherapy

Notes:

1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

The following table presents the status of CD40 antibody candidates in combination with other therapies at clinical stage globally.

Drug name	Drug type	Company	Indication	Highest Phase	First Post Date	Location	Combination
YH003	Monoclonal antibody	Biocytogen/ Eucure Biopharma	Unresectable/metastatic melanoma, pancreatic ductal adenocarcinoma	Phase 2	Sep-2021	N/A	Toripalimab (PD-1)
			Advanced Solid Tumors	Phase 1/2	Jul-2020	Australia	Toripalimab (PD-1)
ABBV-927	Monoclonal antibody	AbbVie	Advanced Solid Tumors	Phase 1	Dec-2016	Global	Budigalimab (PD-1)
			Locally Advanced or Metastatic Solid Tumors	Phase 1	Mar-2019	Global	ABBV-368, Budigalimab and/or Chemotherapy
			Metastatic Pancreatic Cancer	Phase 2	Mar-2021	Global	Modified FOLFIRINOX with/without Budigalimab
SEA-CD40	Monoclonal antibody	Seagen	Advanced Tumors	Phase 1	March-2015	U.S.	Pembrolizumab, gemcitabine and nab-paclitaxel
APX005M	Monoclonal antibody	Apexigen	Resectable Esophageal and Gastroesophageal Junction Cancers	Phase 2	May-2017	U.S.	Chemoradiation
			Unresectable or Metastatic Melanoma	Phase 2	April-2020	Global	Radiation therapy
Mitazalimab (ADC-1013)	Monoclonal antibody	Alligator Bioscience	Metastatic Pancreatic Ductal Adenocarcinoma	Phase 1b/2	May-2021	Global	Chemotherapy
LVGN7409	Monoclonal antibody	Lyvgen Biopharma	Advanced Tumors	Phase 1	Nov-2020	U.S.	LVGN3616, LVGN6051 (PD-1, CD137)
CDX-1140	Monoclonal antibody	Celldex Therapeutics	Advanced Tumors	Phase 1	Nov-2017	U.S.	CDX-301(FLT3L), Pembrolizumab
Selicrelumab (RG7876)	Monoclonal antibody	Hoffmann-La Roche	Advanced and/or Metastatic Solid Tumors	Phase 1	Dec-2014	Global	Atezolizumab
			Advanced/Metastatic Solid Tumors	Phase 1	Jan-2016	Global	Vanucizumab Bevacizumab
RO7300490	Bispecific antibody		Advanced Solid Tumors	Phase 1	April-2021	Global	Atezolizumab
NG-350A	Oncolytic adenoviral vector expressing anti-CD40 antibody	PsiOxus Therapeutics	Advanced/Metastatic Epithelial Tumors	Phase 1	Feb-2019	U.S.	A check point inhibitor

Notes:

1. *By October 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*

Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan Analysis

Competitive Advantages

YH003 is a humanized IgG2 agonistic monoclonal antibody targeting CD40, with the following competitive advantages:

Favorable Pre-clinical and Clinical Safety

YH003 demonstrated a favorable safety profile in multiple tumor models. In a humanized non-H2H CD40 MC38 colorectal syngeneic model, YH003 demonstrated no liver toxicity at

the dosage level of 30 mg/k. Based on the preliminary data from the Phase I clinical trial in Australia, YH003 combined with toripalimab was well tolerated up to 1.0 mg/kg dose level with only one DLT (Grade 3 transaminitis) and no drug related SAE or AE leading to death reported. The common drug related AEs were consistent with competing CD-40 antibodies under clinical development.

Anti-tumor Efficacy

YH003 demonstrated strong dose-dependent efficacy in multiple tumor models. In a humanized non-H2H CD40 MC38 colorectal syngeneic model, YH003 demonstrated significant anti-tumor response at the dosage levels 1.0 mg/kg and 3.0 mg/kg without affecting the body weight and resulted in robust and dose-dependent tumor growth inhibition. In addition to monotherapy anti-tumor activities, we observed that YH003 had robust anti-tumor activities in combination with anti-PD-1 monoclonal antibody in pre-clinical studies, and continuous tumor shrinkage was observed for 70 days without additional treatment. Specifically, YH003 produced a synergistic effect with an anti-PD-1 therapy in humanized PD-1/CD-40 B16F10-hPD-L1 melanoma mouse model. These mice received re-inoculation of melanoma tumor cells and remained tumor-free without additional YH003 treatment, indicating development of anti-tumor memory response elicited by YH003 and anti-PD-1 combination.

Summary of Clinical Trial Data

Overview

We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH003 in combination with toripalimab in patients with advanced solid tumors, which reached the primary end-point of the trial with the RP2D identified in April 2021. Preliminary data from the Phase I clinical trial show that YH003 has a favorable safety and efficacy profile. It was determined that the YH003 dose level of 0.3 mg/kg would be the recommended Phase II dose (RP2D) for the subsequent Phase II clinical trials. Based on the encouraging Phase I clinical trial data, we are conducting a Phase II MRCT in patients with PD-1 refractory unresectable/metastatic melanoma as well as pancreatic ductal adenocarcinoma to further investigate efficacy and safety of YH003 in combination with toripalimab.

We had strategically chosen to conduct YH003's Phase I clinical trial in Australia because we have taken into account that (i) the technical requirements, the R&D preparation and standards for conducting and completing the clinical trials in Australia, the United States and mainland China would be substantially the same, and that the development and approval process of assessing the robustness of a product candidate in Australia, the United States and mainland China is comparable with each other; and (ii) not only have the standards and

expertise of TGA been consistently recognized by the international biopharmaceutical community, but also that the approval processes and clinical trials in Australia would be much more time and cost efficient.

Trial Design

The Phase I dose escalation study is conducted in Australia to evaluate the safety, efficacy, tolerability and pharmacokinetics of YH003 in combination with toripalimab in patients with advanced solid tumors. A traditional 3+3 dose escalation design was used to identify maximum tolerated dose (MTD) and/or recommended Phase II dose (RP2D) of YH003 in combination with toripalimab. Patients with advanced solid tumors received YH003 by IV administration Q3W as monotherapy at 0.03 mg/kg, 0.1 mg/kg, 0.3 mg/kg, 1.0 mg/kg and 3.0 mg/kg for the first cycle (21 days), followed by a combination phase where patients received YH003 plus toripalimab (240 mg Q3W). Patients received a median of 3 prior lines therapy (range 1-7). As of the data cut-off date of May 31, 2021, seven of the 17 enrolled patients had received previous immunotherapy (anti-PD-1, anti-PD-L1 or anti-PD-1 and anti-CTLA-4 combination).

Trial Status

We initiated the Phase I clinical trial of YH003 in June 2020 in Australia under the CTN of the TGA. We received the TGA approval for the Phase I clinical trial in July 2020. We are conducting the Phase I clinical trial with the RP2D identified in April 2021 after assessment of four respective dose levels of YH003 combined with toripalimab in advanced solid tumor patients: 0.03 mg/kg, 0.1 mg/kg, 0.3 mg/kg and 1.0 mg/kg.

Safety Data

As of the May 31, 2021 data cut-off date, 17 patients were enrolled and treated with YH003 at 0.03 mg/kg (n=3), 0.1mg/kg (n=3), 0.3mg/kg (n=3) and 1.0 mg/kg (n=8). Among the 17 patients evaluated, two patients experienced Grade 3 drug related adverse events (TRAEs), eight had Grade 2 AEs including one Grade 2 increased amylase at 0.1 mg/kg dose level related to toripalimab, one Grade 2 hepatitis at 0.3 mg/kg dose level related to YH003 and toripalimab and six infusion reactions at 1.0 mg/kg dose level related to YH003. One Grade 3 TEAE (Transaminitis) related to YH003 was reported at 1.0 mg/kg dose level which led to permanent treatment discontinuation and met protocol defined DLT criteria and one Grade 3 TEAE (lipase increase) was reported at 0.1 mg/kg dose level which was only related to toripalimab. No drug related SAE and AE leading to death occurred.

Efficacy Data

Among nine patients assessable for response, there were three SD (one with Merkel cell carcinoma, one with NSCLC and one with gastroesophageal cancer) and one PR (with

refractory melanoma previously treated with anti-PD-1 antibody/anti-CTLA-4 antibody). Three patients who had prior immunotherapy benefit from study drug with SD and PR. On July 16, 2021, a second PR was reported in a patient with NSCLC after receiving the treatment for 10 weeks. Based on current efficacy data, YH003 combined with toripalimab has shown encouraging anti-tumor activity and may provide an option for patients resistant to immunotherapies.

PK Data

YH003 serum concentrations from eight patients, treated with repeated intravenous infusions of 0.03 mg/kg, 0.1 mg/kg, 0.3 mg/kg and 1.0 mg/kg, were used for the preliminary PK analysis. In the dose range of 0.1 to 1.0 mg/kg, YH003 exhibited more than dose-proportional PK, which is indicated by reduced systemic clearance and reduced volume of distribution at higher dose levels

Clinical Development Plan

We submitted an IND application to the FDA and the NMPA for the Phase II MRCT in May 2021 and August 2021, respectively. We are initiating a Phase II MRCT of YH003 in the United States and have completed the dosing of the first patient in Australia in December 2021. We received the IND approval from the FDA in June 2021, the TGA in August 2021 and the NMPA in October 2021. We are applying for IND/CTN approval from the Taiwan FDA.

The Phase II MRCT is an open-label, multicenter trial with the objective to assess the antitumor activity of YH003 in combination with toripalimab in subjects with unresectable or metastatic melanoma or pancreatic ductal adenocarcinoma. The primary endpoint of the Phase II clinical trial is the ORR by investigator's assessment according to the response evaluation criteria in solid tumors (RECIST) v1.1. The secondary endpoints of the Phase II clinical trials are to evaluate the safety and tolerability of YH003 by monitoring the level of AEs as per NCI CTCAE v5.0. and PK parameters. We expect to commence (first subject in) the Phase II MRCT in mainland China and the United States in the first half of 2022.

We are initiating its Phase I dose escalation clinical trial of YH003 in mainland China to explore the safety, tolerability and PK of YH003 in Chinese population and to bridge the ethnic group difference. We received the IND approval of the Phase I clinical trial from the NMPA in May 2021.

In addition, we plan to apply for a Phase I dose escalation trial in Australia to evaluate the safety, tolerability, preliminary efficacy and pharmacokinetics of YH001 and YH003 in combination with toripalimab in patients with advanced solid tumors. We will also further explore the expansion of YH003 for the treatment of other solid tumor indications.

Communications with Competent Authorities

After reviewing the IND application materials, the FDA requested the Company to provide further information in relation to its Phase I clinical trial of YH003 in Australia. The purposes of obtaining these additional information was to evaluate the clinical practice in the Phase I clinical trial and provide clinical data already obtained by the Company in greater detail to support the Phase II clinical trial in the United States. The Company has provided all the requested information to the FDA before the grant of the IND approval. In addition, the FDA informed the Company its proposed revisions to the protocol of the Phase II clinical trial and informed consent form (ICF) of YH003 (the "Proposed Revisions"). The Proposed Revisions focused on the protocol and ICF of the Phase II clinical trials regarding drug administration and preparation procedures of YH003 to ensure consistent delivery to patients, immunogenicity sampling, disclosure of risk factors, analysis plan and proposed dosage of YH003 to be used in the Phase II clinical trial. After the Company submitted the revised IND materials that has taken up the Proposed Revisions, the FDA granted the IND approval of the Phase II MRCT trial of YH003 in the United States and did not require the Company to conduct any additional work or impose any other condition before the commencement of its Phase II clinical trial in the United States. The grant of IND approval by the FDA for the Company to commence the Phase II clinical trial of YH003 in the United States demonstrates that the Phase I clinical trial of YH003 in Australia is accepted and regarded as comparable to a completed Phase I clinical trial in the United States by the FDA. It is common practice that a foreign clinical trial being accepted by the FDA provided that the trial meets certain criteria as set out by the FDA. The FDA will accept a well-designed, well conducted, non-IND foreign study as support for an IND if the study meets certain criteria, including that (i) the study was conducted in accordance with ICH GCP and (ii) if the FDA is able to validate the data from the study through an onsite inspection, if necessary. The ICH GCP Guidelines have been incorporated by reference in the Therapeutic Goods Regulations 1990 in Australia, and therefore compliance with the ICH GCP Guidelines is a prerequisite for approval for conducting a clinical trial in Australia. The FDA would also be able to validate the data from the Phase I clinical trial of YH003 in Australia through an onsite inspection if it deems necessary.

After reviewing the IND application materials, the NMPA granted the IND approval of conducting YH003 Phase II trial in China. In its approval letter, the NMPA provided recommendations to the trial design and the clinical development plan, which the Company will follow. The Company believes that this demonstrated that the Phase I clinical trial of YH003 in Australia is accepted and regarded as comparable to a Phase I clinical trial conducted in China by the NMPA and that the NMPA does not require the Company to conduct any additional work or impose any other condition before the commencement of its Phase II clinical trial in China.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET YH003 SUCCESSFULLY.

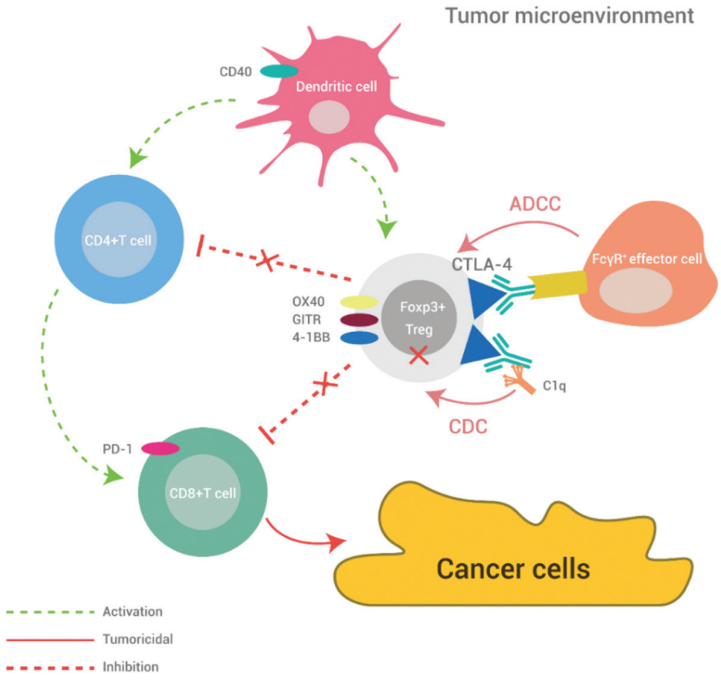
YH001

YH001 is one of our core products. YH001 is a recombinant humanized anti-CTLA-4 IgG1 monoclonal antibody. We are conducting a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH001 when combined with toripalimab in patients with advanced solid tumors, with the RP2D identified in April 2021. Pre-clinical and clinical data also demonstrate robust anti-tumor activities of YH001 in combination with toripalimab. Preliminary data from the Phase I clinical trial show a favorable safety and efficacy profile of YH001.

Mechanism of Action

CTLA-4 was the first immune checkpoint modulator to be clinically targeted. Normally, after T-cell activation, CTLA-4 is upregulated on the plasma membrane where it serves to downregulate T-cell function through a variety of mechanisms, including preventing co-stimulation by outcompeting CD28 for its ligand and also by inducing T-cell cycle arrest. Through these mechanisms and others, CTLA-4 has an essential role in maintaining normal immune homeostasis.

YH001 is a recombinant humanized anti-CTLA-4 IgG1 monoclonal antibody that specifically binds to human CTLA-4. Binding of YH001 to CTLA-4 blocks the interactions of CTLA-4 with CD80 and CD86 and release the ligands to CD28. As a result, CD28-dependent T cell stimulation and overall T cell-mediated immune response against tumors are enhanced. Moreover, YH001 can mediate effector functions including both antibody-dependent cell-mediated cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC) to eliminate CTLA-4 expressing cells, particularly Treg cells in human peripheral blood mononuclear cells (PBMC).



Source: Company data

Market Opportunity and Competition

As of the date of this Document, Ipilimumab (Yervoy) is the only marketed CTLA-4 antibody. Yervoy was approved as a monotherapy and as part of the combination therapy in melanoma and in RCC in the United States. From 2012 to 2020, the global sales revenue of Yervoy increased from US$706 million to US$1,682 million, according to Frost & Sullivan. The use of Yervoy has been limited due to its toxicity. According to Frost & Sullivan, the most common severe immune-mediated adverse reactions of Yervoy include enterocolitis, hepatitis, dermatitis (including toxic epidermal necrolysis), neuropathy, and endocrinopathy. The recent trend in the oncology area is to discover combination therapies for checkpoint inhibitors.

Due to the commercialization of a few CTLA-4/PD-1 combination therapies since the approval of Yervoy, the size of the global CTLA-4 antibody market (by sales) increased from US$1.1 billion in 2016 to US$1.7 billion in 2020 at a CAGR of 12.4%, and is expected to further increase to US$4.6 billion in 2025 at a CAGR of 22.4%, according to Frost & Sullivan. In China, Yervoy as the first CTLA-4 antibody drug was approved in June 2021 and the market size is expected to increase from RMB0.1 billion in 2022 to RMB3.8 billion in 2025, according to Frost & Sullivan.

The following tables set forth global competition landscape of anti-CTLA-4 mAbs in clinical trial stage, according to Frost & Sullivan:

Innovative Anti-CTLA-4 mAbs

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
Tremelimumab (CP-675206)	AstraZeneca	SCLC	Phase 3	Oct-2018	Global	Durvalumab (PD-L1)
		Advanced Urothelial Cancer	Phase 3	Sep-2018	Global	Durvalumab (PD-L1)
		HCC	Phase 3	Oct-2017	Global	Durvalumab (PD-L1)
		Pediatric Malignancies	Phase 1/2	Feb-2019	Global	Durvalumab (PD-L1)
		Advanced NSCLC	Phase 3	Apr-2018	China	Platinum-based Chemotherapy
		Advanced SCLC	Phase 3	May-2018	China	Platinum-based Chemotherapy
Quavonlimab	MSD/Eisai	Advanced Clear Cell RCC	Phase 3	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
	MSD	Advanced HCC	Phase 2	Feb-2021	Global	Pembrolizumab (PD-1), Lenvatinib
		MSI-H/dMMR Advanced CRC	Phase 2	May-2021	Global	Pembrolizumab (PD-1)
YH-001	Biocytogen/ Eucure Biopharma	HCC, NSCLC	Phase 2		Global	Toripalimab (PD-1)
		Advanced Solid Tumor	Phase 1	Apr-2020	Australia	
		Advanced Solid Tumor	Phase 1	Dec-2020	China	
BMS-986218	Bristol-Myers Squibb	Advanced Tumor	Phase 1/2	Apr-2017	Global	Nivolumab (PD-1)
BMS-986249		Advanced Solid Tumor	Phase 1/2	Dec-2017	Global	Nivolumab (PD-1)
AGEN1181	Agenus	Advanced Tumor	Phase 1/2	Mar-2019	U.S.	AGEN2034 (PD-1)
AGEN1884		Cervical Cancer	Phase 1/2	Apr-2018	Global	AGEN2034 (PD-1)
HBM4003	Harbor BioMed	Advanced Solid Tumor	Phase 1	Oct-2019	Global	
		NSCLC	Phase 1	Apr-2021	China	PD-1
		Advanced Melanoma	Phase 1	Dec-2020	China	Toripalimab (PD-1)
Nurulimab (BCD-145)	Biocad	Melanoma	Phase 1	Mar-2018	Russia	
ONC-392	OncoC4	Advanced Solid Tumor	Phase 1	Oct-2019	U.S.	Pembrolizumab (PD-1)
KN044	Alphamab	Advanced Solid Tumor	Phase 1	Jun-2019	China	
ADG126	Adagene	Advanced/Metastatic Tumor	Phase 1	Nov-2020	Australia	
ADG116		Advanced Solid Tumor	Phase 1	Aug-2020	Australia	
				Oct-2019	U.S.	

Ipilimumab Biosimilars

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
IBI310	Innovent	Acral Melanoma after Surgery	Phase 3	Feb-2020	China	Sintilimab (PD-1)
		Advanced HCC	Phase 3	Jan-2021	China	Sintilimab (PD-1)
		Advanced Cervical Cancer	Phase 2	Oct-2020	China	Sintilimab (PD-1)
HL06	Hualan Genetic Engineering	Unresectable/Metastatic Melanoma	Phase 1/2	Sep-2019	China	
CS1002	CStone Pharmaceuticals	Advanced Solid Tumor	Phase 1	Dec-2019	China	
		Advanced Solid Tumor	Phase 1	May-2018	Austrilia	CS1003 (PD-1)
MV049	Mab-Venture Biopharm	Advanced Solid Tumor	Phase 1	Jul-2019	China	

1. *By July 2021*
2. *Location marked as "Global" if the trial is conducted in multiple countries.*
3. *BMS-986249 is a probody of Ipilimumab*
4. *HBM4003 is a heavy chain antibody, KN044 is a single domain Fc fusion protein.*

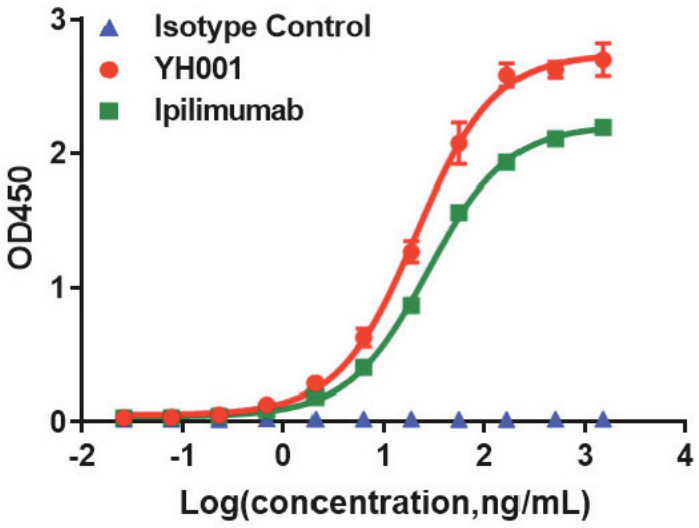
Source: ClinicalTrials, CDE, Company Information, Frost & Sullivan

Competitive Advantages

YH001 is a humanized anti-CTLA-4 IgG1 monoclonal antibody, with the following competitive advantages:

High Binding Affinity for CTLA-4 and Strong ADCC Activity

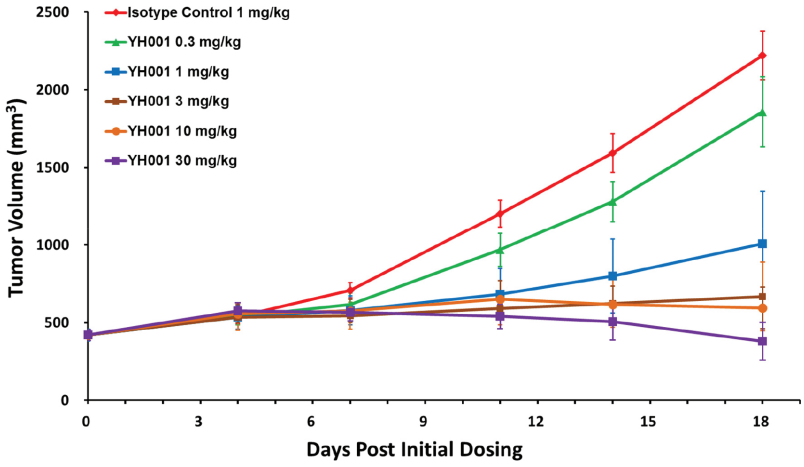
As shown in the table below, non-H2H in vitro studies have shown that the binding affinity of YH001 for CTLA-4 is high. This high binding affinity allows YH001 to bind tightly to CTLA-4 and block CTLA-4 function. YH001 can also mediate effector functions including both antibody-dependent cell-mediated cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC) to eliminate CTLA-4 expressing cells, particularly Treg cells.



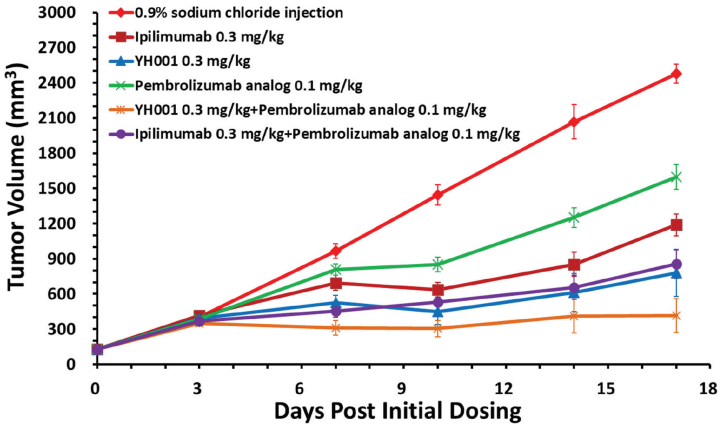
Source: Company data

Pre-clinical and Clinical Anti-tumor Efficacy

As shown in the table below, YH001 demonstrated strong dose-dependent efficacy in multiple tumor models. In a humanized CTLA-4 MC38 colorectal syngeneic model, YH001 demonstrated significant anti-tumor response at the dosage levels ≥ 1.0 mg/kg without affecting the body weight. In addition, YH001 in combination with pembrolizumab demonstrated stronger anti-tumor activities than YH001 alone.



Source: Company data



Source: Company data

The preliminary data from the Phase I clinical trial in Australia demonstrated encouraging anti-tumor responses. As of the data cut-off date of May 31, 2021, among 15 patients assessable for response, there were one PR and eight SD. Nine patients who had prior immunotherapy benefit from study drug with SD and PR. Based on currently available data and reported data of competing CTLA-4 antibodies marketed or under clinical development, YH001 combined with toripalimab has shown superior safety profile and encouraging anti-tumor activity, and may provide an viable option for patient resistant to immunotherapies.

Favorable Pre-clinical and Clinical Safety

The preliminary data from the Phase I clinical trial show that YH001 has a favorable safety profile. YH001 was well tolerated by all tumor-bearing mice tested at concentrations up to 30 mg/kg, as measured by body weight and lack of clinical signs. *In vivo* toxicology studies in cynomolgus monkeys showed that YH001 was well tolerated with a single dose up to 98 mg/kg. As of the data cut-off date of May 31, 2021, no study drug related SAEs, Grade 3 or above drug-related AEs or AEs leading to treatment discontinuation were reported, which enable continuous dosing and is expected to benefit patients in treatment efficacy.

Summary of Data from Phase I Clinical Trial in Australia

Overview

We received the TGA approval for the Phase I trial in April 2020 and we initiated a Phase I clinical trial in Australia to evaluate the safety, tolerability and pharmacokinetics of YH001 when combined with toripalimab in patients with advanced solid tumors in April 2020, which reached the primary end-point of the trial with the RP2D identified in May 2021. Preliminary data from the Phase I clinical trial show that YH001 has a favorable safety and efficacy profile. Based on the encouraging Phase I clinical trial data, a Phase II MRCT will be conducted in patients with advanced NSCLC or HCC to further investigate efficacy and safety of combination of YH001 and toripalimab.

We had strategically chosen to conduct YH001's Phase I clinical trial in Australia because we have taken into account that (i) the technical requirements, the R&D preparation and standards for conducting and completing the clinical trials in Australia, the United States and mainland China would be substantially the same, and that the development and approval process of assessing the robustness of a product candidate in Australia, the United States and mainland China is comparable with each other; and (ii) not only have the standards and expertise of TGA been consistently recognized by the international biopharmaceutical community, but also that the approval processes and clinical trials in Australia would be much more time and cost efficient.

Trial Design

The first-in-human Phase I trial is a multicenter, open-label, dose-escalation study in Australia, to evaluate the safety, tolerability and pharmacokinetics of YH001 in combination with toripalimab in subjects with advanced solid tumors. Subjects with advanced solid tumors received YH001 by IV administration at 0.05 mg/kg, 0.1 mg/kg, 0.3 mg/kg, 1.0 mg/kg, 2.0 mg/kg, 4.0 mg/kg and 6.0 mg/kg for one cycle (21 days) then in combination with toripalimab at 240 mg Q3W for four cycles. In the opinion of the investigator, the subject may continue to receive the study drug for up to one year, if the patient benefit form the treatment. An initial accelerated titration followed by the standard 3+3 design was utilized to evaluate safety, tolerability and preliminary efficacy. This study has a run-in phase to explore the safety and tolerability of YH001 as a single agent for 21 days as a DLT observation period then followed by a combination phase to further explore the safety and tolerability of YH001 combined with toripalimab for each dose level during dose escalation.

Trial Status

The trial is currently ongoing. It was determined that the YH001 dose level of 1.0 mg/kg plus toripalimab does level of 240 mg would be the RP2D for the subsequent Phase II clinical

trials. As of the data cut-off date of May 31, 2021, dose escalation is ongoing at a dose level of 2.0 mg/kg, 16 patients were enrolled and treated at 0.05 mg/kg (n=2), 0.1 mg/kg (n=3), 0.3 mg/kg (n=3), 1 mg/kg (n=5) and 2 mg/kg (n=3). All patients enrolled progressed after a median of two prior lines of available standard therapy including three patients who progressed after immunotherapy of anti-PD-1 antibody.

Safety Data

As of the data cut-off date of May 31, 2021, there were no dose limiting toxicities (DLT) observed at the dosage of 0.05 mg/kg, 0.1 mg/kg , 0.3 mg/kg , 1.0 mg/kg and 2.0 mg/kg , respectively. No drug-related SAEs, no Grade 3 or above drug-related AEs and AEs leading to treatment discontinuation were reported. 24 drug related AEs observed in 12 subjects were all Grade 1/2 events, including eight Grade 2 AEs (one maculopapular rash, one hypothyroidism, five infusion reaction, and one transaminases increased), and 16 Grade 1 AEs which mainly included rash, fatigue, hyperthyroidism, pruritis and diarrhoea.

Efficacy Data

As of the data cut-off date of May 31, 2021, among the 15 subjects having imaging tumor assessment by RECIST v1.1, there were one PR which occurred at 0.3 mg/kg with gastroesophageal junction cancer; and eight SD, including two tongue cancer at 0.05 mg/kg and one mg/kg group respectively, two nasopharyngeal carcinoma at 0.1 mg/kg and 1.0 mg/kg group respectively, one uterus leiomyosarcoma at 0.3 mg/kg group, one NSCLC at 1.0 mg/kg group, one colon carcinoma at 1.0 mg/kg group, one urothelial carcinoma at 2.0 mg/kg group. In July 2021, a second PR patient was reported after receiving the study treatment for 15 weeks.

PK Data

Overall, in study YH001002, after an IV infusion, the serum concentration of YH001 reached its peak level at the end of infusion, followed by a bi-exponential decline across the dose levels of 0.05 to 1.0 mg/kg. The systemic clearance was approximately 35-45 ml/hr. The average half-life was approximately 170-300 hours (or 7-12.5 days).

Summary of Data from Phase I Clinical Trial in China

Overview

We are conducting a multicenter, open-label, single-arm Phase I study of YH001 as a single agent in patients with advanced solid tumors in China. Preliminary data from the Phase I clinical trial show that YH001 has a favorable safety and efficacy profile.

Trial Design

An initial accelerated titration dose followed by a traditional 3+3 dose escalation design was be utilized to identify MTD and/or RP2D. The dose-limiting toxicity (DLT) observation period is defined as the first cycle (21 days). All subjects will have cleared the DLT evaluation period at any given dose level before subjects are allowed to enroll at the next higher dose level. A single subject is enrolled at the 0.3 mg/kg dose level. Three to six subjects will be enrolled at subsequent dose levels of 1.0 mg/kg, 2.0 mg/kg, 4.0 mg/kg and 6.0 mg/kg.

Trial Status

As of the data cut-off date of May 31, 2021, dose escalation is ongoing at dose level of 4.0 mg/kg, eight patients were enrolled and treated at 0.3 mg/kg (n=1), 1.0 mg/kg (n=3), 2.0 mg/kg (n=3) and 4.0 mg/kg (n=1). All subjects in this study had experienced disease progression after at least one line of anti-cancer treatment, including six subjects progressed after immunotherapy of anti-PD-1 antibody.

Safety Data

As of the data cut-off date of May 31, 2021, there were no dose limiting toxicities observed at the dosage of 0.3 mg/kg, 1.0 mg/kg, 2.0 mg/kg and 4.0 mg/kg, respectively. No drug-related SAEs, no Grade 3 or above drug-related AEs and AEs leading to treatment discontinuation were reported. 21 drug related AEs observed at five subjects were all Grade 1/2 events, including two Grade 2 drug related AEs (one anemia and one rash occurred) and 19 Grade 1 drug related AEs.

Efficacy Data

As of the data cut-off date of May 31, 2021, among the six patients having imaging tumor assessment by RECIST v1.1, there was one SD, occurred at 0.3 mg/kg at week six tumor assessment in a patient with colon cancer. This patient had received four cycles (84 days) treatment of YH001 and discontinued treatment due to disease progression.

Clinical Development Plan

We expect to initiate a Phase II MRCT of YH001 in combination with toripalimab for the treatment of advanced NSCLC or HCC in the United States, mainland China, Taiwan and Australia. We submitted the IND application to the FDA in May 2021. We received FDA approval in June 2021 and Taiwan FDA approval in October 2021 for the Phase II clinical trial.

The Phase II MRCT is designed to be open-label, multi-center studies of YH001 in combination with toripalimab in human subjects with advanced NSCLC or HCC. The primary objective of the Phase II clinical trial of YH001 is to assess the anti-tumor activity of YH001 in combination with toripalimab in subjects with advanced NSCLC or HCC. The secondary objectives for the Phase II clinical trial of YH001 is to (i) assess the safety and tolerability of YH001 in combination with toripalimab in subjects with advanced NSCLC or HCC, (ii) assess other anti-tumor activity of YH001 in combination with toripalimab, (iii) assess the immunogenicity of YH001 in combination with toripalimab, and (iv) characterize the PK profiles of YH001 in combination with toripalimab. We expect to commence (first subject in) the Phase II clinical trial in Taiwan in the first quarter of 2022, the Phase II clinical trial in the United States in the second quarter of 2022, and commence the Phase II clinical trial in mainland China and Australia in the first half of 2022 respectively.

We will also explore the expansion of YH001 in combination of anti-PD-1 antibodies for the treatment of other solid tumor indications. In addition, we intend to conduct a clinical trial of YH001 in combination with YH002 in patients with advanced solid tumors in China and Australia. Moreover, we plan to initiate a Phase I dose escalation in Australia to evaluate the safety, tolerability, preliminary efficacy and pharmacokinetics of YH001 and YH003 in combination with toripalimab in patients with advanced solid tumors. We will also further explore the expansion of YH001 for the treatment of other solid tumor indications.

Communications with Competent Authorities

After reviewing the IND application materials, the FDA granted the IND approval of the Phase II trial in the United States which is not subject to any condition. The grant of IND approval by the FDA for the Company to commence the Phase II clinical trial of YH001 in the United States demonstrates that the Phase I clinical trial of YH001 in Australia is accepted and regarded as comparable to a completed Phase I clinical trial in the United States by the FDA. It is common practice that a foreign clinical trial being accepted by the FDA provided that the trial meets certain criteria as set out by the FDA. The FDA will accept a well-designed, well conducted, non-IND foreign study as support for an IND if the study meets certain criteria, including that (i) the study was conducted in accordance with ICH GCP and (ii) if the FDA is able to validate the data from the study through an onsite inspection, if necessary. The ICH GCP Guidelines has been incorporated by reference in the Therapeutic Goods Regulations 1990 in Australia, and therefore compliance with the ICH GCP Guidelines is a prerequisite for approval for conducting a clinical trial in Australia. The FDA would also be able to validate the data from the Phase I clinical trial of YH001 in Australia through an onsite inspection if it deems necessary.

Collaboration with TRACON Pharmaceuticals

On October 8, 2021, we entered into an exclusive license agreement (the "Tracon Agreement") with TRACON Pharmaceuticals ("Tracon") concerning the development and

commercialization of YH001, in the regions of United States, Canada and Mexico (the "Tracon Territories") and in the field of sarcoma, microsatellite stable colorectal cancer (mssCRC), renal cell carcinoma (RCC), K-ras positive non-small cell lung cancer (K-ras NSCLC) (the "Tracon Field") only. Tracon is a Delaware incorporated clinical stage biopharmaceutical company focused on the development and commercialization of novel targeted cancer therapeutics, and is a Nasdaq listed company (NASDAQ: TCON).

Pursuant to the Tracon Agreement, Tracon received an exclusive, non-transferable, royalty-bearing license, in the Tracon Territories, for the development and commercialization of YH001 in the Tracon Field. Tracon will owe us escalating tiered royalties ranging from the 25% to the 40% (excluding the first calendar year following the first commercial sale of YH001, in which year the escalating tiered royalties range from 10% to 40%) on net sales from the Tracon Territories and a one time launch success milestone payment of US$9 million if the net sales for YH001 in the Tracon Territories in the first full calendar year following first commercial launch exceeds US$100 million. Net sales refer to the gross amounts invoiced for sales or other dispositions of YH001 by Tracon or any of its affiliates to third parties, less reasonably occurred deductions such as costs of freight, insurance and government charges. Tracon is obligated to make royalty payments quarterly, and on a region-by-region basis beginning with the first commercial sale of YH001 in such region and continuing until the latest of: (i) expiration of the last to expire of the patents of YH001 or its use in the Tracon Field in such country, (ii) expiration of marketing or regulatory exclusivity for YH001 in such country, and (iii) ten years from first commercial sale of YH001 in such country. In addition, Tracon will bear the costs of the clinical trials in the Tracon Territories.

We remain the sole owner of all rights, title and interests in and to YH001, and will continue to have the sole rights in relation to and be solely responsible for the preparation, filing, prosecution and maintenance of YH001 related patents and other intellectual property rights. We will co-own inventions, exclusive of certain development data, that are specific to YH001 or its use and are generated in connection with the development of YH001 in the Tracon Field and collaborative territories by or on behalf of Tracon and its affiliates during the collaboration term. Tracon agreed to indemnify us regarding losses as a result of any claims arising out of their research, development, manufacture, use, handling, storage, sale or other disposition of YH001 by Tracon. Regarding the quality assurance and safety of products (the "Tracon Product") developed within the Tracon Field in the Tracon Territories, we only responsible for the (i) 60% remaining shelf life based on reasonably expected shelf-life, (ii) 12 months of shelf life, (iii) comply with the specification and manufactured, tested under applicable laws and regulations and not be adulterated or misbranded.

The Tracon Agreement effective from October 8, 2021 and, unless earlier terminated, shall remain in effect until the earlier of the date that cease development and commercialization of YH001; or on a country-by-country basis, the expiration of the royalty term in such country. In the event the agreement expires in such country, the licenses granted shall become non-exclusive, perpetual and fully paid-up in such country.

Our collaboration with Tracon may be terminated upon: (i) a party's material breach of the Tracon Agreement, (ii) the medical risk/benefit of YH001 is so unfavorable that it would be incompatible with the welfare of patients to develop or commercialize YH001, (iii) our refusal to expand the Tracon Field for certain other indications in the Tracon Territories only upon the satisfaction of certain conditions, and (iv) bankruptcy or insolvency related events of a party.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET YH001 SUCCESSFULLY.

YH002

YH002 is a recombinant humanized IgG1 antibody that targets the human OX40 receptor (TNFRSF4). The specificity, potency, and anti-cancer efficacy of YH002 have been demonstrated in a comprehensive panel of pre-clinical studies. The totality of pre-clinical data supports progression of YH002 in combination of YH001 into clinical studies in adult subjects with locally advanced or metastatic solid tumors. We are currently conducting a first-in-human (FIH), multicenter, open-label, Phase I dose-escalation study in Australia to evaluate the safety, tolerability, and pharmacokinetics and determine the MTD/RP2D of YH002 in subjects with advanced solid malignancies. Preliminary data from the Phase I trial have demonstrated a favorable safety profile of YH002.

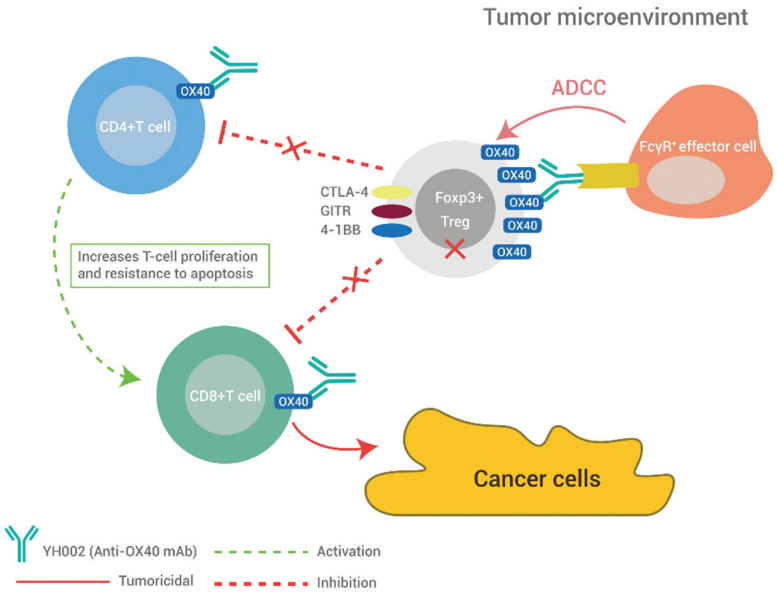
Mechanism of Action

OX40, also known as tumor necrosis factor receptor superfamily (TNFRSF) 4 or CD134, is a critical co-stimulator of T cell responses. OX40 forms a trimer and is activated by its cognate ligand OX40L, which is a membrane-bound trimeric protein that activates the OX40 signaling through a typical receptor clustering mechanism. Under the clustering mechanism, higher expression level of OX40L in antigen-presenting cells can form higher-order cluster of OX40 receptors, which mediates a stronger signal transduction leading to potent activation of T cells. Clustering of OX40 induces a downstream signaling cascade through recruitment of tumor necrosis factor (TNF) receptor-associated factor (TRAF2 and TRAF5), which in turn activates the downstream transcriptional factors and kinase including nuclear factor kappa-light-chain-enhancer of activated B cells (NF-κB), phosphoinositide 3-kinase (PI3K), and protein kinase B (AKT). Activation of these signaling pathways leads to upregulation of anti-apoptotic genes and prolonged survival of T cells.

OX40 is not expressed on naïve immune cells. Instead, OX40 is transiently expressed in both CD4+ T cells and CD8+ T cells after T-cell receptor engagement. Subsequent OX40 ligation on activated T cells potentiates TCR signaling, promotes proliferation, survival, and effector cytokine production, and prevents T cell tolerance. In addition, OX40 plays an important role in memory T cell formation. Furthermore, activation of OX40 can suppress the

production and secretion of immune inhibitory cytokines by Treg cells, including transforming growth factor ß (TGF-ß) and interleukin-10 (IL-10). Suppression of all these immune inhibitory signals substantially enhances anti-tumor immune response, especially in the tumor microenvironment.

Anti-tumor activity of OX40 agonists has been explored intensively in animal tumor models. Control of tumor growth has been observed in pre-clinical tumor models with OX40L-Fc-fusion proteins or agonistic OX40 antibodies. This effect correlated with increased activity of CD4+ and CD8+ T effector cells and also with loss of Treg suppression or depletion of Tregs. Based on these nonclinical results, OX40 agonists are currently being evaluated in several clinical trials, either as monotherapy or in combination with other immunomodulation agents.



Source: Company data

Market Opportunity and Competition

According to Frost & Sullivan, the research pipeline indications of OX40 mAbs mainly include soft tissue sarcoma and small cell lung cancer. In 2020, the aggregate number of soft tissue sarcoma and small cell lung cancer was approximately 516.3 thousand globally, and such number is expected to reach approximately 670.0 thousand in 2030. Aggregate soft tissue sarcoma and small cell lung cancer incidence number in China reached 183.1 thousand in 2020, and is expected to reach approximately 246.2 thousand in 2030, according to Frost & Sullivan.

Soft tissue sarcoma refers to a group of malignant tumors derived from non-epithelial extra-osseous tissues, excluding the reticuloendothelial system, glial cells, and supporting

tissues of various parenchymal organs. It is the only tumor of mesodermal origin, characterized by soft tissue masses in the limbs. The etiology of soft tissue sarcoma is still unclear, with complicated pathological type and obvious tumor heterogeneity. Clinical diagnosis difficulties and limited marketed drugs make treatment of soft tissue sarcoma challenging. Small cell lung cancer refers to all types of epithelial lung cancer other than non-small cell lung cancer. The most common types of non-small cell lung cancer are squamous cell carcinoma, large cell carcinoma, and adenocarcinoma. All types of non-small cell lung cancer can occur in unusual histologic variants and be developed as mixed cell-type combinations. Despite progress made over the past few decades, there remains a need for the development of targeted interventions for soft tissue sarcoma and small cell lung cancer.

According to Frost & Sullivan, there is no approved or commercialized anti-OX40 antibody globally as of the date of this Document, and all the OX40 antibody candidates are at an early phase of development. The following table presents the status of OX40 antibody candidates in clinical stage globally.

Drug name	Company	Indication	Highest Phase	First Post Date	Location	Combination
PF-04518600	Pfizer	Advanced Cancer	Phase 1b/2	Sep-2015	Global	Avelumab (PD-L1)
INCAGN01949	Incyte	Advanced Cancer	Phase 1/2	Aug-2017	U.S.	Nivolumab (PD-1), Ipilimumab (CTLA-4)
BMS 986178	BMS	Advanced Solid Tumor	Phase 1/2	April-2016	Global	Nivolumab (PD-1), Ipilimumab (CTLA-4)
YH002	Biocytogen/ Eucure Biopharma	Advanced Solid Tumor	Phase 1	Apr-2020	Australia	
		Advanced Solid Tumor	Phase 1	Jun-2021	China	
INBRX-106	Inhibrx/MSD	Advanced Solid Tumor	Phase 1	Dec-2019	U.S.	Pembrolizumab (PD-1)
MEDI0562	MedImmune	Advanced Solid Tumor	Phase 1	Mar-2016	Global	Durvalumab (PD-L1)
BGB-A445	BeiGene	Advanced Solid Tumor	Phase 1	Jan-2020	Australia	Tislelizumab (PD-1)
GSK3174998	GSK/MSD	Advanced Solid Tumor	Phase 1	Aug-2015	Global	Pembrolizumab (PD-1)
IBI101	Innovent	Advanced Solid Tumor	Phase 1	Oct-2018	China	Sintilimab (PD-1)
MOXR0916	Genentech	Advanced Solid Tumor	Phase 1	Apr-2015	Global	Atezolizumab (PD-L1)

Notes:

1. *By July 2021.*
2. *Location is marked as global if the location of the clinical trial shows multiple countries besides the U.S. and China*

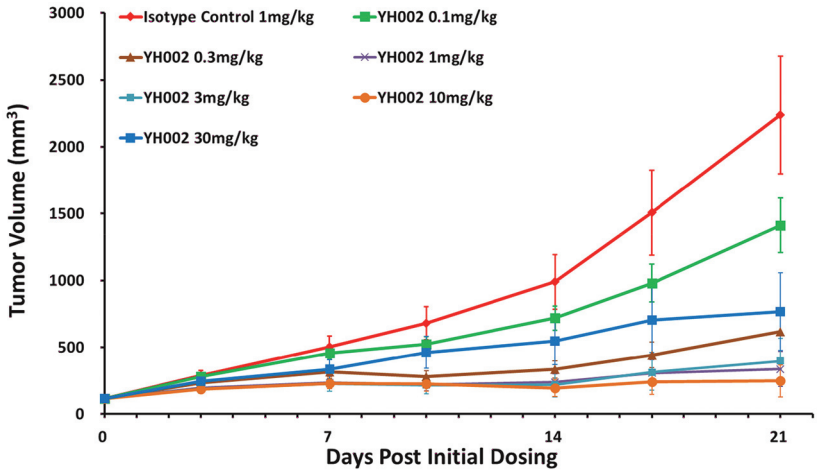
Source: ClinicalTrials, CDE, Frost & Sullivan

Competitive Advantages

YH002 is an anti-OX40 monoclonal antibody in China, with the following competitive advantages:

Pre-clinical Anti-tumor Efficacy

The specificity and anti-tumor effect of YH002 have been demonstrated in pre-clinical animal studies. In a humanized OX40 MC38 colorectal syngeneic model, YH002 demonstrated significant dose-dependent anti-tumor response at the dosage levels ≥ 0.1mg/kg.

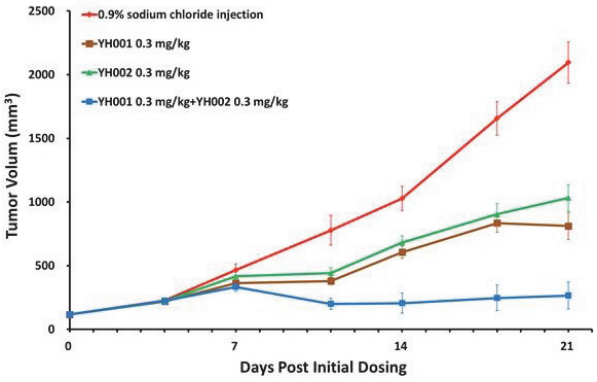


Source: Company data

In addition, YH002 reversed the immunosuppressive effects of regulatory T-cells in tumors, including direct inhibition of regulatory T-cell activation and mediated ADCC-dependent cell clearance, further amplifying the T-cell activation effect for the treatment of multiple tumors.

Synergistic Anti-tumor Efficacy in Combination with YH001

We were the first to discover the effectiveness of combination therapy using anti-OX40 and anti-CTLA-4 mAbs in inhibiting tumor growth in animal models. Emerging data shown that CTLA-4 and OX40 expressed at highest density on tumor-infiltrating Treg cells in mouse and human (Arce Vargas et al., 2018, Cancer Cell 33, 649–663). Therefore, we hypothesized that combination of anti-CTLA-4 and anti-OX40 antibodies may enhance anti-tumor efficacy. Consistent with our hypothesis, our pre-clinical results showed that when combined with YH001, YH002 demonstrated synergistic effect in double targets humanized mouse models and excellent anti-tumor activity at very low dosage (0.3 mg/kg).



Source: Company data

Favorable Pre-clinical and Clinical Safety

YH002 exhibited a favorable safety profile in cynomolgus toxicology studies. Based on a single-dose toxicology study, No Observed Adverse Effect Level (NOAEL) in this study was 90 mg/kg. In a repeat-dose toxicology study in cynomolgus monkeys, YH002 10 mg/kg, 30 mg/kg, or 90 mg/kg for 29 days were tolerated. The main target organ of toxicity was heart in this study. At the 10 mg/kg and 30 mg/kg dose level, myocardial degeneration and/or myocardial necrosis with inflammatory cell infiltrate were observed and recovered at the end of the recovery period. At the 90 mg/kg dose level, edema in tunica media of aorta was observed, and was still noted in one animal at the end of the recovery period. Therefore, the HNSTD was considered to be 90 mg/kg in this study.

YH002 monotherapy exhibited a favorable safety profile in the ongoing Phase I clinical trial in Australia. Although not from a head-to-head study, the safety profile of YH002 is consistent with that of other anti-OX40 antibodies under clinical development, which reported adverse events such as lymphopenia, fatigue, rash, infusion-related reactions, pyrexia, and pneumonitis. In the Phase I clinical trial of YH002, infusion-related reactions and pyrexia were not observed among the 13 subjects enrolled.

Summary of Clinical Trial Data

Overview

We are currently conducting a Phase I dose escalation clinical trial of YH002 as a single agent in patients with advanced solid malignancies in Australia. Preliminary data from the Phase I clinical trial show that YH002 has a favorable safety profile.

Trial Design

The trial is a multicenter, open-label, dose escalation Phase I study to evaluate the clinical safety, tolerability and PK of YH002 in approximately 48 subjects with advanced solid

tumor. An initial accelerated titration followed by a traditional 3+3 dose escalation algorithm will be utilized to determine the MTD and/or RP2D. Subjects will be dosed at 0.01 mg/kg, 0.03 mg/kg, 0.1 mg/kg, 0.3 mg/kg, 1.0 mg/kg, 3.0 mg/kg, 6.0 mg/kg and 12 mg/kg, Q3W.

Trial Status

We initiated the trial in June 2020 and the trial is ongoing with the assessment of four respective dosages completed: 0.03 mg/kg, 0.1 mg/kg, 0.3 mg/kg, 1.0 mg/kg and 3 mg/kg Q3W. As of the data cut-off date of May 31, 2021, 13 subjects were enrolled and treated at 0.01 mg/kg (n=1), 0.03 mg/kg (n=1), 0.1 mg/kg (n=1), 0.3 mg/kg (n=3), 1 mg/kg (n=3), 3 mg/kg (n=3) and 2 mg/kg (n=1). Eight cases (61.5%) had a baseline ECOG score of 0, and five cases (38.5%) had a baseline ECOG score of 1.

Safety Data

As of the data cut-off date of May 31, 2021, two case of dose limiting toxicity (DLT) were observed in the 3.0 mg/kg dose group, including diarrhea and enteritis. Seven subjects (53.8%) had 23 drug-related AEs of any level, including two cases of Grade 3 SAE, such as diarrhea and enteritis, six cases of Grade 2 AEs, such as fatigue, pneumonitis, diarrhea and vomiting. There were no death due to drug-related AE.

Clinical Development Plan

We have received IND approvals from the NMPA and the FDA for Phase I clinical trials of YH002 as a single agent in China and the United States. We plan to conduct a clinical trial of YH002 in combination with YH001 in patients with advanced solid tumors in China and Australia. Depending on the results of the Phase I clinical trial, we may conduct a Phase II MRCT to evaluate YH002 in combination with YH001 for the treatment of soft tissue sarcomas, small-cell lung cancer and other solid tumor indications in China, the United States, Australia and potentially, other countries or regions.

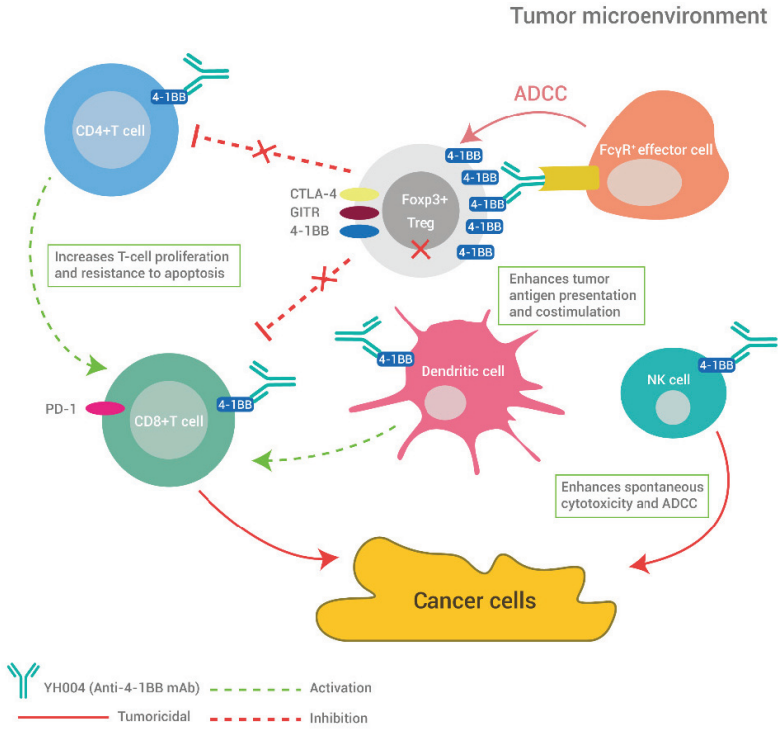
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET YH002 SUCCESSFULLY.

YH004

YH004 is a humanized IgG1 anti-4-1BB Agonists. In pre-clinical studies, YH004 has demonstrated a favorable safety and efficacy profile. We have initiated a Phase I clinical trial of YH004 in Australia and have completed the dosing of the first patient in December 2021.

Mechanism of Action

4-1BB is a member of the tumor necrosis factor, or TNF, receptor superfamily. YH004 is expected to enhance anti-tumor immunity through multiple mechanisms of action, and antibody-mediated 4-1BB stimulation can enhance CD8+ T cell co-stimulation, enhance NK cell cytotoxicity, promote the maturation of antigen-presenting cells (APCs), and inhibit T regulatory cells (Tregs). Because most tumors are killed by cytotoxic T-cells in an antigen specific manner, we believe agents that mediate CD8+ T-cell activation can impart strong cytolytic activity. The in vitro studies have demonstrated the high and specific binding affinity of YH004 for 4-1BB. YH004 also mediates efficient ADCC against Treg that constitutively express a high level of 4-1BB, indicating that Fc-mediated Treg depletion could be a secondary MOA. Therefore, we believe that 4-1BB agonists are promising candidates with the potential to enhance and mediate long lasting anti-tumor immunity.



Source: Company data

Market Opportunity and Competition

4-1BB is an inducible costimulatory receptor expressed on activated T-cells in the tumor microenvironment. Agonistic monoclonal antibodies targeting 4-1BB have been developed to harness 4-1BB signaling for cancer immunotherapy. An anti-4-1BB agonist would possess the potential to target a wide spectrum of cancer types both as a monotherapy and in combination with various other therapies, especially in the chemotherapy-free setting, including anti-PD-1, anti-PD-L1 and anti-CTLA-4 antibodies, three proven immune checkpoint inhibitors. Although

we believe there is compelling evidence that supports the therapeutic potential of a 4-1BB agonist, there are currently no marketed 4-1BB agonist drugs. According to Frost & Sullivan, there are six advanced 4-1BB agonist antibodies in clinical development. However, clinical development of one of these antibodies has been hampered by inflammatory liver toxicity, despite initial signs of efficacy. The other 4-1BB agonists under clinical development has demonstrated better safety features, but is a less potent 4-1BB agonist. One of the key challenges of 4-1BB agonist clinical development is 4-1BB agonist specific toxicity. Previous clinical trials have shown 4-1BB antibodies can cause immune anomalies, notably polyclonal activation of CD8+ T-cells and secretion of inflammatory cytokines, which affect the function of the liver, spleen, and bone marrow. We believe that it is therefore critical to develop therapeutic candidates that are designed to maximize potency of 4-1BB agonism while minimizing 4-1BB agonist specific toxicity. Preliminary data showed that YH004 was well tolerated by all tumor-bearing animals tested at the concentration of up to 30 mg/kg, as measured by body weight and lack of clinical signs, and at the same time it can significantly inhibit the tumor growth. Thus, we believe YH004 has great potential to solve such 4-1BB toxicity issue and revive the 4-1BB receptor.

According to Frost & Sullivan, anti-4-1BB monoclonal antibodies are currently being developed for treatment of multiple indications such as lymphoma, nasopharyngeal carcinoma, ovarian cancer and other solid tumors globally.

Competitive Advantages

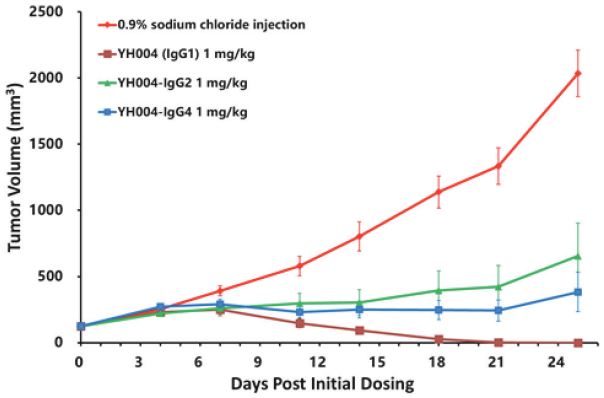
YH004 is a humanized IgG1 agonistic monoclonal antibody targeting 4-1BB, with the following competitive advantages:

Favorable Pre-clinical Safety

YH004 was well tolerated by all tumor-bearing animals tested, at the concentration of up to 30 mg/kg, as measured by body weight and lack of clinical signs. Following intravenous administration of YH004 injection at 3.0 mg/kg, 10 mg/kg or 30 mg/kg once per week for four weeks, it was well tolerated in all animals, and the target organs were identified to be the kidney. No test article-related abnormal findings were observed in clinical observation or local irritation observation. No test article-related changes were observed in body weight, food consumption, body temperature, ECG, blood pressure, respiratory rate, functional observation battery (FOB) parameters, ophthalmology, urine analysis, or occult blood in feces. No obvious local irritation was observed in the muscle or vessels at the injection site. Test article-related histopathological findings were noted in the kidney. Considering that YH004 was tolerated at all dose levels 3.0-30 mg/kg, the highest non-severely toxic dose (HNSTD) was determined to be 30 mg/kg. Comparing with current anti-4-1BB competitors under development, no liver toxicity was observed for YH004 even at the highest dose tested of 30 mg/kg.

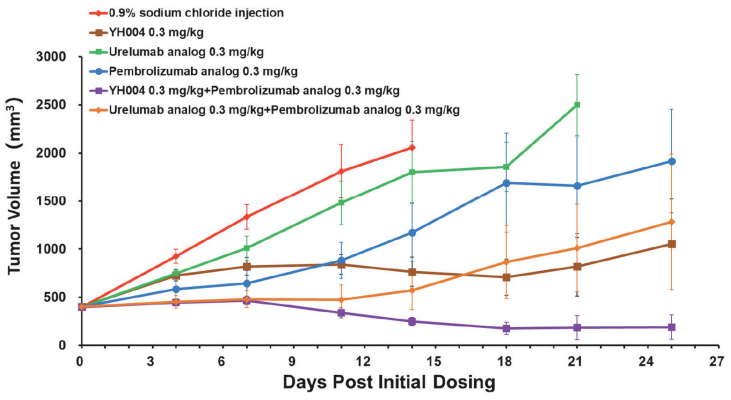
Pre-clinical Anti-tumor Efficacy

YH004 (IgG1) demonstrated strong anti-tumor efficacy in pre-clinical animal studies. In humanized 4-1BB MC38 colorectal cancer murine syngeneic model, YH004 (IgG1) exhibited stronger anti-tumor activities than YH004 (IgG2) and YH004 (IgG4) subtypes. At a dose level of 1.0 mg/kg, YH004 (IgG1) demonstrated comparable anti-tumor activities to urelumab.



Source: Company data

We used humanized 4-1BB humanized mice to establish a MC38 colon cancer animal model and conducted *in vivo* efficacy study evaluating the YH004 and anti-PD-1 antibody combination therapy. The pre-clinical data shows that YH004 and anti-PD-1 antibody combination can significantly inhibit the tumor growth compared to the combination of a competing 4-1BB agonists and anti-PD-1 antibody, as well as YH004 and anti-PD-1 antibody single agents.

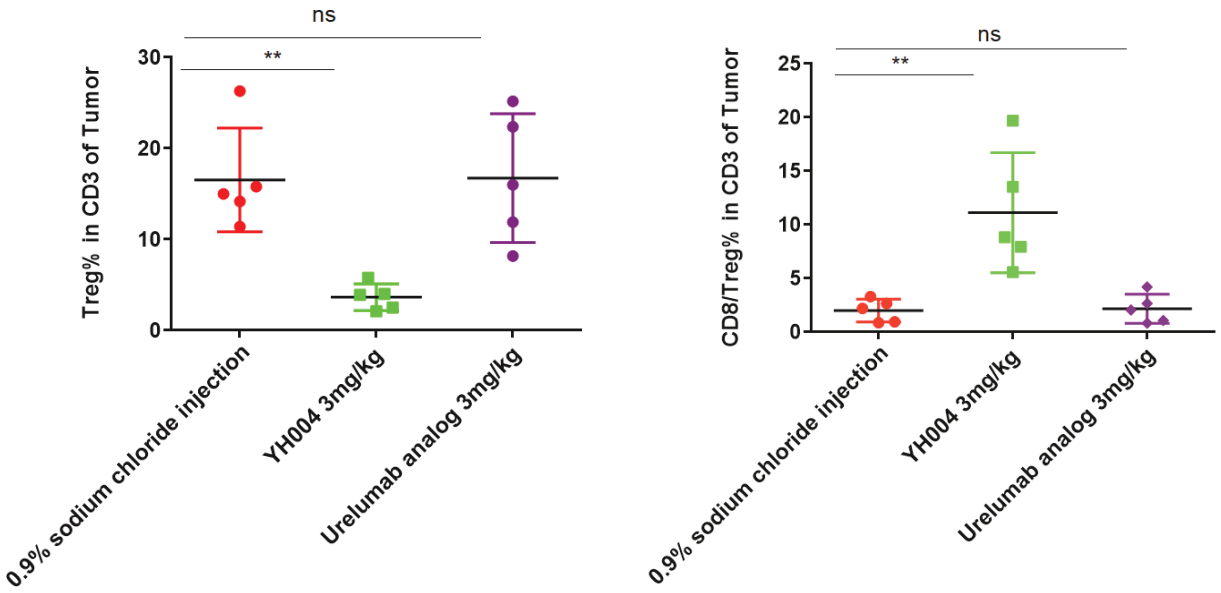


Source: Company data

Favorable Pre-clinical PD Profile

In pre-clinical animal studies, YH004 (IgG1) significantly reduced the proportion of Tregs in CD3+ T cells in the tumor, while the ratio of CD8+ T cells/Treg increases, which is

higher than the YH004 (IgG4) subtype as well as a competing 4-1BB Agonists. The results suggest that YH004 (IgG1) subtype may affect the proportion of Tregs subgroups through Fc effector function, which has a different mechanism of action than YH004 (IgG4) subtype and competing 4-1BB antibodies.



Source: Company data

Clinical Development Plan

We have initiated a Phase I clinical trial of YH004 in Australia and have completed the dosing of the first patient in December 2021. The Phase I clinical trial is a first in human, multi-center, open-label, Phase I dose escalation study of YH004 as a single agent and YH004 in combination with toripalimab in subjects with advanced solid tumors or relapsed/refractory non-Hodgkin lymphoma. We have also received IND approval from the FDA in October 2021. In this study, we will assess the safety and tolerability, determine the maximum tolerated dose (MTD) and the recommended Phase II dose (RP2D), characterize the PK profiles, assess the immunogenicity and preliminary anti-tumor activity of YH004 alone and in combination with toripalimab. Furthermore, we will explore the biomarkers in order to guide our Phase II studies and preselect patients to enhance clinical response.

We are also applying for a Phase I clinical trial of YH004 in combination with toripalimab in China. We have received the approval for the IND applications by the NMPA on January 7, 2022. Depending on the results of the Phase I clinical trial, we may conduct a Phase II MRCT to evaluate YH004 in combination with anti-PD-1 antibodies for the treatment of solid tumors in China, the United States, Australia and potentially, other countries or regions.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET YH004 SUCCESSFULLY.

SELECTIVE PRE-CLINICAL STAGE CANDIDATES

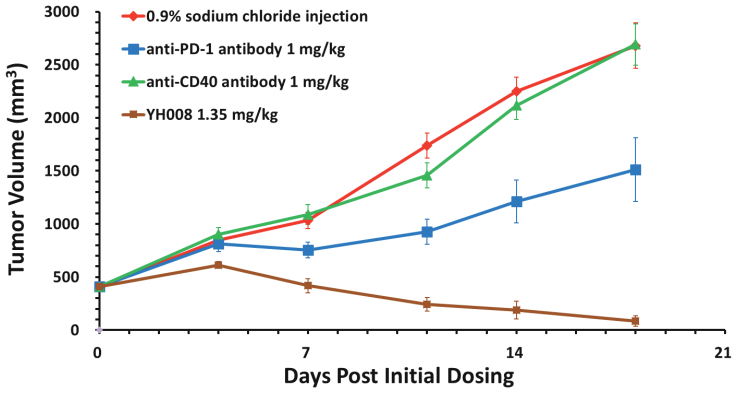
In addition to our clinical stage candidates, we mainly have six drug candidates at pre-clinical stage, including YH008, YH009, YH006, YH010, YH012 and YH013. We expect to submit IND applications for these six drug candidates in the next 12 to 18 months.

We are also exploring the development of innovative antibody drug for animals. We have an anti-PD-1 canine monoclonal antibody candidate at pre-clinical CMC stage for the treatment of animal tumors.

YH008

YH008 is an anti-PD-1/CD40 bi-specific antibody for the treatment of solid tumors. YH008 activates CD40 while simultaneously inhibiting PD-1. Our pre-clinical data shows that YH008 has promising *in vivo* efficacy and superior safety. The results of *in vitro* and *in vivo* experiments show that the activation of the CD40 pathway by YH008 depends on the cross-linking effect of PD-1, avoiding non-specific activation outside the tumor microenvironment. It is currently at CMC stage.

In vivo pharmacodynamics studies have found that YH008 has significantly better tumor inhibitory effects than anti-PD-1 and anti-CD40 single agents in the PD-1/CD40 dual humanized mouse models. In addition, YH008 also significantly prolonged the survival time at the same dose level compared to the five marketed anti-PD-1 monoclonal antibodies. By virtue of its strong *in vivo* efficacy and unique mechanism of action, YH008 is expected to become a new generation of anti-tumor drugs with significant potential.



Source: Company data

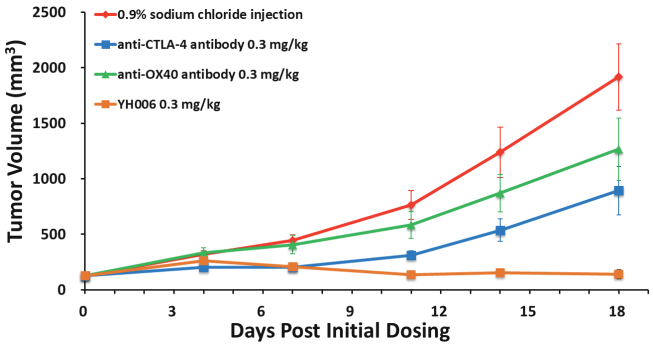
YH009

YH009 is an innovative monoclonal antibody that we are developing for the prevention and treatment of RSV infection. YH009 demonstrates a strong neutralization effect on RSV

and a good binding affinity with the F protein of different RSV subtype strains. YH009 is currently at CMC stage.

YH006

YH006 is a CTLA-4/OX40 bi-specific antibody for the treatment of solid tumors. YH006 simultaneously binds both CTLA-4 and OX40 to enhance the antineoplastic activity while at the same time decreasing the adverse effects of immunotherapy. It is currently at CMC stage.

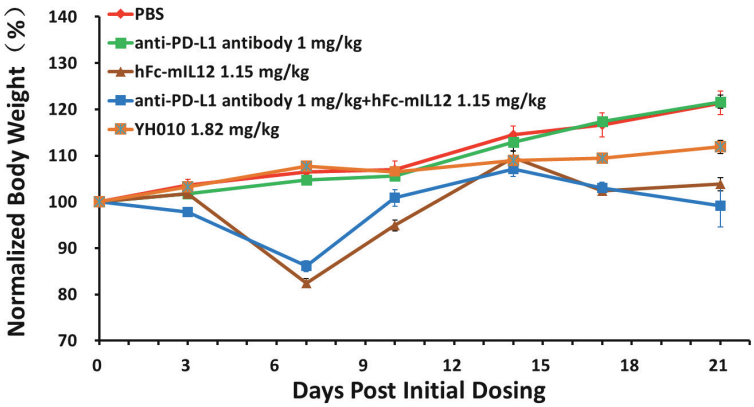


Source: Company data

YH010

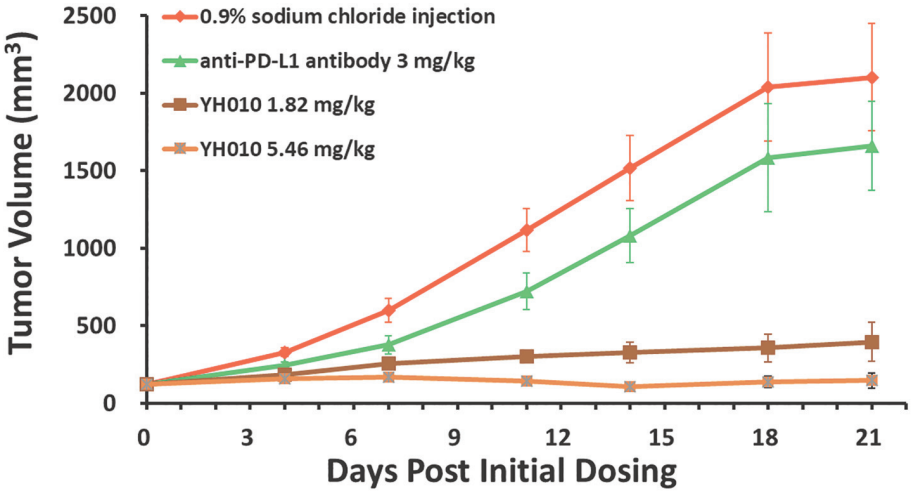
YH010 is a fully human PD-L1/IL-12 bi-specific antibody for the treatment of solid tumors. YH010 simultaneously activates the IL-12 signaling pathway while inhibiting PD-L1 binding to PD-1. YH010 also has the potential to further enhance the specific killing activity of T cells by tethering IL-12R positive T cells with PD-L1 positive tumor cells.

The results of *in vivo* experiments show that the safety of YH010 depends on the targeting and binding affinity of the PD-L1 antibody, and lacking of binding ability of the PD-L1 antibody will cause a significant weight loss, showing significant side effects.



Source: Company data

In a humanized PD-L1 MC38 colorectal syngeneic model, YH010 demonstrated stronger anti-tumor responses than an anti-PD-L1 antibody.



Source: Company data

YH012 and YH013

YH012 and YH013 are two bi-specific ADCs developed using our RenLite platform, which are intended for the treatment of solid tumor. YH012 and YH013 are currently at discovery stage.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET YH008, YH009, YH006, YH010, YH012 or YH013 SUCCESSFULLY.

SELECTIVE PRE-CLINICAL STAGE CANDIDATES IN COLLABORATION WITH THIRD PARTIES

In addition to our clinical stage candidates and pre-clinical stage candidates, we also have two main drug candidates under collaboration with third parties at pre-clinical stage, namely YH005 ADC and YH011.

YH005

Collaboration with RemeGen

YH005 is an anti-Claudin 18.2 antibody generated using our Claudin 18.2 knock-out mice. On September 6, 2017, we entered into an exclusive Technology Transfer Agreement (the "**RemeGen Agreement**") with RemeGen concerning the development and commercialization of RC118 which we have transferred the global rights of YH005. RC118 has obtained TGA approval for clinical trials in Australia and is currently under IND

application process in China. RemeGen is a commercial-stage biopharmaceutical company committed to the discovery, development and commercialization of innovative and differentiated biologics for the treatment of autoimmune, oncology and ophthalmic diseases with unmet medical needs in China and globally. RemeGen is a listed company on the Stock Exchange.

Pursuant to the RemeGen Agreement, RemeGen received an exclusive, non-transferable, royalty-bearing license globally, for the development of anti-Claudin 18.2 antibody related. We are responsible for providing anti-Claudin 18.2 antibody and pre-clinical support to RemeGen. We are entitled to upfront payment and milestone payment for total RMB50 million and royalties for ex-China revenue if RC118 reaches commercialization stage. We received RMB15 million as upfront payment after delivering all related antibody and data in October 2017, RMB25 million after RC118 received IND approval in October 2021, and the remaining RMB10 million will be paid after BLA approval is obtained. When the first international licensing or transfer of RC118 occurs, we shall be entitled to an interest of no more than 10% of the revenue obtained by RemeGen through the licensing or transfer. For the China market, we are not entitled to any commission for the sales of RC118 including but not limited to any transfer and sales of RC118 and its intellectual property. During the Track Record Period, we have received RMB25 million from RemeGen.

RemeGen is entitled to hold intellectual property rights and product development rights of RC118. According to the agreement, RemeGen will use commercially reasonable efforts to develop and commercialize RC118. RemeGen will bear the costs of development, manufacturing and commercialization of RC118.

YH011

Collaboration with GeneQuantum

YH011 is a bifunctional molecule. On November 20, 2020, we entered into an exclusive agreement which out-licensed our PD-L1 antibody to GeneQuantum (the "**GeneQuantum Agreement**") to co-develop PD-L1/cytokine bifunctional molecules globally, which is currently at discovery stage and is expected to qualify for IND application in the next 15-18 months. GeneQuantum is an innovative high-tech enterprise dedicated to the development of new high-end biological drugs in China.

Pursuant to the GeneQuantum Agreement, we are responsible for the *in vivo* and *in vitro* screening as well as the pre-clinical efficacy study of PD-L1/cytokine bifunctional molecules. GeneQuantum is responsible for CMC development, safety evaluation and IND application in China. We are entitled to an upfront payment of RMB5 million after the agreement is in force, 10% of the interest of the PD-L1/cytokine bifunctional molecules during the IND stage and before its IND approval and 10% royalties for third parties out-licensed revenue before IND filing stage. During the Track Record Period, we have received RMB5 million from GeneQuantum.

We co-own the intellectual property rights and share the interests of YH011 with GeneQuantum. We own 16.7% interest of YH011 after pre-clinical research and before the IND approval of YH011 and will renegotiate interest allocation with GeneQuantum if YH011 receives IND approval and further clinical trials will be conducted. Each of GeneQuantum and the Company has the right to terminate our collaboration for cause, such as the other party's failure to use reasonable commercial efforts to develop YH011, violation of the laws and regulations, and in the event of the other party becomes insolvent or subject to bankruptcy-related events or proceedings.

Our collaboration with GeneQuantum may be terminated upon: (i) a party's material breach of the GeneQuantum Agreement, and (ii) bankruptcy or insolvency related events of a party.

OUR PRE-CLINICAL RESEARCH SERVICES

Our pre-clinical research services primarily include services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling. We have significant expertise in testing novel therapeutics such as monoclonal antibody (mAbs), chimeric antigen receptor T-cells (CAR-Ts), gene therapy and other therapeutic modalities to support drug discovery and development worldwide. Our services utilize a large collection of genetically humanized mouse models for checkpoint inhibitors and cytokine/cytokine receptors as well as highly immune-deficient B-NDG mice, a gene edited mouse strain with an ultra-immunodeficient phenotype, generated by deleting the IL2rg gene from NOD-scid mice. Our pharmacology services include *in vivo* efficacy, pharmacokinetics/pharmacodynamics (PK/PD), biomarker assessments, toxicology and safety evaluation, *in vitro* immune cell and cytokine profiling and cell functional assays. Our pre-clinical pharmacology studies have supported a number of IND applications and clinical trials. During the Track Record Period, our revenue was mainly generated from our pre-clinical research services. We are generally entitled to collect fees for services provided and animal products sold.

GENE EDITING

Overview

Our gene editing technology lays the solid foundation for our antibody discovery and development platforms. Leveraging our advanced gene editing technologies, we have launched Project Integrum, developed two transgenic RenMice platforms and created a comprehensive set of antibody discovery and animal model platform. Gene editing is a technique for making specific modifications to segments of an organism's DNA, which is usually used to achieve modifications such as the addition and deletion of specific DNA segments, deletions and substitutions of specific bases. Gene editing can make permanent changes in the genome of an organism, and these changes can take place throughout the body or in specific tissues. Models

such as animals or cell lines obtained by gene editing technology can simulate specific physiological, pathological and cellular characteristics of humans, and thus play an important role in studying the functions of genes, elucidating the genetic evolution of organisms, the molecular mechanisms of disease occurrence and providing relevant evaluation of drugs for disease treatment.

Our Gene Editing Technology

We have developed powerful gene editing platforms, SUPCE, CRISPR/EGE and ESC/HR, through more than a decade of dedicated research, which serves as our driving force for underlying technological innovations. Since our establishment, we have been providing customized gene editing services based on animals as well as cells to meet the needs of basic science research and drug development of our customers. Leveraging our advanced gene editing technologies, we have completed approximately 3,500 customized gene editing projects for our clients and self-developed approximately 2,500 gene edited animal and gene edited cell model products.

Compared with other common gene editing technologies that can only edit gene fragments less than 30,000 bases at a time using plasmid, our proprietary in-house developed SUPCE technology allows for megabase-scale chromosomal editing, with high stability and reproducibility. Our SUPCE technology is well validated by our RenMice platform, which was successfully developed applying this technology. We achieved full length in situ gene replacement for diverse antibodies in RenMice and produced very healthy mice retaining a strong immune system.

Gene Editing Services

We mainly provide customized gene editing services based on rat/mouse and cell lines, and the final products are animal or cell line models with specific genotypes, genotype detection reports and project closure reports. In addition, we also provide a series of gene editing experimental services such as sgRNA plasmid construction and sgRNA activity detection:

- *Animal-based Gene Editing Services*. We are mainly engaged in customized gene editing services for rat/mouse. Mice are easy to handle, have a short life cycle, high reproductive capacity, and have similar genomic and physiological characteristics to humans, thus are often used as animals of choice for studying human gene function and disease mechanisms. Mice are also the most intensively studied animal for genomics, transcriptomics, proteomics and genetic phenotyping. Rats have a higher similarity to humans in terms of nervous system compared to mice and are often used as pharmacodynamic models in related fields. We provide customized gene editing services for rat/mouse using mature and stable ESC/HR-based and CRISPR/

EGE-based gene editing technologies. We perform gene editing modification based on several rat/mouse strains. The mouse strains for which gene editing services are provided mainly include C57BL/6, BALB/c, DBA2 and NOD-scid, and the rat strains mainly include Sprague Dawley and Wistar.

- *Cell Line Based Gene Editing Services*. Compared with gene editing animal models, cell line models have the advantages of convenience, short cycle time and low cost. Stable cell lines play an important role in gene function research, recombinant protein preparation, drug screening and target validation, tumor therapy and other research. We provide a variety of cell line gene editing services using ESC/HR-based and CRISPR/EGE-based gene editing technologies.

- *Gene Editing Experimental Services*. We provide customized gene editing services based on rats and mice as well as cell lines along with supporting experimental services, the main services of which are as follows:

  - sgRNA plasmid construction: In the CRISPR/Cas9 gene editing process, sgRNA determines the specificity of gene targeting. We provide sgRNA plasmid construction services to ensure CRISPR/Cas9 gene editing under high specificity and high activity conditions.

  - sgRNA activity assay: We independently developed a UCA assay for sensitive, convenient and high throughput *in vitro* determination of sgRNA activity to screen out highly active sgRNAs for gene editing.

  - donor plasmid construction: We provide targeting vectors for ESC/HR-based and CRISPR/EGE-based gene editing and vector construction services for Tol2 transgenesis.

We have mastered ESC/HR-based gene editing technology and CRISPR/EGE-based gene editing technology based on our years of dedicated research and technical accumulation. The table below illustrates our major gene editing technologies.

Editing Technology	Description	Our Advantages	Model	Service Term
ESC/HR-based gene editing technology	Through the principle of DNA homologous recombination, targeted gene-edited embryonic stem cells are obtained, which depend on cellular totipotency to develop into mouse models with the desired genotype.	Our self-developed C57BL/6 ES cell demonstrated germline transmission capabilities for more than 70 generations.	Mouse	Seven to eleven months

Editing Technology	Description	Our Advantages	Model	Service Term
CRISPR/EGE-based gene editing technology	This technology is developed by us and optimized on the basis of CRISPR/Cas9 principles, which greatly improves the efficiency of homologous recombination and makes gene editing in fertilized eggs faster and more convenient.	Compared with the standard CRISPR/Cas9 technology, our EGE technology can improve homologous recombination efficiency by approximately 20 fold, making gene editing faster and more convenient. Our EGE technology can precisely edit DNA sequences at almost any genomic locus, which is ideal for preparing a variety of gene editing animal models.	Rat/Mouse	Six to eight months
Size-unlimited and Precise Chromosome Engineering System (SUPCE) technology	SUPCE is a genetic manipulation technique for targeted modification of genomic DNA at megabase scale. It can break the limitation of gene length by other common gene editing techniques using plasmid and realize the modification of large segments (Mb (Mega base pair) level) of gene clusters, which can be used for special purposes such as humanized mouse preparation.	Achieved Mb (Mega base pair) level ultra-long chromosome fragment transformation, and can improve success rate of germline transmission.	Mouse	Internal use (i.e. RenMice platforms), no external gene editing services

The intellectual properties of the gene edited rats and mice as well as the products our clients developed with such gene edited rats and mice generally belong to our clients. Each gene editing project typically lasts for six months to one year. We decide fee rates and payment terms together with our clients considering multiple factors, including the complexity of a project, type of technology adopted, scale of animals utilized, term of service and our cost of manpower and raw materials. We generally require our clients to make upfront payment of

no less than 50% and for them to pay the remaining portion once the F1 generation gene test report becomes available. We may also request our clients to make one off full payment before we kick-off certain projects. Generally neither our client nor us have the right of termination unless a force majeure event occurs.

After years of dedicated research and technology accumulation, we have established a mature technology platform and professional service system, and have completed approximately 3,500 customized gene editing projects for our clients. Our clients include research institutes, academic institutions and pharmaceutical companies engaged in basic life science research and new drug development, based in China and abroad.

PRE-CLINICAL PHARMACOLOGY AND EFFICACY EVALUATION

Our pharmacology team, which is based in China and the United States, has built significant expertise in testing novel therapeutics such as mAbs, CAR-Ts, gene therapy and other therapeutic modalities for immuno-oncology, immune and autoimmune diseases as well as metabolic diseases to support drug discovery and development worldwide. Our services utilize a large collection of genetically humanized mouse models for checkpoint inhibitors and cytokine/cytokine receptors, highly immune-deficient B-NDG mice and their variants, including CDX (cell derived xenograft) models and engineered cell line models, among others. Our pharmacology services include *in vivo* efficacy, PK/PD, biomarker assessments, toxicology and safety evaluation, *in vitro* immune cell and cytokine profiling and cell functional assays. Our pre-clinical pharmacology studies have supported a number of IND applications and clinical trials.

We determine our fee rates for pre-clinical pharmacology and efficacy evaluation services primarily based on types of animal used and types of service provided. Animal fees are set by types of animals utilized, and service fees are determined by indications such as oncology PD, immune reconstitution and autoimmune disease. Duration of our agreements with customers on pre-clinical pharmacology and efficacy evaluation services is based on complexity of the project, which typically lasts for no longer than one year. Payment terms are set by project and we are generally entitled to upfront payments and project closing payments by our customers. As we are a service provider for our pre-clinical pharmacology and efficacy evaluation, the intellectual rights relating to the project belong to our customers.

In Vivo Pharmacology Capabilities

Our *in vivo* pharmacology team has successfully developed and validated hundreds of syngeneic and xenogeneic tumor models to meet the scientific objectives of our clients. The animal models include our internally generated humanized mice and humanized cell lines carrying functional human genes that express identified human therapeutic targets or customized targets per clients' interests. Employing the humanized cell lines and the

humanized mice results in a tailored therapeutic strategy with a complete biology to evaluate the efficacy of different types of human therapeutic molecules (monoclonal antibodies, bi-specific antibodies, ADCs, vaccines, etc.) against the therapeutic targets of interest. Furthermore, tumor cell implantation through different routes including orthotopic injection delivers favorite translatable data to support clinical studies. All these models cover broad immune-therapeutic areas and greatly increase translation from pre-clinical research to clinical studies for drug development.

Besides the tumor models, *in vivo* pharmacology services have also developed several translatable immune and autoimmune inflammatory disease models and metabolic disease models in both wild-type and humanized mice to extend our research and services to broader therapeutic areas and provide greater opportunities to our clients to support their research and drug development.

Our model-based *in vivo* efficacy services have high throughput screening capabilities to support lead molecule selection, best-in-class drug comparison, or first-in-class drug evaluation by *in vivo* activity assessment. Complementary to our *in vivo* capabilities, our *in vitro* pharmacology services include immune cell profiling (i.e. tumor infiltrating lymphocytes (TIL) analysis), cytokine profiling, primary T, NK, and macrophage cell-based functional assays, among others. Our integrated *in vivo* capabilities and *in vitro* pharmacology capabilities enable us to provide a complete PoC and MoA (mechanism of action) for drug development.

Pharmacokinetics (PK) & Pharmacodynamics (PD)

Antibody drug pharmacokinetics are deeply influenced by target expression (target-mediated clearance) and FcRn (neonatal Fc receptor) expression, which can extend antibody half-life. Because human antibodies have different affinities to the targets, and FcRn expressed in animal species differ from that expressed in human, the PK profile of human antibodies from animals may not be translatable to human. Our humanized mice could express human therapeutic targets, and FcRn humanized mice enable more translatable evaluation of human antibody PK in mice, which could help to address these issues. Due to the growing limited availability of non-human primates, humanized mice may have increased value in non-clinical PK and toxicity studies for biologic drug development.

Utilizing target humanized mice and FcRn humanized mice, we have established a comprehensive PK/PD service platform in which we perform a series PK/PD studies to characterize drug exposure, predict dosage requirements, understand concentration-effect relationships, establish safety margins and efficacy characteristics, and develop the drug's product profile to support drug development and clinical trials. The PK/PD evaluation is also supported by our *in vitro* capabilities including human IgG antibody ELISA detection SOPs, bi-specific antibody ELISA SOPs, MSD platform for more sensitive and accurate measurement

of drug's concentration, which serve for antibody PK analysis. Also, cell-based assays including antibody-dependent cytotoxicity (ADCC) and complement-dependent cytotoxicity (CDC) assist with *ex vivo* or *in vitro* PD evaluation and identification of the MoA.

Small Animal Toxicology and Safety Study

Humanized mice can provide favorite translatable results in the toxicology and safety evaluation of drug candidates and are recommended by the FDA. We have established toxicology and safety evaluation platforms using our humanized mice and highly immune deficient B-NDG mice. Our comprehensive toxicology and safety readouts include blood biochemistry liver and renal function evaluation, histopathology evaluation, cytokine release syndrome (CRS) evaluation, anti-drug antibody (ADA) test and more, which are the common side effect tests for current immunotherapy. We believe our pre-clinical toxicology and safety evaluation provides very predictive data to support drug candidate evaluation and may guide the design of clinical studies.

As of the Latest Practicable Date, we have completed over 500 drug evaluation projects for more than 200 partners worldwide. We believe our pre-clinical pharmacology capabilities contribute to the delivery of high-quality, timely and cost-effective services, enable us to provide comprehensive and accurate data, and facilitate the drug discovery and development of our customers worldwide.

ANIMAL MODEL SELLING

Leveraging our advanced gene editing technologies, according to Frost & Sullivan, we have created a comprehensive set of antibody discovery and disease mouse models by editing the gene of humanized mice, creating animal models suitable for *in vivo* efficacy evaluation. Our antibody discovery and disease mouse models include more than 2,500 unique gene-edited mouse/cell line projects.

The combination of an extensive portfolio of animal models and large-scale animal production and *in vivo* efficacy studies has enabled us to successfully conduct large-scale *in vivo* antibody discovery and screening for our own internal pipeline and initiatives as well as providing disease animal models and *in vivo* pharmacology services to biotechnology and large pharmaceutical company clients worldwide. During the Track Record Period, we worked with nine of the top ten largest pharmaceutical companies globally, according to Frost & Sullivan.

We have also established model animal production centers, including three animal facilities encompassing a total of approximately 55,500 sq.m. animal facilities, with annual supply capacity of 800,000 gene edited mice. We also have a team of more than 380 members focusing on the feeding, research and development of animal models. Our large animal

facilities and experienced team allow us to have a broad set of genetically engineered mice, disease mouse models and aged small mice with a significant cost advantage.

Our animal models mainly consist of (i) disease models and (ii) research models.

Disease Models

Disease models that mimic human pathological environments through the modification of key genes are essential tools in the current drug development process. Drug evaluations using these models are considered the "gold standard" for validating the efficacy of pre-clinical drugs. Based on the gene editing humanized mouse model, we have developed mouse models for tumor and autoimmune diseases, which are used for gene function research and drug development. Using marketed and self-developed antibody drugs for *in vivo* drug efficacy testing in mice, combined with physiological, biochemical, blood, toxicity and other factors, we are able to verify the validity of the models and sell disease model mice to our customers.

Current disease types are mainly focused on tumor and autoimmune. We are actively investigating new animal models and cellular assay models, constructing tumor models using gene-edited humanized mice, testing the inhibitory effects of anti-tumor antibody drugs, chemotherapy drugs and targeted small molecule drugs on tumor growth, and providing more data support for drug screening of tumor drugs and clinical declarations. For autoimmune, we are focusing on inducing autoimmune diseases (asthma, experimental autoimmune encephalomyelitis, psoriasis, etc.) in gene-edited humanized mice and testing the therapeutic effects of cytokine-based antibody drugs.

In addition to tumor and autoimmune diseases, we are further expanding the disease areas of animal models, such as neurological, cardiovascular and metabolic diseases, to provide pre-clinical *in vivo* and *in vitro* drug efficacy testing for drug development.

Humanized Mice

Immune Checkpoint Humanized Mice

Most human antibody drugs can only recognize and interact with human antigens, and due to species differences, pre-clinical pharmacodynamic and pharmacokinetic evaluation and testing cannot be performed directly with wild-type mice. Therefore, it is necessary to humanize mouse immune checkpoints and express human-related antigens in mice, so that human antibody drugs can produce normal drug responses in mice.

Relying on an efficient and stable gene technology platform and a scientific and standardized model animal production center, we considered the factors that may interfere with

the expression of humanized proteins, carried out detailed evaluation and made a precise design for each subject and developed a series of immune checkpoint humanized mice based on the genetic background of C57BL/6. In order to ensure that the mouse model is fully humanized, we excluded the influence of external environment factors on the expression and signaling of humanized proteins, and provided an effective model and powerful tool for drug validation of immune checkpoint antibodies. For example, in B-hCTLA-4 mice, exon 2 of the mouse CTLA-4 gene encoding the extracellular domain was replaced by exon 2 of the human CTLA-4 gene, thus enabling effective evaluation of the *in vivo* efficacy and pharmacology of human hCTLA-4 antibody drugs.

According to the number of recognized targets, the immune checkpoint humanized mice we developed can be classified as follows: single immune checkpoint (e.g. PD-1, PD-L1, CD40, CTLA-4, TLR8, etc.), dual immune checkpoints (e.g. PD-1/PD-L1, CTLA-4/4-1BB, SIRPa/CD47, etc.), triple immune checkpoints (e.g. PD-1/PD-L1/OX40, PD-1/PD-L1/CTLA-4, PD-1/PD-L1/CD40, etc.), quadruple immune checkpoints (e.g. PD-1/PD-L1/SIRPa/CD47, etc.) and other humanized mice (e.g. FcRn, CCR8, etc.). We believe such coverage can meet a substantial majority of the pre-clinical drug evaluation needs of pharmaceutical companies for immune checkpoint antibody drugs.

Cytokine and Cytokine Receptor Humanized Mice

The mechanisms of cytokine involvement in autoimmune diseases have been studied in depth. AbbVie has developed adalimumab, which targets TNFα, and has been approved by the FDA for 10 indications, including rheumatoid arthritis and psoriatic arthritis. Other antibodies targeting cytokine also have good market prospects in autoimmune diseases and oncology.

Cytokines usually have complex signaling pathways. By studying the mechanism of action of cytokines, we have humanized the key cytokines or cytokine receptors in mice, allowing the *in vivo* evaluation of the efficacy and pharmacological effects of human cytokine or cytokine receptor antibody drugs in mice. The cytokine humanized mice developed by us can be divided into the following: single cytokine (such as TNFα, IL2, IL10, etc.), dual cytokine (such as TNFα/IL17A, IL23A/IL12B, etc.) and triple cytokine humanized. We believe such coverage can meet a substantial majority of the pre-clinical drug evaluation needs of cytokine or cytokine receptor antibody drugs for pharmaceutical companies.

Severe Immunodeficient (B-NDG) Mice

B-NDG (NOD.CB17-Prkdc^{scid} IL2rg^{tm1}/Bcgen) mice, which we independently developed, are obtained from mice with NOD-scid genetic background by IL2rg gene knockout. B-NDG mice have a severe immunodeficient phenotype, lack mature T-cells, B-cells and NK cells, and are deficient in cytokine signaling, making them ideal drug development vehicles for human hematopoietic stem cells, human peripheral blood mononuclear cells, human tumor cells or tissue transplantation.

The intellectual properties of our animal models for sale generally belong to the Company. As our model animals would generally not be applied directly towards a product candidate of our clients, there were no intellectual properties allocation discussions with our clients of animal models during the Track Record Period. We typically enter into framework agreements with our clients for a term of one to five years and take clients' work orders under such framework agreements. We decide fee rates and payment terms together with our clients considering multiple factors, including the development cost of certain model animals, breeding expenses, and quantity requested. We generally require our clients to make full payment within a month after the invoice date. Generally neither our client nor us have the right of termination unless a force majeure event occurs.

Research Models

In order to solve the problems of maintenance and differentiation functions of hematopoietic cells and restricted development of immune cells in severely immunodeficient mice, we have developed a series of second-generation products based on B-NDG mice to meet different research needs. For example, B-NDG B2m KO plus mice can delay the GVHD effect in PBMC reconstitution model, thus achieving a longer dosing window without affecting the half-life of antibody drugs. Additionally, B-NDG hIL15 mice can better promote the immune reconstitution of human NK cells and B-NDG hTHPO mice do not need irradiation to be reconstituted, thus can avoid radiation damage to mice.

ANTIBODY DISCOVERY

Our antibody discovery is based on the antibody discovery technology of our proprietary RenMice platform and our self-developed *in vivo* drug efficacy screening technology. Together with hybridoma technology and Beacon single-cell photoconduction screening, our antibody discovery platform enables us to generate large amounts of potential antibodies and conduct large-scale *in vivo* drug efficacy evaluation to screen and obtain antibody molecules with the potential to become drug candidate. Based on our antibody discovery platform, we integrate antibody preparation, antibody drug characterization and analysis, antibody engineering, bi-specific antibody discovery and other methods, and implement Project Integrum, which bring together many advantages of our gene editing platform, model animal platform, pre-clinical pharmacology and evaluation platform and other resources. We currently have an antibody discovery team of more than 200 people and an *in vivo* drug efficacy evaluation team of more than 200 people. We have more than 7,500 sq.m. antibody discovery facilities with antibody drug discovery equipment.

Our antibody discovery business is based on a combination of independent research and development and collaborative development. Project Integrum empowers us with the capability to identify PCC antibody for potential targets circumventing traditional methods. We adopt an evidence-based in vivo screening methodology as a disruptive approach, which enables us to

rapidly and concurrently screen over 1,000 potential antibody drug targets, most of which have not been explored in clinical trials yet, thus significantly facilitating the discovery and development process of novel therapeutic antibody drug candidates.

Leveraging our antibody discovery platform and animal model platform, we have successfully generated several drug candidates, including our Core Products, YH003 and YH001. Taking the development of YH003 as an example, we firstly obtained a large number of potential antibody molecules through hybridoma-based discovery technology and then conducted large-scale *in vivo* antibody discovery and screening using our self-developed humanized mice. For the screened antibodies, we measure the size of tumor after injection of these antibodies into diseased mice (CD40 humanized mice and PD-1/CD40 dual humanized mice with tumors, respectively). We identified YH003 as it is the antibody with the best efficacy and safety profile both applied alone and in combination with PD-1 antibody. We also performed similar procedures to conduct large-scale *in vivo* antibody discovery and screening using our self-developed CTLA-4 and PD-1/CTLA-4 dual humanized mice respectively and identified YH001, as it is the antibody that demonstrated the best efficacy and safety profile during the study process.

During the Track Record Period, we established collaboration on 17 targets under Project Integrum with ten partners. The therapeutic areas include oncology and infection. We cooperate with our partners on a target exclusive basis under Project Integrum. Generally, for each collaboration program, we are entitled to receive discovery milestone payment, co-own the product rights which may convert to licensing fee or royalties based on net sales through product licensing to the third party or commercialization by way of the endeavor of both sides.

RenMice Platforms

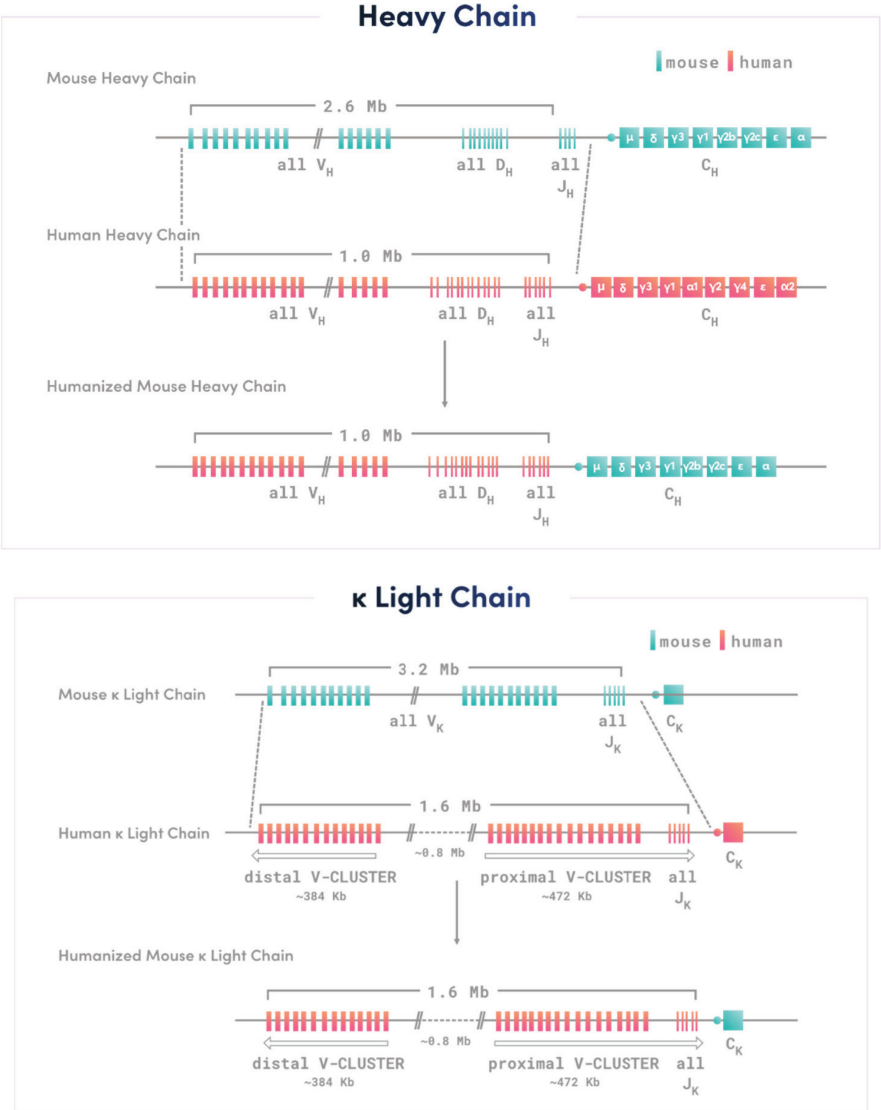
Overview

Discovering antibodies against targets and validating them as potential therapies have historically been time consuming and labor-intensive. There are significant unmet market demands for antibody discovery platforms, such as fully humanized bi-specific antibody. We have developed our RenMice platforms, including RenMab and RenLite, to discover and generate a comprehensive repertoire of fully human mAbs and bi-specific antibodies, and we believe our RenMice platforms would be able to address certain major limitations of the current antibody discovery paradigm.

RenMab

Our RenMab platform uses transgenic RenMab mice with full human variable region, which allows for the natural *in vivo* pairing of human heavy and light chains for the

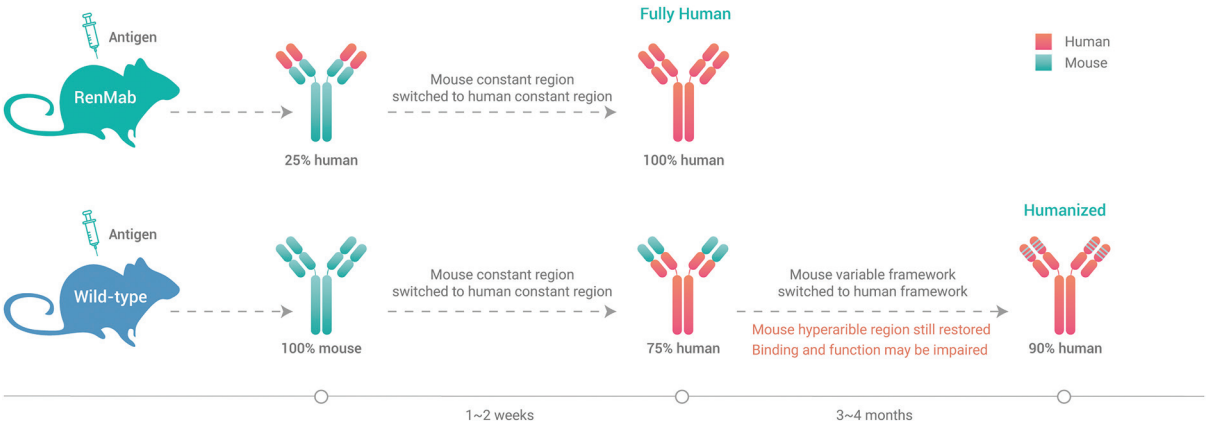
development of fully human antibodies with high affinity, low immunogenicity, and favorable developability. The natural pairing also minimizes the need for excessive rounds of late-stage antibody engineering and validation that is necessary when using *in vitro* discovery methods. The RenMab mice are generated using Size-unlimited and Precise Chromosome Engineering System (SUPCE) technology as illustrated in the diagrams below.



Source: Company data

Our proprietary, Mb-scale editing technology enabled the efficient replacement of the entire murine immunoglobulin heavy chain and kappa light chain variable regions (including distal Vk) with the corresponding human immunoglobulin variable regions *in situ*. The use of our SUPCE technology means that the entire human variable region, including the noncoding regions inside the VDJ loci, remains intact in the RenMab mice. To ensure immune cell responses and proper B cell development, the murine constant region in the RenMab mice also remains intact. The constant domain is then easily swapped with the human constant domain at

later stages. Thus, RenMab mice generate a highly diverse B cell repertoire for the maximum recovery of successful antibody hits with high affinity. When murine antibodies are humanized *in vitro* prior to drug development, they have a higher probability of generating an anti-drug antibody, or ADA. Producing fully human antibodies using our RenMab platform ensures that the antibody candidates will be of potentially better safety and efficacy profile and have a potentially higher success rate during clinical development. The following diagram further illustrates RenMab's advantageous features:

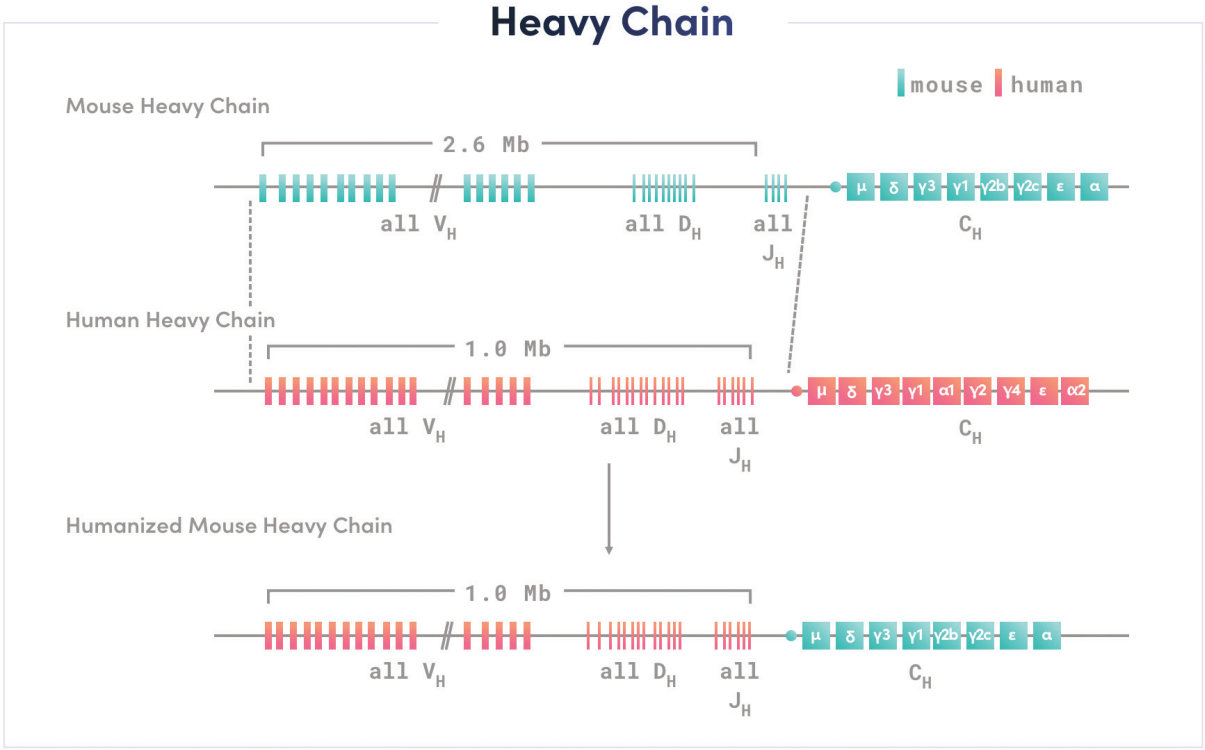


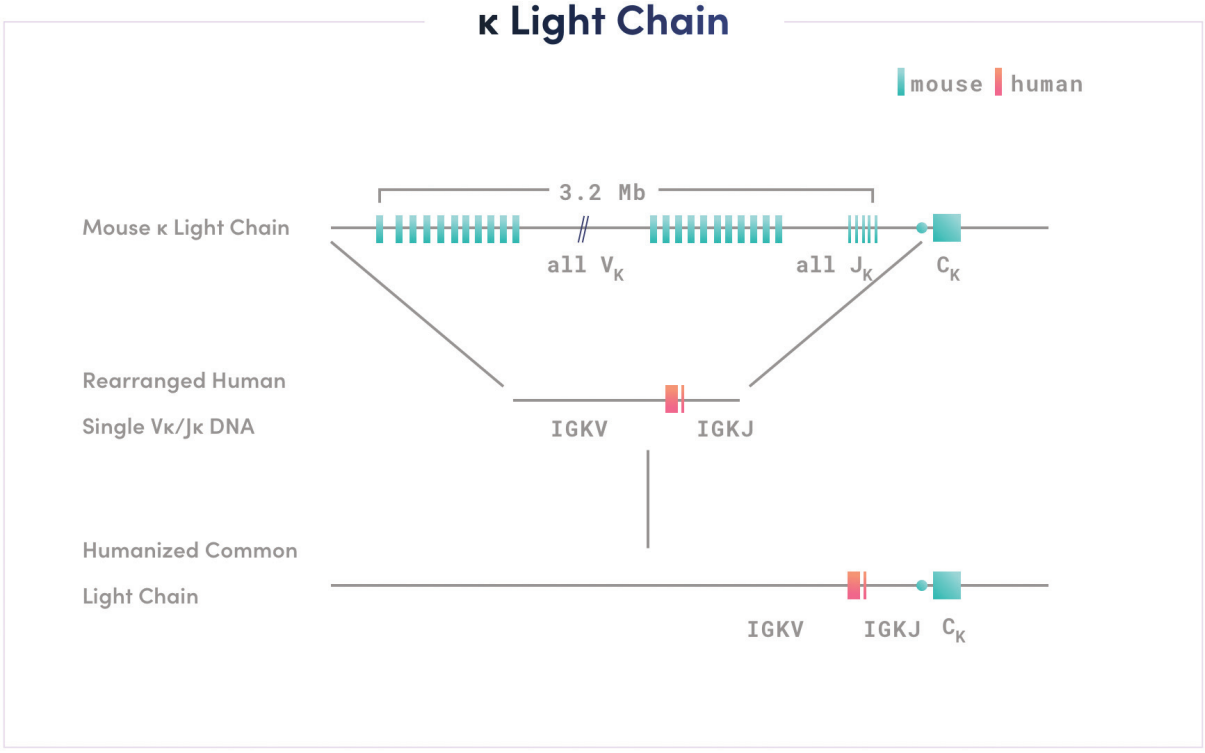
Source: Company data

RenLite

Our RenLite platform uses transgenic RenLite mice containing the fully human immunoglobulin heavy chain variable region and a fixed common light chain, which are used to develop bi-specific antibodies and bi-specific ADCs.

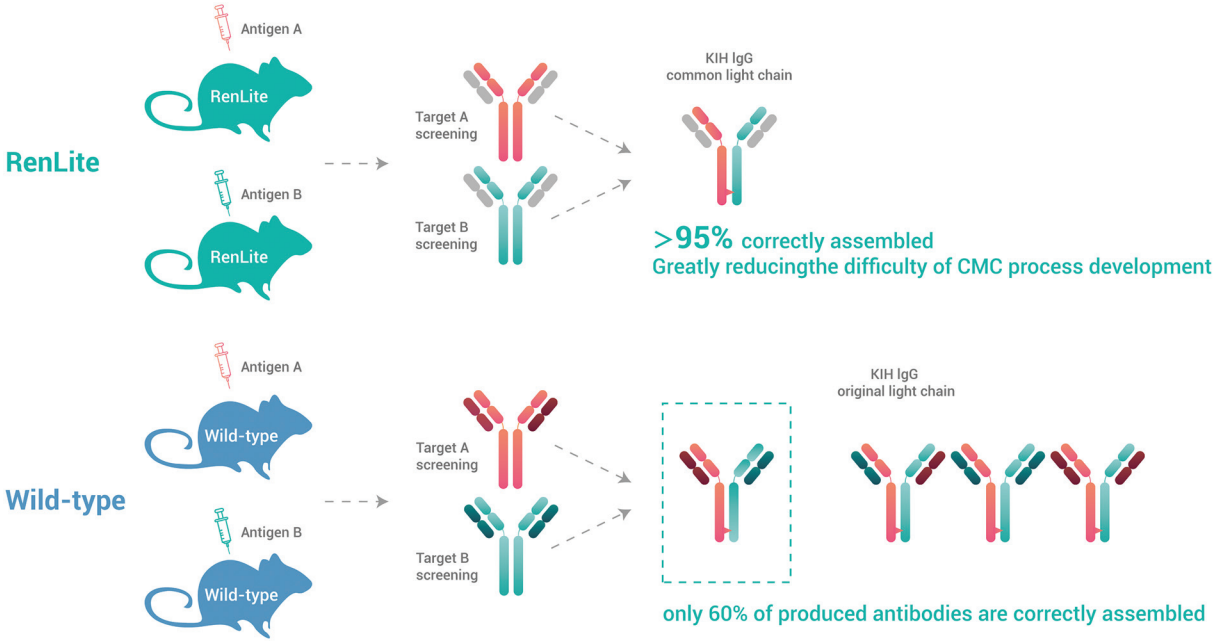
In our RenLite mice, the mouse heavy chain antibody gene variable region has been replaced with a fully human heavy chain variable *in situ*, which results in diversified heavy chain repertoire similar to that of humans. Our RenLite mice have also been genetically altered with a single human common kappa light chain.





Source: Company data

The presence of such single human common kappa light chain ensures light chain complementarity for the future discovery of bi-specific antibodies, while at the same time resolving the mismatch issues of the light chain and the heavy chain, thereby streamlining the CMC development process. This simple bi-specific antibody structural design also allows us to explore on a large scale whether different targets can be combined to generate bi-specific antibodies. The following diagram further illustrates RenLite's advantageous features:



Source: Company data

Customer Base

Our RenMice platforms have a global and diversified customer base, consisting of well-known multinational pharmaceutical companies and leading local pharmaceutical and biotechnology companies. During the Track Record Period, we reached 13 license agreements and five trial collaborations on our RenMice platforms with 14 well-known multinational pharmaceutical companies and leading biotechnology companies such as Innovent (信達生物製藥（蘇州）有限公司) and Xencor, Inc. The licenses we granted to the licensees are non-exclusive. We out-license our RenMice primarily through two methods: the first one is without specific target limitations, under which scenario the licensee only needs to provide target codes to us, and we will trace its development milestones and collect fees accordingly. The licensee needs to pay us in installments based on the number of targets that they utilized and the research and development stages reached. The fees that we are entitled to include upfront payment, milestone payments (at IND, each clinical phase and commercialization) and royalties. The second mode is with specific target limitations. We will negotiate customized fees with our licensees considering the extent of services requested and the targets they selected. In both types of licensing, our fees are set with reference to prevailing market rates

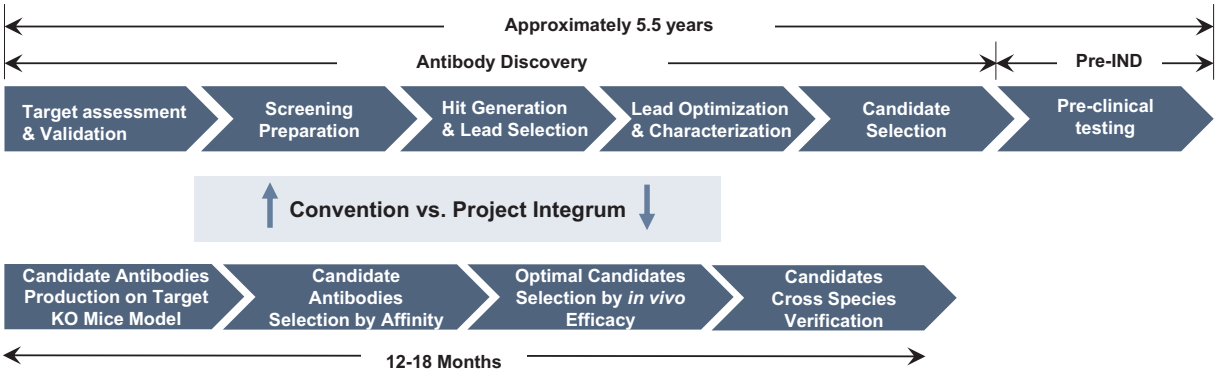
for comparable humanized mice platforms available in the market, and taking into consideration the advantageous features of our RenMice.

We typically allow our licensees to initiate their projects on our RenMice platforms prior to entering into a formal license agreement with them by offering them a trial period, to provide extra flexibility and efficiency for our licensees. We collect fees from our licensees during the trial period to cover our actual cost. We generally enter into formal license agreements with our licensees upon the expiry of the trial period, unless positive results appearing during their trials or they choose not to continue the trial. We hold exclusive intellectual property rights of our RenMice and the licensees may enjoy the right to use of our RenMice pursuant to our agreements. Our licensees are entitled to the intellectual property rights of the products developed with our RenMice. As of the Latest Practicable Date, the licensees, all of which are biopharmaceutical companies, have initiated 31 projects in total including 22 targets with formal license agreements.

Project Integrum

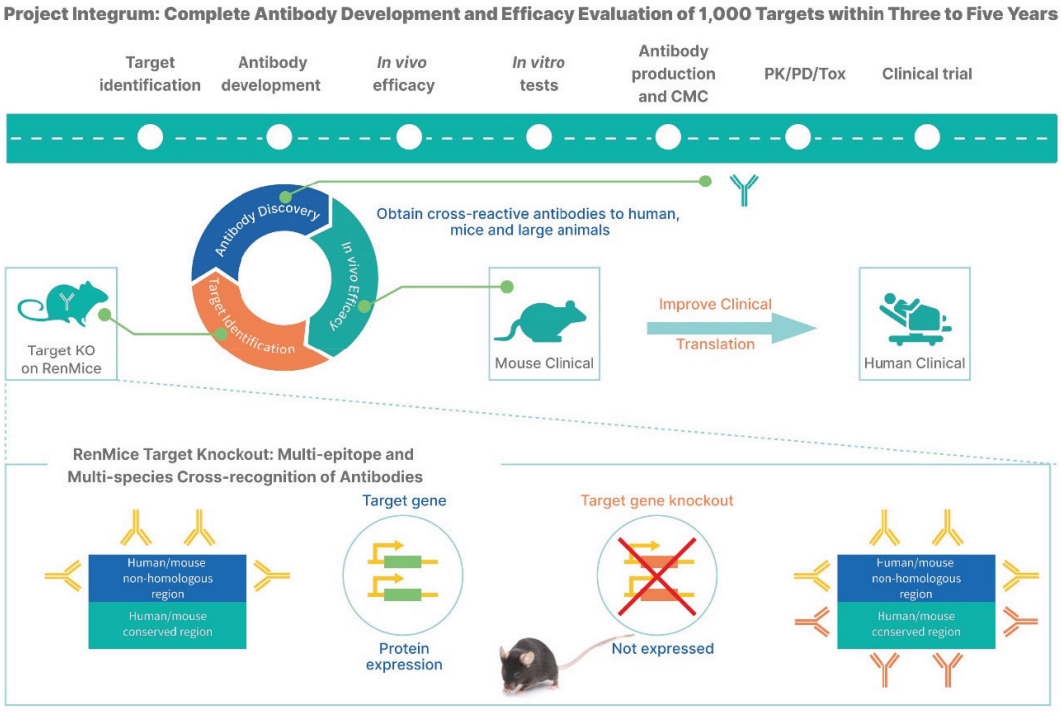
The traditional innovative drug development starts from MOA and needs to go through the whole procedure of target identification, discovery and optimization of lead antibodies, *in vivo* pharmacological and pharmacodynamic studies, CMC, safety rating and clinical trials. Understanding the MOA of drug targets is often challenging for scientific researchers and innovative new drug development companies. There are more than 1,000 drug targets in the human body, most of which are still to be further explored. The FDA and the EMA have approved 144 monoclonal antibodies against approximately 60 targets since the first monoclonal antibody was approved in 1986. For most of the drug candidate targets, human beings know very little about their MOAs and the development of innovative drugs based on MOA is difficult.

Project Integrum empowers us with the capability to identify PCC antibody for potential targets circumventing traditional methods. We adopt an evidence-based *in vivo* screening methodology as a disruptive approach, which uniquely enables us to rapidly and concurrently screen over 1,000 potential antibody drug targets, most of which have not been explored in clinical trials yet, thus significantly facilitating the discovery and development process of novel therapeutic antibody drug candidates. The following chart illustrates the traditional pre-clinical process and its time cost:



Source: Company data, Frost & Sullivan

We had completed more than 980 knock-out under our Project Integrum as of the Latest Practicable Date, including more than 280 targets entering into antibody immune stage and more than 40 targets entering into the molecular screening stage. We would be able to complete the antibody molecule selection for 200 to 300 potential targets per year with our development capacity. The flowchart below illustrates the major process of Project Integrum:



Source: Company data

- Non-lethally knock out target genes one by one to obtain approximately 1,000 Target KO RenMice. By knocking out these targets, we disrupt the immune tolerance in mice and significantly expand the variety of antibody molecules. Since the launch of Project Integrum in March 2020, we have knocked out more than 980 target genes, among which approximately 300 targets have clinical-stage products in the market, and we may develop antibody molecules with Target KO RenMice. RenLite mice are common light chain mice developed based on RenMab mice and suitable for the development of bi-specific antibody molecules or bi-specific antibody ADC drugs. We have initiated approximately 250 RenLite knockout projects. The common light chain antibodies against these TAA targets will be used to develop bi-specific antibody molecules and bi-specific antibody ADCs, which are potentially safer and more effective than monoclonal antibodies.

- Conduct large-scale and comprehensive screening of antibodies with similar affinity to multi-species targets by cross-immunization with multi-species (human, mouse and large animals) antigens. In order to improve antibody screening throughput, we adopt the Beacon optofluidic system and other technologies. The beacon optofluidic system can shorten the antibody screening time to reduce cost and time and significantly improve antibody screening throughput. Currently, we have three Beacon optofluidic systems, which can conduct antibody screening of three targets every day, ensuring our high throughput in monoclonal antibody screening. We will first prepare antibodies against over 1,000 targets using Target KO RenMice and for each target, select 400-600 antibody clones, and then screen out 100-200 antibody molecules per target that cross-recognize human and mouse targets to perform subsequent *in vivo* efficacy evaluation and ranking.

- Find approximately 10-20 antibody molecules with the best potency against each target using *in vivo* screening. *In vivo* drug efficacy is a key component of the implementation of Project Integrum. For the screened antibodies that recognize human and mouse targets, we measure the size of tumor after injection of these antibodies into diseased mice (such as mice with tumors) to identify the antibody with the best efficacy. For the antibody with the best *in vivo* efficacy, we will conduct further *in vitro* drugability analysis.

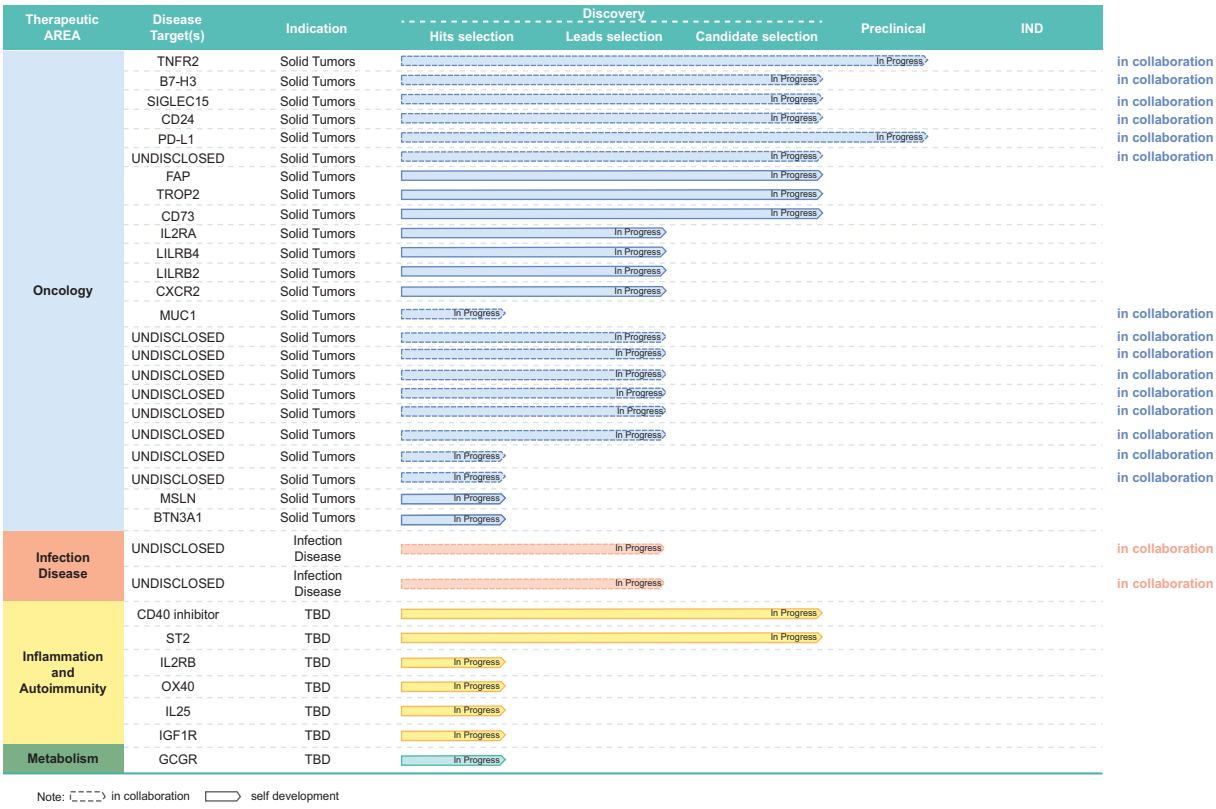
- For the effective targets and antibody molecules in mice, we conduct further validation in larger animals with spontaneous diseases, with approximately one to two antibody molecules available for each target. Currently, our larger animal oncology medical translation center is under construction.

- For antibody drug candidates that are effective in larger animals, we will further file antibody IND application.

Project Integrum simplifies the complex drug development process by following the principle of "beginning with the end". It brings the *in vivo* validation in animals forward to verify the target and the efficacy of antibodies against the target. In addition to validation in mice, we also add *in vivo* validation in larger animals. Unlike mice, tumors in larger animals are spontaneous and the immune system as well as the pathogenesis is more similar to that of humans.

In general, we cooperate with our partners on a target exclusive basis under Project Integrum. Generally, for each collaboration program, we are entitled to receive discovery milestone payment, co-own the product rights which may convert to licensing fee or royalties based on net sales through product licensing to the third party or commercialization by way of the endeavor of both sides. Project Integrum provides our partners and us opportunities to optimize our comparative advantages, share our growth and maintain a flexible business strategy.

During the Track Record Period, we established collaboration on 13 targets under Project Integrum with nine partners including RemeGen, Mabworks Biotech, China Resources Biopharm, Shanghai Institute of Biological Products, North China Pharmaceutical, Dragon Boat Biopharmaceutical, GeneQuantum, and LiberoThera. The therapeutic areas include oncology and infection. The following chart summarizes our Project Integrum pipeline and the development status of selective candidates under both self-development and collaboration.



Source: Company data

RESEARCH AND DEVELOPMENT

We are committed to providing innovative services to support our customers' groundbreaking and complex new drug research and development projects in China and around the world. Towards this goal, we have constantly invested in improving our technologies and advancing our service capabilities, as well as actively participated in major government-sponsored research projects. Such investments have allowed us to remain at the forefront of the latest technology trend in our industry, develop novel solutions for our customers and maintain our competitive position. We strive to further enhance our technical capability through internal research and development, cooperation with universities and research institutions, collaboration with our partners and customers as well as through acquisition of technologies that create synergies with ours.

We are dedicated to enhancing our pipeline by leveraging our leading in-house research and development capabilities, which spans from early drug discovery to clinical development. As of the date of this Document, our research and development team has discovered and/or developed our current pipeline of 12 drug candidates.

To cultivate a high-quality talent pool and ensure delivery of professional services, we have developed on-site training programs that provide training courses on a variety of cutting-edge scientific and technical topics, as well as also tracking, evaluating and reporting each employee's training progress.

As of the Latest Practicable Date, we had 208 registered trademarks, 89 registered patents and four software copyrights, and filed 254 patent applications in 17 countries or regions.

We have a dedicated team of 813 research and development personnel in charge of specific research and development projects, as of the Latest Practicable Date. In 2020 and 2021, our research and development expenses amounted to RMB276.3 million and RMB558.5 million, respectively.

Collaboration with CROs and CDMOs

We select CROs and CDMOs based on various factors, such as academic qualifications, industry reputation and compliance with relevant regulatory agencies and cost competitiveness. In addition, we consider their ability to facilitate site selection, timely recruit patients and conduct complex clinical trials efficiently with high quality. We typically enter into a general service agreement with a CRO or CDMO for clinical trial management services under which we execute separate work orders for each clinical development project. We closely supervise these CROs and CDMOs to ensure their performance in a manner that complies with our protocols and applicable laws, which in turn protects the integrity and authenticity of the data from our trials and studies.

Below is a summary of the key terms of an agreement that we typically enter into with our CROs and CDMOs:

- *Services*. The CRO/CDMO provides us with services such as the implementation and management of a clinical research project as specified in the master agreement or a work order.

- *Term*. The CRO/CDMO is required to perform its services within the prescribed time limit set out in each work order and the KPIs agreed by both parties.

- *Payments*. We are required to make payments to the CRO/CDMO in accordance with the payment schedule agreed by the parties.

- *Risk allocation*. Each party should indemnify the other party for losses caused by its negligence, recklessness, intentional misconduct or material breach of the master agreement or the work order.

For the year ended December 31, 2020 and 2021, we had commission service fees attributable to the research and development of our Core Products of RMB37.9 million and RMB60.3 million, respectively. The Company and CRO/CDMOs determine the fee rates for services primarily based on market prevailing rates. The CRO/CDMO market in the PRC is highly competitive, and the Company compared the quotes and credentials of the CRO/CDMOs to determine the service provider by project.

To the best of our knowledge, all our CRO and CDMO partners are independent third parties.

QUALITY MANAGEMENT

We have a quality management department that devotes resources to the quality management of our products. Based on our novel idea to develop antibody drugs, we have established our own quality control system with reference to the ISO9001, GMP and GLP systems. Our quality control system devotes significant attention to quality control for the designing, R&D, manufacturing, testing and transportation of our products and product candidates. Our management team is actively involved in setting quality policies and managing our internal and external quality performance.

As of the Latest Practicable Date, our quality management department consists of approximately 50 employees, among which approximately 25% have obtained their master degrees in medicine, agriculture and science majors. Our quality management team members have rich experience in quality management and successful drug filings to the FDA and the NMPA.

MARKETING AND BUSINESS DEVELOPMENT

We procure business through the efforts of our marketing and business development teams and customer referrals. Our marketing and business development teams are dedicated to increase our brand awareness, expand our global customer base and strengthen our relationships with existing customers to drive more business opportunities.

We adopted a global research and development strategy for our Core Products candidates to penetrate into the market. For the domestic market, we plan to partner with PIs with high industry influence and expertise, publish our clinical trial results in academic conferences and journals for physician education, recruit market analysts and product promotion specialists to tailor commercializing strategies for each of our Core Products, engage distributors that have broad hospital coverage, and assemble a full-fledged in-house commercialization team with expertise in medical, sales and marketing permit, regulatory and supply chain areas. For the overseas market, we plan to partner with local pharmaceutical companies to utilize their local sales networks and other resources to achieve win-win results and maximize the commercial value of our Core Products. We plan to formulate a commercialization and marketing plan in anticipation of future product launch. We plan to enroll market and product analysts to analyze the potential markets of our Core Products for different indications and to keep track of the pricing and reimbursement policies for the determination of our Core Products' price. We also plan to start pre-launch preparation 18 to 24 months prior to the respective expected commercialization of our Core Products.

During the Track Record Period and up to the Latest Practicable Date, we had not commercialized any of our Core Products on the market. We have not formulated any definitive pricing policy for our Core Products yet. When our Core Products progress to commercialization in the future, we will determine their prices based on various factors such as our Core Products advantages, costs and the prices of competing products. We plan to conduct extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our Core Product, and intent to take into account various factors such as feedback collected from these parties, our production costs, the differences in safety and efficacy profiles between, the estimated demand for our Core Products, and the clinical value we bring to the patients to price our Core Products.

We will also consider seeking inclusion of our Core Products into the NRDL and other reimbursement programs. Inclusion into the NRDL is evaluated and determined by the relevant government authorities and we may face significant competition for successful inclusion. If we fail to have our Core Products included in the NRDL after commercialization, our sales channels may be limited and our revenue from commercial sales will be highly dependent on patient self-payments, which could make our products less competitive. Additionally, even if our Core Products are included into the NRDL, our potential profit margins from the sale of these Core Products could be negatively impacted by bidding competition, price control or other reasons.

OUR CUSTOMERS

Our pre-clinical research services have a large, loyal, high quality and expanding customer base. Most of our customers are pharmaceutical and biotechnology companies, including Chinese and global leading pharmaceutical companies and small-to-medium-sized biotechnology companies. The total number of customers we served annually increased from 782 in 2020 to 796 in 2021. During the Track Record Period, we worked with nine of the top ten largest pharmaceutical companies globally, according to Frost & Sullivan. We have also provided services to a growing number of innovative biotechnology companies. As we have not yet marketed any of our drug candidates as of the Latest Practicable Date, all of our customers are from our pre-clinical research services.

As of December 31, 2021, we had served our top five customers for an average of over three years. Our experience and ability in gene editing has also allowed us to attract our existing customers to our growing pre-clinical pharmacology, efficacy evaluation, animal models selling and related services. As we continue to expand our service capability and geographic footprint, we have helped Chinese customers with global drug applications and overseas customers with their drug applications in both China and overseas. In particular, with our global standards, world-class service quality and advanced technology, equipment and facilities, we have become an attractive pre-clinical research service provider for overseas customers to perform complex non-clinical studies in China for their overseas drug applications. The number of overseas customers we served grew from 166 in 2020 to 215 in 2021.

We did not have any substantial customer concentration during the Track Record Period. The total revenues generated from our top five customers increased from RMB48.3 million for 2020 to RMB81.6 million for 2021. In 2020 and 2021, our top five customers together accounted for 19.0% and 23.0%, respectively, of our total revenues, and our largest customer accounted for 6.0% and 11.2%, respectively, of our total revenues during such periods. For risks related to any loss of key customers, see "Risk Factors – Risks Relating to Our Business and Industry – We face increasing competition. If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers. Our inability to compete effectively may result in downward pricing pressure and reduced demand for our products and services."

The following tables set forth certain information about our five largest customers in terms of revenue, in descending order, generated in 2020 and 2021, respectively.

			In the year ended December 31, 2020			
Customers	**Years of relationship as of December 31, 2020**	**Principal Business**	**Services Provided**	**Revenue (RMB in millions)**	**Revenue Contribution (%)**	**Credit Term Granted to the Customer**
RemeGen	Three	RemeGen is biotech company committed to the discovery, development and commercialization of innovative and differentiated biologic drugs headquartered in Shandong.	Antibody development, animal model selling	15.1	6.0	30 days
Customer A	Two	It was established in Shanghai in 2005, formerly a foreign company specializing in CRO services for innovative drugs, and later established a new drug development center for monoclonal antibodies in Zhangjiang Hi-Tech Park, dedicated to the development of innovative oncology drugs.	Antibody development, animal model selling	11.2	4.4	30 days

Customers	Years of relationship as of December 31, 2020	Principal Business	In the year ended December 31, 2020			
			Services Provided	Revenue (RMB in millions)	Revenue Contribution (%)	Credit Term Granted to the Customer
Customer B	Two	It is headquartered in Japan and was established in 1781. It is listed on the Nasdaq Stock Exchange. It is a patient-focused, values-based, R&D-driven global biopharmaceutical company.	Gene editing, preclinical PD/PK evaluation service	9.4	3.7	Not applicable
Customer C	Two	It was established in 1961 as a biotechnology company headquartered in Rockville, Maryland. It focuses on providing laboratory research services to bring leading vaccines and therapies from clinical development to market.	preclinical PD/PK evaluation service	6.4	2.5	Not applicable

			In the year ended December 31, 2020			
Customers	Years of relationship as of December 31, 2020	Principal Business	Services Provided	Revenue (RMB in millions)	Revenue Contribution (%)	Credit Term Granted to the Customer
Customer D	Two	It is an international pharmaceutical company headquartered in the U.S. focused on therapeutic areas such as central nervous system and oncology. Global R&D, global manufacturing and global sales of innovative drugs are its three strategic priorities.	preclinical PD/PK evaluation service	6.2	2.4	Not applicable
Total	N/A	N/A	N/A	48.3	19.0	

			In the year ended December 31, 2021			
Customers	Years of relationship as of December 31, 2021	Principal Business	Services Provided	Revenue (RMB in millions)	Revenue Contribution (%)	Credit Term Granted to the Customer
RemeGen	Four	RemeGene is biotech company committed to the discovery, development and commercialization of innovative and differentiated biologic drugs headquartered in Shandong.	Antibody development, animal model selling	39.8	11.2	30 days

Customers	Years of relationship as of December 31, 2021	Principal Business	In the year ended December 31, 2021			
			Services Provided	Revenue (RMB in millions)	Revenue Contribution (%)	Credit Term Granted to the Customer
Customer B	Three	It is headquartered in Japan and was established in 1781. It is listed on the Nasdaq Stock Exchange. It is a patient-focused, values-based, R&D-driven global biopharmaceutical company.	preclinical PD/PK evaluation service	13.3	3.8	Not applicable
Customer E	One	It is a leading pharmaceutical company headquartered in the PRC focused on sales of pharmaceutical product, logistics and distribution and providing pharmaceutical supply chain solution services. It is currently listed on the Hong Kong Stock Exchange.	Antibody development	10.7	3.0	10 days

Customers	Years of relationship as of December 31, 2021	Principal Business	In the year ended December 31, 2021			
			Services Provided	Revenue (RMB in millions)	Revenue Contribution (%)	Credit Term Granted to the Customer
Customer F	One	It is a private clinical-stage biopharmaceutical company focused on developing novel intratumoral immunotherapies for solid tumors. direction of new biological products and chemical drugs, integrating information, scientific research, pilot testing and production.	Antibody development	9.6	2.7	40 days
Customer D	Three	It is an international pharmaceutical company headquartered in the U.S. focused on therapeutic areas such as central nervous system and oncology. Global R&D, global manufacturing and global sales of innovative drugs are its three strategic priorities.	preclinical PD/PK evaluation service	8.2	2.3	Not applicable
Total	N/A	N/A	N/A	81.6	23.0	

During the Track Record Period, all of our five largest customers were independent third parties. None of our Directors, their respective associates, or Shareholders who, to the

knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

In light of our comprehensive services offerings, we procure a wide variety of supplies such as general experimental consumables, equipment and research models, and rodents, mainly for our non-clinical services and laboratory services. In addition, we procure CRO and CDMO services for our clinical and pre-clinical pipelines, such as clinical research services, pre-clinical CMC and antibody safety evaluation services. In 2020 and 2021, we had 14 and 18 of CRO/CDMO service providers, respectively. Save for common financial investors that we may have, our CRO and CDMO service providers are independent third parties of us during the Track Record Period. The general experimental consumables, such as reagents, and equipment are available from various suppliers in quantities adequate to meet our needs. During the Track Record Period, we had not experienced any material difficulty in procuring a sufficient supply of general experimental consumables or equipment.

Our major suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. In 2020 and 2021, we spent RMB837.5 million, and RMB833.6 million in procuring various supplies from our suppliers, respectively.

Our total amount purchased from our five largest suppliers amounted to RMB503.7 million and RMB314.5 million for 2020 and 2021, respectively accounted for 60.1% and 37.7%, respectively, of our total procurements amount during such periods.

The following tables set forth certain information about our five largest suppliers in terms of procurement amount (in descending order) incurred in 2020 and 2021, respectively:

			In the year ended December 31, 2020			
Suppliers	**Years of relationship as of December 31, 2020**	**Principal Business**	**Goods and/or Services Procured**	**Procurement Amount (RMB in millions)**	**Procurement Contribution (%)**	**Credit Term Granted to Our Company**
Supplier A	Less than one	It was established in Jiangsu 2016 with a registered capital of RMB50 million, its business scope includes real estate development and operation, etc.	Construction service	225.6	26.9	Four years

			In the year ended December 31, 2020			
Suppliers	**Years of relationship as of December 31, 2020**	**Principal Business**	**Goods and/or Services Procured**	**Procurement Amount (RMB in millions)**	**Procurement Contribution (%)**	**Credit Term Granted to Our Company**
Supplier B	One	It was established in Tianjin in 1999 with a registered capital of RMB106 million and provides services in the whole industrial chain and industrial cycle of R&D, design, manufacturing, installation and maintenance.	Construction service	143.4	17.1	30 days upon the expiry of a three year warranty period
Supplier C	Two	It was established in Jiangsu in 2010, with a registered capital of RMB100 million. Its business scope includes general contracting of building construction, professional contracting of building decoration works, etc.	Construction service	63.3	7.6	Six years
Supplier D	One	It was established in Beijing in 2018 with a registered capital of RMB10 million. It is a professional laboratory equipment supplier with import and export business rights.	Machinery and equipment	36.7	4.4	Not applicable
Supplier E	Three	It was established in Shandong in 2013 with a registered capital of RMB404,407,116. Its business scope includes research and development, sales, technical consultation, technology transfer and technical services of biological products.	Antibody drug development and production	34.6	4.1	10 days after the invoice date
Total	N/A	N/A	N/A	503.7	60.1	

Suppliers	Years of relationship as of December 31, 2021	Principal Business	In the year ended December 31, 2021			Credit Term Granted to Our Company
			Goods and/or Services Procured	Procurement Amount (RMB in millions)	Procurement Contribution (%)	
Supplier B	Two	It was established in Tianjin in 1999 with a registered capital of RMB106 million and provides services in the whole industrial chain and industrial cycle of R&D, design, manufacturing, installation and maintenance.	Construction service	189.4	22.7	30 days upon the expiry of a three-year warranty period
Supplier F	Six	It was established in Shandong in 1993. It is a health management group that integrates medical equipment, pharmaceutical equipment research, production, sales, medical services, trade and logistics in various fields. The company is listed on the Shanghai Stock Exchange.	Equipment	53.4	6.4	An advanced payment of 30%, 60% within 7 days of invoice issued, and 10% upon the expiry of a one-year warranty period
Supplier C	Three	It was established in Jiangsu in 2010, with a registered capital of RMB100,000,000. Its business scope includes general	Construction service	25.0	3.0	Six years

Suppliers	Years of relationship as of December 31, 2021	Principal Business	In the year ended December 31, 2021			Credit Term Granted to Our Company
			Goods and/or Services Procured	Procurement Amount (RMB in millions)	Procurement Contribution (%)	
		contracting of building construction, professional contracting of building decoration works, etc.				
Supplier E	Four	It was established in Shandong in 2013 with a registered capital of RMB404,407,116. Its business scope includes research and development, sales, technical consultation, technology transfer and technical services of biological products.	Antibody drug development and production	24.0	2.9	10 days after the invoice date
Supplier G	Less than one year	It was established in Jiangsu 2018 with a registered capital of RMB10 million. It is focused on real estate and construction services.	Housing services	22.6	2.7	payment by two installments
Total	N/A	N/A	N/A	314.5	37.7	

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance and conduct annual on-site audits.

To the best of our knowledge, all of our five largest suppliers during the Track Record Period are independent third parties. None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our

five largest suppliers during the Track Record Period. During the Track Record Period, none of our major suppliers was also our customer.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers or experience any material breach of our supply agreements. We had not experienced any material fluctuations in the pricing of our supplies during the Track Record Period. To the best of our knowledge, as of the Latest Practicable Date, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

OUR PROPERTIES

We are headquartered in Beijing, China. As of the Latest Practicable Date, we owned three properties in China, with a total aggregate gross floor area of approximately 34,585.19 sq.m, 11 leased properties in China, with a total aggregate gross floor area of approximately 42,391.465 sq.m and two right-to-use properties in China, with a total aggregate gross floor area of approximately 62,741.35 sq.m . We also rent a 1,293 sq.m combined office, research and development space in Boston, the United States We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

As of the Latest Practicable Date, we have the right to utilize approximately 65,393 sq.m of model animal base, including manufacture facilities, laboratories and offices in Haimen, pursuant to a cooperation agreement with the right holder of the land and properties. We have the right to acquire the underlying land and property rights from the current right holder upon six months prior notice.

The following table sets forth a summary of the properties owned/ leased/ right-to-use by us of the Latest Practicable Date:

Location	Type of Property	Address	Gross Floor Area (sq.m)	Property Owned / Leased / Right-to-Use	Expiry Date
Beijing, China	Industrial land	Room 101, 1st to 5th Floors, Block 1 and 2, Room 101, Basement 1st to 5th Floor, Block 3 No. 12 Yard, Baoshen South Street, Daxing District, Beijing	11,642.35	Right-to-use	October 25, 2065

Location	Type of Property	Address	Gross Floor Area (sq.m)	Property Owned / Leased / Right-to-Use	Expiry Date
Haimen, China	Industrial land	South Wing of Yuanjiangdi, North wing of Linjiang Avenue, Linjiang New District, Haimen	51,099.00	Right-to-use	September 22, 2069
Beijing, China	Office	Room 101, 1st to 5th Floors, Block 1, No. 12 Yard, Baoshen South Street, Daxing District, Beijing	2,502.63	Owned	N/A
Beijing, China	Research, development	Room 101, 1st to 5th Floors, Block 2, No. 12 Yard, Baoshen South Street, Daxing District, Beijing	8,582.99	Owned	N/A
Beijing, China	Manufacture	Room 101, Basement 1st to 5th Floors, Block 3 No. 12 Yard, Baoshen South Street, Daxing District, Beijing	23,499.57	Owned	N/A
Beijing, China	Research, development, manufacture, office	Block 1, Yard 7, Zhongjing West Road, Zhongguancun Science and Technology Park Biological Pharmaceutical Industry Base, Daxing District, Beijing	7,528	Leased	September 31, 2031
Beijing, China	Research, development, manufacture, office	1-10th Floor and 9th Floor Corridor, Section A, Block 1, Yard 26, Yongwang West Road, Zhongguancun Science and Technology Park Daxing Biomedical Industry Base, Daxing District, Beijing	13,567.83	Leased	July 31, 2025

Location	Type of Property	Address	Gross Floor Area (sq.m)	Property Owned / Leased / Right-to-Use	Expiry Date
Beijing, China	Office	23rd Floor, No. 3 Office Building, China Central Place, No. 77 Jianguo Road, Chaoyang District, Beijing	2,263.76	Leased	January 15, 2024
Guangzhou, China	Research, development, office, display	Room 4A02, Block 1, Chuangzhi Park, No. 28 Qinglan Street, University Town, Panyu District, Guangzhou	41	Leased	June 03, 2022
Haimen, China	Research, development, breeding,office	Block B12, Haimen Biological Medicine Science and Technology Innovation Park, No. 100 Dongtinghu Road, Linjiang Town, Haimen	8,593.7	Leased	October 13, 2034
Haimen, China	Breeding, office	Block B10, Haimen Biological Medicine Science and Technology Innovation Park, No. 100 Dongtinghu Road, Linjiang Town, Haimen	7,610.56	Leased	October 13, 2024
Shanghai, China	Office	Room 811 and 812, 8th Floor, No. 780, Cai Lun Road, Zhangjiang Hi-Tech Park, Shanghai	209.58	Leased	July 17, 2022
Shanghai, China	Office	Unit 9010, 9th Floor, Shangyue Center, No. 88 Yincheng Road, Pudong New Area, Shanghai	195	Leased	October 17, 2022
Shanghai, China	Office	Unit 01, 06-08, 11th Floor, Shangyue Center, No. 88 Yincheng Road, Pudong New Area, Shanghai	1,163.035	Leased	May 31, 2025

Location	Type of Property	Address	Gross Floor Area (sq.m)	Property Owned / Leased / Right-to-Use	Expiry Date
Suzhou, China	Office	Unit E600, 5th Floor, Lecheng Plaza, Phase II, Biomedical Industrial Park, No. 218 Sangtian Street, Suzhou Industrial Park, Suzhou	50	Leased	September 14, 2022
Suzhou, China	Research, development, office	Unit 301, Block C29, Biomedical Industrial Park, No. 218 Xinghu Street, Suzhou Industrial Park, Suzhou	1,169	Leased	January 7, 2025
Boston, USA	Research, development, manufacture, office	50c-d, Audubon Road, Wakefield, MA 01 880	1,293	Leased	November 30, 2023

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), we need to comply with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in land or buildings, as we have property interest with a carrying amount of 15% or more of our consolidated total assets. Accordingly, we have prepared the Property Valuation Report with respect to our Group's owned properties pursuant to Chapter 5 of the Listing Rules. Please see "Appendix III" and "Financial Information – Property Valuation" for details.

MANUFACTURING

Drug Candidate Manufacturing

We currently outsource the production of drug candidates to a limited number of CDMOs. For example, MabPlex International (煙台邁百瑞國際生物醫藥有限公司) is the main CDMO we have engaged to provide YH001, YH002, YH003 and YH004 manufacturing services. Service contract and quality agreement have been signed with MabPlex. A series of procedures have been adopted in the quality agreement to ensure that the production qualifications, facilities and processes of our CDMOs comply with the relevant regulatory requirements and our internal SOPs. We select our CDMOs by reviewing a number of factors, including their

qualifications, relevant expertise, production capacity, geographic proximity, reputation, track record, product quality, reliability in meeting delivery schedules and the financial terms offered by them. We commission these CDMOs to develop and manufacture drug substances and drug products to support our clinical development. To monitor and evaluate the services performed by our CDMOs, we set a series of predefined specifications on in-process control and release tests, and review manufacturing related documents, including batch records and quality control test results, to ensure specifications are met. In addition, we conduct annual audits and when there is major deviation from process protocol, special ad hoc audits might be initiated on our CDMOs. We are constructing our CMC manufacture base in Haimen, China. Upon completion by end of 2022, it will have two 200L manufacturing lines, two 500L manufacturing lines and two 2,000L manufacturing lines. We believe our Haimen manufacture base will strengthen our manufacture capabilities.

Animal Model Production

We have established model animal production centers, including three animal facilities encompassing a total of approximately 55,500 sq.m. animal facilities, with an annual supply capacity of 800,000 genetically edited mice with a utilization rate of approximately 60% for 2021. Our large facilities allow us to have a broad set of genetically engineered mice, disease mouse models and aged small animal with a significant cost advantage. For more detailed information, see "– Our Animal Model Platform."

COMPETITION

The pharmaceutical and biotechnology industries are characterized by rapidly advancing technologies, competition and a strong emphasis on proprietary drugs. While we believe our seasoned management team, first-tier R&D capability, biopharmaceutical platform and pipeline of clinical and pre-clinical stage proprietary candidates provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, and public and private research institutions. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and new drugs that may become available in the future.

We operate in the segments of the pharmaceutical, biotechnology and other related markets that address oncology, autoimmune and infection diseases. There are other companies working to develop similar therapies in these fields. These companies include divisions of large pharmaceutical companies and biotechnology companies of various sizes.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer or more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any drugs that we may develop. Our

competitors also may obtain NMPA or other regulatory approval for their drugs earlier than we obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. The key competitive factors affecting the success of all of our drug candidates, if approved, are likely to be their efficacy, safety, convenience and price, and the availability of reimbursement from government and other third-party payors.

For more information on the competitive landscape of our drug candidates, see "– Our Drug Candidates."

INSURANCE

We maintain insurance coverage adequate to our business operations and are in line with the industry norms, including the following types of insurance:

- Clinical trial insurance covering personal injuries and property losses of the patients; and

- Medical insurance and critical illness insurance covering unforeseen medical costs of our employees.

Consistent with industry norm, we do not maintain key-man life insurance for any member of our senior management, or business disruption insurance. While we believe that our insurance coverage is adequate and in line with the industry norms, it may, however, be insufficient to cover all claims for product liability, damage to our assets, plant and equipment or employee injuries. See "Risk Factors – Risks Relating to our Business and Industry – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources" for more information.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number	% of Total
Management	88	5.5
Function	123	7.7
R&D	813	51.2
Production	517	32.5
Marketing	48	3.0
Total	1,589	100.0

As of the Latest Practicable Date, we had 970 employees in Beijing, 477 employees in Jiangsu, and 142 employees in other regions of China and overseas.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete clause that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for no less than two years after the termination of 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, see "Directors and Senior Management" in this Document.

We believe that we maintain a good working relationship with our employees. We believe we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Training and Development

We believe that our success depends in part on our ability to attract, recruit, train and retain talented employees. We are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system, including periodic technical training and regular sharing of industry insight to accelerate the learning progress and improve the knowledge and skill levels of our workforce. We also conduct training for our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

Employee Benefits

Our employees' remuneration consists of salaries, bonuses, employees' provident fund, and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plan, unemployment insurance work-related injury insurance, medical insurance and maternity insurance), supplemental medical insurance and housing funds for our employees. As of the Latest Practicable Date, we had complied with statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business.

As of the Latest Practicable Date, we had 208 registered trademarks, 89 registered patents and four software copyrights, and filed 254 patent applications in 17 countries or regions.

The following table sets forth an overview of our material granted patents and pending patent applications in connection with our clinical and pre-clinical drug candidates and RenMice platforms as of the Latest Practicable Date:

Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
YH001	PCT/ CN2017/102816	Invention	Eucure (Beijing)	ANTI-CTLA-4 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2017/09/21	Pending	N/A
	U.S. Patent No. 11,034,764	Utility	Eucure (Beijing)	ANTI-CTLA-4 ANTIBODIES AND USES THEREOF	U.S.	2017/09/21	Granted	September 2037
YH002	PCT/ CN2017/112832	Invention	Eucure (Beijing)	ANTI-OX40 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2017/11/24	Pending	N/A
	U.S. Patent No. 10,934,365	Utility	Eucure (Beijing)	ANTI-OX40 ANTIBODIES AND USES THEREOF	U.S.	2017/11/24	Granted	November 2037
YH003	PCT/ CN2018/096494	Invention	Eucure (Beijing)	ANTI-CD40 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2018/07/20	Pending	N/A

Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
	U.S. Patent No. 11,142,582	Utility	Eucure (Beijing)	ANTI-CD40 ANTIBODIES AND USES THEREOF	U.S.	2018/07/20	Granted	July 2038
YH004	PCT/ CN2019/105315	Invention	Eucure (Beijing)	ANTI-TNFRSF9 ANTIBODIES AND USES THEREOF	PCT, 15 countries and regions, including China, U.S., EPO, Japan and Hong Kong	2019/09/11	Pending	N/A
RenMab Mouse	PCT/ CN2020/075698	Invention	our Company	GENETICALLY MODIFIED NON-HUMAN ANIMALS WITH HUMANIZED IMMUNOGLOBULIN LOCUS	PCT	2020/02/18	Pending	N/A
RenLite Mouse	PCT/ CN2021/097652	Invention	our Company	GENETICALLY MODIFIED NON-HUMAN ANIMALS WITH COMMON LIGHT CHAIN IMMUNOGLOBULIN LOCUS	PCT	2021/06/01	Pending	N/A
Gene Editing (EGE)	PCT/ US2015/045134	Invention	Our Company	DNA KNOCK-IN SYSTEM	PCT, 2 countries, including China and U.S.	2015/8/13	Pending	N/A
	U.S. Patent No. 10,314,297	Utility	Biocytogen Boston Corp.	DNA KNOCK-IN SYSTEM	U.S.	2015/8/13	Granted	August, 2035
	U.S. Patent No. 11,071,289	Utility	Biocytogen Boston Corp.	DNA KNOCK-IN SYSTEM	U.S.	2015/8/13	Granted	August, 2035
B-NDG Mice	PCT/ CN2018/079365	Invention	Our Company	IMMUNODEFICIENT NON-HUMAN ANIMAL	PCT, only U.S.	2018/3/16	Pending	N/A
	U.S. Patent No. 10,820,580	Utility	Our Company	IMMUNODEFICIENT NON-HUMAN ANIMAL	U.S.	2018/3/16	Granted	March, 2038

Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
	Chinese Patent No. ZL201810215804.1	Invention	Biocytogen Jiangsu and Our Company	PREPARING METHOD AND APPLICATION OF IMMUNODEFICIENT ANIMAL MODEL WHICH HAS DELETION IN CD132 GENE	China	2018/3/15	Granted	March, 2038

As of the Latest Practicable Date, we have two issued patents and 30 filed patent applications in relation to our Core Products. Our directors believe such patent and patent applications have covered all the key characteristics of the Core Products and the Group's exposure to any objection or claim from other market players concerning similar technologies or features underlying their registered patents or patent applications is remote. As of the date of this Document, to our best knowledge, we do not expect any legal impediment in obtaining approval for each pending patent application.

The term of individual patents may vary based on the countries in which they are obtained. In most countries and regions in which we file patent applications, including but not limited to mainland China (as to inventions), the U.S., the European Union, Japan and Hong Kong, the term of an issued patent is generally 20 years from the filing date of the formal patent application on which the patent is based in the applicable country or region. In the U.S., a 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, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date.

The actual protection provided 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 or region, and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued 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.

The protection of our customers' intellectual properties is essential to our business, and has been one of our highest priorities since our inception. We have strict internal policies in place to

ensure the separation of our internal projects and client service projects. We established firewall in our project management system to separate the data for our internal projects and client service projects. The drug candidates or materials we temporarily keep for service purposes are either returned or obliterated once a client project is completed. Our employees are bound by confidentiality obligations under their employment contracts and are prohibited from illegally disclosing our intellectual property or that of our customers in violation of laws. We also periodically provide training on intellectual property protection to our employees, including trainings on the proper use of our customers' intellectual properties. We apply encryption technologies to enhance security and limit the access to authorized personnel in a particular project, and our working areas can only be accessed by authorized personnel.

During the Track Record Period and up to the Latest Practicable Date, none of our employees has breached the confidentiality obligations under their employment contracts in a material respect. Moreover, during the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we a party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. See "Risk Factors – Risks Relating to our Business and Industry – If we are unable to obtain and maintain patent protection for our technology and drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us."

PERMITS, LICENSES AND OTHER APPROVALS

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See "Regulatory Overview" for more information about the material certificates, permits and licenses required for our business operations in the PRC, United States and other countries. During the Track Record Period and as of the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed. We have not experienced any material difficulties in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and do not expect to face any material difficulties in renewing them upon their expiry, if applicable.

The following table sets forth a summary of the key licenses, permits and certificates that we hold, in particular laboratory qualification certificates and permits, import and export business permits, and clinical trial permits as of the Latest Practicable Date.

Laboratory Qualification Certificates and Permits

Holder	Certificate Name	Issue Authority	Certificate Number	Valid Period	Scope
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Laboratory Animal Production License	Science and Technology Department of Beijing	SCXK（京）2019-0001	2019.01.11 to 2024.01.11	Barrier environment: Rat, Mouse
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Laboratory Animal Production License	Science and Technology Department of Beijing	SCXK（京）2020-0007	2020.07.08 to 2025.07.08	Barrier environment: Rat, Mouse
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Laboratory Animal Usage License	Science and Technology Department of Beijing	SYXK（京）2020-0020	2020.07.08 to 2025.07.08	Barrier environment: Rat, Mouse
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Laboratory Animal Usage License	Science and Technology Department of Beijing	SYXK（京）2020-0047	2020.10.30 to 2025.10.30	Barrier environment (negative pressure): Mouse
Biocytogen Jiangsu Co., Ltd.	Laboratory Animal Production License	Science and Technology Department of Jiangsu Province	SCXK（蘇）2021-0003 and SYXK（蘇）2021-0005	2021.07.28 to 2026.07.27	Barrier environment: SPF (Rat, Mouse)
Biocytogen Jiangsu Co., Ltd.	Laboratory Animal Usage License	Science and Technology Department of Jiangsu Province	SYXK（蘇）2021-0033	2021.07.28 to 2026.07.27	Barrier environment: SPF (Rat, Mouse)
Maple Leaf Pet Hospital (Beijing) Co., Ltd.	Laboratory Animal Usage License	Science and Technology Department of Beijing	SYXK（京）2021-0068	2021.12.15 to 2026.12.15	Common environment: Dog
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Notification of Beijing Pathogenic Microorganism Laboratory and Record of Laboratory Activities	Beijing Da'xing Municipal Health Commission	Jing Da Xing Wei Shiyanshi Bei No. [2020] 040 京大興衛實驗室備字[2020]040號	N/A	N/A

Import and Export Business Permits

Holder	Certificate Name	Issue Authority	Certificate Number	Expiration Date
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Registration Certificate of the Customs of the People's Republic of China for Customs Declaration Entities	General Administration of Customs of the People's Republic of China	1113230241	Long term of validity
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Registration Form for Recordation of a Foreign Trade Business	Da'xing Registration Office for Recordation of a Foreign Trade Business, Beijing	02132537	/
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Recordation Form for Entry-Exit Inspection and Quarantine Declaration Enterprises	Beijing Entry-Exit Inspection and Quarantine Bureau of The People's Republic of China	1100625974	/
Biocytogen Jiangsu Co., Ltd.	Registration Certificate of the Customs of the People's Republic of China for Customs Declaration Entities	General Administration of Customs of the People's Republic of China	3206968677	Long term of validity
Biocytogen Jiangsu Co., Ltd.	Registration Form for Recordation of a Foreign Trade Business	Haimen Registration Office for Recordation of a Foreign Trade Business, Jiangsu	01825142	/
Biocytogen Jiangsu Co., Ltd.	Recordation Form for Entry-Exit Inspection and Quarantine Declaration Enterprises	Jiangsu Entry-Exit Inspection and Quarantine Bureau of The People's Republic of China	3211611305	/

In addition, we have also earned Association for Assessment and Accreditation of Laboratory Animal Care ("AAALAC") accreditation as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses.

See "Statutory and General Information – Further Information about Our Business" in Appendix VII to this Document for further information.

ENVIRONMENTAL, WORKPLACE SAFETY AND SOCIAL RESPONSIBILITY MATTERS

Environmental, Social and Governance Matters

Governance on ESG matters

We are currently in the progress of rapid development and we are at an early stage of laboratory operations. We plan to rely on CDMOs for the manufacturing of our antibodies and partially rely on CROs for our clinical development and other activities. As a result, the current nature of our business does not expose us to a substantial risk of environmental, health or work safety matters, including climate-related matters, and we do not expect the potential risks of such matters will have a material adverse impact on our business, strategy and financial performance.

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, patients and communities. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. We have implemented detailed policies and protocols to manage hazardous, toxic and flammable chemicals. These policies and protocols include (i) adoption of materials that cause minimum environmental concerns to the extent possible; (ii) environmental protection training for employees whose job involves handling of waste and material disposal; (iii) formulating and implementing company-wide detailed procedures and standards in managing environmental or health related risks; and (iv) planning and implementing emergency response mechanisms. We also adopted protocols that govern the operation procedures of our laboratories as well as policies on fire safety to avoid harm and accidents related to our business operations and pre-clinical and clinical development activities. We plan to make preparations for environmental control and considerations in the design process, and we will follow regulatory rules and industry standards for the disposal of waste and hazardous materials, including making relevant filings with annual budget to the local environment regulators each year. We will also designate personnel and staff to specifically monitor and enforce the compliance of our operations with environment, health and safety laws, and regulations.

We have implemented company-wide environmental, health and safety manuals, policies and standard operating procedures that include management systems and procedures relating 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 Board believes our continued growth rests on integrating social values into our business, and thus we will establish an ESG committee of the Board ("**ESG Committee**") at **[REDACTED]** that is responsible for evaluating and managing material ESG issues, such as waste management and recycling efforts, energy consumption, pollutants/green house gas emissions and reporting. Our ESG Committee of the Board is led by Dr Shen, our executive Director and general manager and Ms. Zhu Yan, our deputy general manager, along with our director of quality supervision department and veterinarians, to oversee the implementation of our policies relating to material ESG issues, including climate-related risks, by taking into consideration any metrics and targets stipulated in applicable laws, regulations and industry standards, including pollutants/greenhouse gas emissions, water and electricity consumption, among others. We also plan to follow the principles below:

- We treat our RenMice and other mice models humanely and with respect. We strive to follow international standards on research model welfare and animal care.

- We strictly comply with all applicable laws and regulations for ESG matters.

- We employ alternative scientific methods to using research models where appropriate.

- We follow the standards and requirements of Association for Assessment and Accreditation of Laboratory Animal Care ("AAALAC").

- We plan to hold periodically training sessions to improve employee awareness and equip them with the sustainable and environmental friendly techniques and knowledge.

- We intend to apply consistent controls to ensure that our internal policy on research model welfare is followed.

Impact of ESG-related risks

We are subject to various environmental protection laws and regulations, the implementation of which involves regular inspection by local environmental protection

authorities. Our operations involve the use of hazardous and flammable chemical materials. Our operations also produce such hazardous waste. We generally contracted qualified third-party sanitation or recycling companies for the special treatment of our hazardous waste. For 2020 and 2021, we had incurred costs of maintaining compliance with applicable environmental rules and regulations of approximately RMB3.7 million and RMB2.9 million, respectively. We plan to allocate resources at least in proportion to our growth to maintain our ESG good practice. During the Track Record Period, we were not subject to any material claims, lawsuits, penalties or administrative actions which had a material and adverse effect on our business, financial condition or results of operations relating to noncompliance with applicable environmental and occupational health and safety laws and regulations.

Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies. The estimated magnitude of resulting impacts is evaluated over short, medium and long term horizons. In recent years, changing weather patterns due to climate change have increased in frequency of extreme weather conditions. Disasters created by extreme conditions could cause significant damage to or destruction of our facilities, resulting in temporary or long-term closures of our facilities and operations and significant expense for repair or replacement of damaged or destroyed facilities. In the medium to long term, increasingly enacted legislation and regulations in response to potential impacts of climate change may have the potential to impact our operations directly or indirectly as a result of required compliance by our customers or our supply chain, and may subject us to additional costs and restrictions, including increased energy and raw materials costs and pollutant discharge costs, which could negatively impact our financial condition and results of operations. Any inconsistency of such laws and regulations may also affect our costs of compliance.

Occupational Health and Safety

In light of the recent COVID-19 outbreak, we have endeavored to provide a safe work environment by implementing company-wide self-protection policies for employees to either work remotely or on-site with protective masks and sanitization.

To the best knowledge of our Directors and as Latest Practical Date, we have not had any workplace accidents.

During the Track Record Period and as of the Latest Practical Date, we have not been imposed by regulatory authorities with any significant penalties related to environmental and workplace safety.

We have also earned AAALAC accreditation as of the Latest Practicable Date, which demonstrates our commitment to performing scientific studies that are conducted in an ethical and humane way. We hope to minimize stress and discomfort to the research models.

We have implemented policies which focus the care and use of research models and ensure our compliance with relevant regulations and guidance. We aim to take up both the legal and moral obligations to ensure that we handle the research models in accordance with all applicable laws and with respect.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practical Date, we were not a party to any actual, or aware of any, threatened material legal or administrative proceedings. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business, and we intend to maintain this culture through the strict implementation of our risk management and internal control policies. See "– Risk Management and Internal Control."

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 general market conditions and the regulatory environment of the Chinese and global biologics 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 and currency risks that arise in the normal course of our business. See "Financial Information – Market Risk Disclosure" for a discussion of these market risks. We have adopted a series 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 ongoing basis. The following key principles outline our approach to risk management:

- The relevant departments in our Company, including but not limited to the finance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports periodically for our office of the president's review.

- Our office of the president and quality control department will coordinate, oversee and manage the overall risks associated with our business operations and quality control, respectively, mainly including (i) reviewing our corporate risk in light of our corporate risk tolerance, (ii) maintaining a key risk list and leading corresponding risk management activities, and (iii) organizing revision and update of the key risk list. Our office of the president will be responsible for carrying out the risk prevention and management activities with relevant department and conduct irregular reviews.

- Our office of general manager, will be responsible for (i) reviewing the risk management information collected by our office of the president every six months, (ii) reviewing annual risk management report of the Company, and (iii) overseeing office of president to promulgating annual risk evaluations.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investment at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

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. 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 **[REDACTED]**.

- 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 Guotai Junan Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the **[REDACTED]** regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the section headed "Future Plans and Use of **[REDACTED]**" in this Document after the **[REDACTED]**, 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 **[REDACTED]**. 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 plan to continue to seek advice from law firms in the United States, Australia and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations after the **[REDACTED]**. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

- We maintain strict confidentiality and privacy policies regarding the collection, analysis, storage and transmission of the data of our subjects and clinical trial results. Our project manager and data manager prepare and review study protocols to ensure compliance with GCP requirements, including confidentiality and privacy requirements. We will monitor project progress continuously against the guidelines of ICH GCP and China GCP and make corrections as needed. Our IT team are responsible for, from technical perspective, ensuring the usage, maintenance and protection of pre-clinical and clinical data to comply with our internal policies and applicable laws and regulations.

Investment Risk Management

We engage in short-term investments with surplus cash on hand. Our investment portfolio primarily consisted of time deposits and wealth management products. Our primary objective of short-term investment is to preserve principal, and increase liquidity without significantly increasing risks. Under the supervision of our Chief Financial Officer, our finance department is responsible for managing our short-term investment activities. Before making any investment proposal, our finance department will assess our cash flow levels, operational needs and capital expenditures. Our investment policy, provides the guidelines and specific instructions on the investment of our funds.

Our investment strategy aims to minimize risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs. We make our investment decisions on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment. Our portfolio to date has been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined as the obligation of the issuer to repay principal and interest.

We believe that our internal investment policies and the related risk management mechanism are adequate. We may invest in wealth management products and time deposits in consistent with our investment policy, after consultation with and approval by our Board on a as-need basis where we believe it is prudent to do so after the **[REDACTED]**.

BOARD OF DIRECTORS

Our Board of Directors consists of nine (9) Directors, including three (3) executive Directors, three (3) non-executive Directors and three (3) independent non-executive Directors. Our Directors serve for a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Current Position/Title	Role and Responsibility
Dr. Shen Yuelei (沈月雷)[1]	52	November 13, 2009	November 13, 2009	Chairman of the Board, executive Director, CEO and general manager	Responsible for the overall strategic planning of our Group
Dr. Ni Jian (倪健)[2]	50	November 13, 2009	November 13, 2009	Executive Director	Responsible for overseeing our Group's operations and management
Dr. Zhang Haichao (張海超)	42	December 20, 2009	July 24, 2019	Executive Director, senior operation director of animal center	Responsible for overseeing our Group's operations and management and animal model business line
Mr. Wei Yiliang (魏義良)	50	September 30, 2015	September 30, 2015	Non-executive Director	Responsible for overseeing our Group's operations and management
Dr. Zhou Kexiang (周可祥)	57	March 9, 2018	March 9, 2018	Non-executive Director	Responsible for overseeing our Group's operations and management
Mr. Huang Xiaolu (黃小魯)	41	July 24, 2019	July 24, 2019	Non-executive Director	Responsible for overseeing our Group's operations and management
Mr. Hua Fengmao (華風茂)[3]	53	July 5, 2021	July 5, 2021	Independent non-executive Director	Providing independent opinion and judgment to the Board
Dr. Yu Changyuan (喻長遠)	59	December 15, 2020	December 15, 2020	Independent non-executive Director	Providing independent opinion and judgment to the Board
Ms. Liang Xiaoyan (梁曉燕)	55	December 15, 2020	December 15, 2020	Independent non-executive Director	Providing independent opinion and judgment to the Board

Notes:

(1) Spouse of Dr. Ni, an executive Director

(2) Spouse of Dr. Shen, the Chairman of the Board, an executive Director, the CEO and general manager

* To fulfill the requirements under Rule 19A.18 (1) of the Listing Rules, Mr. Hua Fengmao (華風茂) was appointed on July 5, 2021 as an independent non-executive Director who ordinarily resides in Hong Kong. To help optimize the composition of the Board, a then existing independent director of the Company, namely, Mr. Li Shoushuang, stepped down with effect from the date of appointment of Mr. Hua Fengmao (華風茂). To the best knowledge of the Company, Mr. Li Shoushuang had no dispute or disagreement with the Group and/or its shareholders during the Track Record Period and up to the Latest Practicable Date.

Executive Directors

Dr. Shen Yuelei (沈月雷), aged 52, is one of the founders of our Group. Dr. Shen joined our Company as a Director and manager in November 2009 and is currently serving as chairman of the Board and general manager of our Company, and as an executive Director of our Company. Dr. Shen is responsible for the overall strategic planning of our Group and supervises and oversees the management of our business. Dr. Shen is the chairperson of our strategy development committee and a member of our nomination committee.

Dr. Shen possesses extensive experience in managing biotechnology companies and strategic planning. He has served for many years at our subsidiaries, including those as set out below:

Name of company	Position	Period of service
Biocytogen (Beijing) Biological Engineering Co., Ltd (百奧賽圖（北京）生物工程有限公司)	Chairman of the board, director and manager	Since June 2014
Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司)	Chairman of the board, director and general manager	Since October 2014
Haimen Hechuang Animal Experiment Technology Co., Ltd (海門合創動物實驗科技有限公司)	Executive director	Since February 2016
Eucure (Beijing) Biopharma Co., Ltd (祐和醫藥科技（北京）有限公司)	General manager and executive director	Since August 2021
	Director	From March 2018 to September 2020
	Chairman of the board	From September 2020 to August 2021
BIOCYTOGEN BOSTON CORP	President and director	Since June 2018
Maple Veterinary Hospital (Beijing) Co., Ltd (楓葉寵物醫院（北京）有限公司)	Executive director and manager	Since March 2020

Dr. Shen served as a technician of the China Pharmaceutical and Biological Products Control Institute (中國藥品生物製品檢定所) from July 1995 to May 1997. From March 2004 to October 2008, he was a post-doctoral researcher at the Howard Hughes Medical Institute of the New York University.

Dr. Shen graduated from Wuhan University (武漢大學) in the PRC with a bachelor's degree in virology in July 1992 and from the National Institutes for Food and Drug Control (中國食品藥品檢定研究院) (formerly known as the National Institute for the control of Pharmaceutical and Biological Products (中國藥品生物制品檢定所)) in the PRC with a master's degree in immunology in July 1995. From June 1997 to June 2003, he studied immunology and virology under the biomedical sciences doctor of philosophy program at the graduate school of biomedical sciences at the University of Massachusetts at Worcester in the United States, and was conferred with a doctor of philosophy degree in June 2004.

Dr. Shen was the founding member and manager of BIOCYTOGEN, LLC, a company incorporated in the U.S., and a wholly owned subsidiary of the Company prior to its voluntary deregistration on June 30, 2021. BIOCYTOGEN, LLC was engaged in the selling of the Group's gene editing services. Dr. Shen confirmed that (i) BIOCYTOGEN, LLC was insolvent immediately prior to its deregistration with substantially all of its then indebtedness owed to the other entities within the Group; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of BIOCYTOGEN, LLC; and (iii) there was no wrongful act on his part leading to the deregistration of BIOCYTOGEN, LLC.

Dr. Ni Jian (倪健), aged 50, is one of our founders, our executive Director and is primarily responsible for overseeing our Group's operations and management. Dr. Ni joined our Company as a Director and legal representative in November 2009. Dr. Ni is a member of our remuneration and evaluation committee.

Dr. Ni possesses extensive experience in operating and managing biotechnology companies. She has served for many years at our subsidiaries, including those as set out below:

Name of company	Position	Period of service
Biocytogen (Beijing) Biological Engineering Co., Ltd (百奧賽圖（北京）生物工程有限公司)	Director	Since June 2014
Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司)	Director	Since October 2014
Eucure (Beijing) Biopharma Co., Ltd (祐和醫藥科技（北京）有限公司)	Chairman of the board	From February 2018 to September 2020
	Director and general manager	From February 2018 to August 2021

Name of company	Position	Period of service
EUCURE BIOPHARMA BOSTON CORP	President, Director, treasurer and secretary	Since May 2018
BIOCYTOGEN BOSTON CORP.	Treasurer and Secretary	Since June 2018

Dr. Ni joined the Department of Pharmacy at Brigham and Women's Hospital, a teaching affiliate of Harvard Medical School, as a senior pharmacist in September 2009. In September 2016, she was appointed as a director of Youhoe Biopharma Inc. and Youhoe Biopharma Limited, both of which are holding companies without any interest in our Company.

Dr. Ni served as a biochemical technician at the China Institute for the Control of Pharmaceutical and Biological Products (中國藥品生物製品檢定所) in the PRC from October 1993 to November 1997. From December 2004 to June 2007, she was a pharmacist at New York University Langone Health in the United States. From June 2007 to June 2008, she was a resident pharmacist in West Virginia University Hospital's Inpatient Pharmacy in the United States. From August 2008 to August 2009, she served as a resident pharmacist at the Dana-Farber Cancer Institute, which is affiliated to the Harvard Medical School in the United States. She then served as an adjunct professor in the School of Pharmacy at the Massachusetts College of Pharmacy and Health Sciences in the United States from September 2014 to April 2018. Since May 2020, she has been a partner of Eucure Evergreen.

In May 2004, she received a doctorate degree in pharmacy from the Massachusetts College of Pharmacy and Health Sciences in the United States. In October 2020, she obtained her master's degree in public health from Columbia University in the United States.

Dr. Zhang Haichao (張海超), aged 42, is our executive Director and senior operation director of animal center, and is primarily responsible for overseeing our Group's operations and management and animal model business line. Dr. Zhang joined our Company in December 2009 and served as the head of the department of molecular biology till March 2012. From March 2012 to October 2015, Dr. Zhang was the marketing director of our Company. From September 2015 to July 2019, she was a supervisor of our Company. She has served as an executive Director of our Company since July 24, 2019.

Dr. Zhang also holds various positions at our subsidiaries, including those as set out below:

Name of company	Position	Period of service
Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司)	Supervisor	Since October 2014
Biocytogen (Beijing) Biological Engineering Co., Ltd (百奧賽圖（北京）生物工程有限公司)	Supervisor	Since January 2016
Eucure (Beijing) Biopharma Co., Ltd (祐和醫藥科技（北京）有限公司)	Director	From September 2020 to August 2021

Dr. Zhang obtained a bachelor's degree in biochemistry from Hebei Normal University (河北師範大學) in the PRC in June 2004. In June 2011, she obtained a doctorate degree in Chinese medicine from China Pharmaceutical University (中國藥科大學) in the PRC.

Non-executive Directors

Mr. Wei Yiliang (魏義良), aged 50, is our non-executive Director. Mr. Wei is primarily responsible for overseeing our Group's operations and management. Mr. Wei joined our Company as a Director in September 2015. Mr. Wei is a member of our strategy development committee and audit committee.

Mr. Wei possesses extensive experience in operating and managing biotechnology companies. He served for many years at our subsidiaries, including those as set out below:

Name of company	Position	Period of service
Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司)	Director	Since December 2015
Biocytogen (Beijing) Biological Engineering Co., Ltd (百奧賽圖（北京）生物工程有限公司)	Director	Since January 2016
Eucure (Beijing) Biopharma Co., Ltd (祐和醫藥科技（北京）有限公司)	Director	From December 2016 to August 2021

Mr. Wei has been serving as a director and general manager of SDIC Venture Capital Co., Ltd (國投創業投資管理有限公司) since February 2016. From September 1998 to January 2016, he worked in the China SDIC High-tech Industry Investment Corporation (中國國投高新產業投資有限公司, formerly known as China High-tech Investment Group (中國高新投資集團公司)) whose wholly-owned subsidiary High-Tech Investment Development Co., Ltd. (高新投資發展有限公司) was an investor shareholder of our Company, primarily engaging in investments management.

Mr. Wei obtained a bachelor's degree in mechanical engineering from Northwest Institute of Light Industry (西北輕工業學) in the PRC in July 1993, and a doctorate degree in finance from the Chinese Academy of Fiscal Sciences (中國財政科學研究院) (formerly known as the Research Institute for Fiscal Science of the Ministry of Finance (財政部財政科學研究所）) in the PRC in June 2009.

Dr. Zhou Kexiang (周可祥), aged 57, is our non-executive Director and is primarily responsible for overseeing our Group's operations and management. Dr. Zhou joined our company as a Director in March 2018. Dr. Zhou is a member of our strategy development committee.

Dr. Zhou also holds various positions at our subsidiaries, including those as set out below:

Name of company	Position	Period of service
Eucure (Beijing) Biopharma Co., Ltd (祐和醫藥科技（北京）有限公司)	Director	From February 2018 to August 2021
Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司)	Director	Since December 2018
Biocytogen (Beijing) Biological Engineering Co., Ltd (百奧賽圖（北京）生物工程有限公司)	Director	Since May 2019

Dr. Zhou has been a general manager and director of the equity investment department of CMBI Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理（深圳）有限公司) since December 2015, responsible for equity investment. Furthermore, he is currently a director of Jiangsu China Merchants Bank Industrial Fund Management Co., Ltd. (江蘇招銀產業基金管理有限公司).

Dr. Zhou is currently serving as a non-executive director of Apollomics Inc., a company which focuses in developing oncology therapies and an applicant seeking to list on the Main Board of the Stock Exchange. As Dr. Zhou is not involved in the daily management and operation of our Company and of

Apollomics Inc. given his non-executive roles in both companies as an investor board representative, the directorship held by Dr. Zhou in Apollomics would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

Dr. Zhou received his Bachelor of Science degree in military medicine from Southern Medical University (南方醫科大學, formerly known as First Military Medical University (第一軍醫大學)) in China in July 1984, and his M.D. and Ph.D. degrees from Peking University Health Science Center (北京大學醫學部, formerly known as Beijing Medical College (北京醫科大學)) in China, as recognized by the Academic Degree Evaluation Committee (學位評定委員會) of Peking University Health Science Center in July 1990 and June 1993.

Mr. Huang Xiaolu (黃小魯), aged 41, is our non-executive Director and is primarily responsible for overseeing our Group's operations and management. Mr. Huang joined our Group in July 2019 and has also served as a director of Eucure (Beijing), a wholly-owned subsidiary of the Company, from September 2020 to August 2021. Mr. Huang is a member of our strategy development committee.

Mr. Huang joined China Life Equity Investment Co., Ltd. (國壽股權投資有限公司) in April 2017, and is currently a senior investment director of China Life Equity Investment Co., Ltd. (國壽股權投資有限公司).

In December 2010, Mr. Huang obtained a master of science degree in business administration from the University of Colorado Boulder in the United States.

Independent non-executive Directors

Mr. Hua Fengmao (華風茂**)** aged 53, joined our Company and was appointed as an independent non-executive Director in July 2021. He is primarily responsible for providing independent opinion and judgment to the Board. Mr. Hua is the chairperson of our remuneration and evaluation committee and a member of our audit committee and nomination committee.

Mr. Hua has been the chairman of China Finance Strategies Investment Holdings Ltd. (中國金融策略投資控股有限公司) since August 2014. He has also served as the chief executive officer of ChemPartner PharmaTech Co., Ltd. (睿智醫藥科技股份有限公司) ("**Chempartner**"), a contract research organization company that is involved in pharmaceutical research and development and listed on the Shenzhen Stock Exchange (stock code: 300149), since July 2021. As Mr. Hua is not involved in the daily management and operation of our Company and given his non-executive role in our Company, the chief executive officer role held by Mr. Hua in Chempartner would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. From July 2003 to October 2005, Mr. Hua was a licensed representative of

CITIC CLSA Capital Markets Co., Ltd. From April 2008 to August 2014, Mr. Hua worked at BOCOM International Holdings Company Limited (交銀國際控股有限公司), a financial services company listed on the Hong Kong Stock Exchange (stock code: 3329), and his last position was managing director in the private equity department. From July 2018 to April 2021, Mr. Hua was the chief financial officer of Viva Biotech Holdings Limited（維亞生物科技（上海）有限公司）("**Viva Biotech**"), a biotechnology company that provides drug discovery services and is listed on the Hong Kong Stock Exchange (stock code: 1873). From July 2018 to June 2021, he was an executive director of Viva Biotech. From November 2020 to June 2021, he was the chairman of the board of directors of Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司). Since July 21, 2021, Mr. Hua has been appointed as an independent non-executive director of Shanghai NewMed Medical Co., Ltd. (上海紐脈醫療科技股份有限公司), an applicant seeking to list on the Main Board of the Hong Kong Stock Exchange. He has been an independent non-executive director of Sirnaomics Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2257), and of Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a biopharmaceutical company listed on the Hong Kong Stock Exchange (stock code: 2157), since December 2021. He is also a proposed independent non-executive director of Ferretti S.p.A., an applicant seeking to list on the Main Board of the Hong Kong Stock Exchange.

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989, and a master's degree in business administration from the International University of Japan（國際大學）in Japan in June 1997.

Dr. Yu Changyuan (喻長遠), aged 59, joined our Company and was appointed as an independent non-executive Director in December 2020. He is primarily responsible for providing independent opinion and judgment to the Board. Dr. Yu is the chairperson of our nomination committee and a member of our audit committee and remuneration and evaluation committee.

Dr. Yu has been a professor at the School of Life Science and Technology, Beijing University of Chemical Engineering Technology (北京化工大學生命科學與技術學院) since March 2005, and an independent director of Beijing Yiqiao Shenzhou Technology Co., Ltd. (北京義翹神州科技股份有限公司), a biotechnology company listed on the Shenzhen Stock Exchange (stock code: 301047), since March 2020. From August 2002 to December 2004, he was a post-doctoral researcher at the China Academy of Traditional Chinese Medicine (中國中醫研究院).

In May 1990, Dr. Yu obtained a master's degree in medicine from the School of Traditional Chinese Medicine at Shaanxi University (陝西中醫學院) in the PRC. In July 2002, he obtained a doctorate degree in medicine from Xiangya Medical College of Central South University (中南大學湘雅醫學院) in the PRC.

Ms. Liang Xiaoyan (梁曉燕), aged 55, joined our Company and was appointed as an independent non-executive Director in December 2020. She is primarily responsible for

providing independent opinion and judgment to the Board. Ms. Liang is the chairperson of audit committee and a member of nomination committee and remuneration and evaluation committee.

Ms. Liang has been a partner of the accounting firm ShineWing Certified Public Accountants (信永中和會計師事務所) in Beijing, PRC since November 2000 and an independent non-executive director of EFORT Intelligent Equipment Co Ltd (埃夫特智能裝備股份有限公司), a company principally engaged in the manufacture of industrial robots that is listed on the Shanghai Stock Exchange (stock code: 688165), since June 2019. Since December 2018, she has been a director of Beijing Rongce Financial Consulting Co., Ltd. (北京融策財經顧問有限責任公司).

Ms. Liang obtained a bachelor's degree in economics from the Central University of Finance and Economics (中央財經大學, formerly known as 中央財政金融學院) in the PRC in June 1988. In July 1999, she obtained a postgraduate degree in accounting in the PRC as recognized by the Academic Degree Evaluation Committee (學位評定委員會). Ms. Liang is a member of the Beijing Institute of Certified Public Accountants (北京註冊會計師協會).

SUPERVISORS

The following table shows the key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Responsibility
Ms. Li Yan (李妍)	32	December 21, 2009	July 25, 2019	Chairman of the supervisory committee, director of the president's office	Oversees the affairs of the supervisory committee, supervises the finances of our Group and exercise supervision over the Directors and senior management; also responsible for the daily operations of the president's office
Ms. Sun Chunli (孫春麗)	41	March 5, 2010	December 15, 2020	Supervisor and Director of human resources	Supervises the finances of our Group and exercise supervision over the Directors and senior management

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Responsibility
Dr. Huang Rui (黃蕊)	38	December 19, 2011	December 15, 2020	Supervisor and senior director of the department of pharmacology	Exercises supervision over the Directors and senior management and oversees the operations of the department of pharmacology

Ms. Li Yan (李妍), aged 32, joined our Group in December 2009 and has been a Supervisor of our Company since July 2019. She was appointed as chairman of our Supervisory Committee in December 15, 2020 and has been the director of the president's office since July 2015. From March 2013 to July 2015, Ms. Li served as office director of our Company. From July 2012 to March 2013, Ms. Li was head of office of our Company.

Ms. Li has been a supervisor of Maple Veterinary Hospital (Beijing) Co., Ltd (楓葉寵物醫院（北京）有限公司) since March 2020 and of Eucure (Beijing) since September 2020.

Ms. Li obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in the PRC in January 2014.

Ms. Sun Chunli (孫春麗), aged 41, joined our Group in March 2010. She was appointed as a Supervisor in December 2020, and the director of human resources of our Company in August 2020.

Ms. Sun was the head of the molecular biology team in the gene editing department at Biocytogen Co., Ltd. from February 2010 to August 2012, and was promoted to the position of technical director of the same department from September 2012 to April 2014. She was later appointed as the director of the quality department from May 2014 to July 2015 and as the deputy director of the department of comprehensive security from August 2015 to July 2020 at our Company.

Ms. Sun obtained a bachelor's degree in biotechnology from Hebei University of Science and Technology (河北科技大學) in the PRC in June 2004. In July 2007, she obtained a master's degree in biochemistry and molecular biology from Hebei Agricultural University (河北農業大學) in the PRC.

Dr. Huang Rui (黃蕊), aged 38, joined our Group in December 2011. She was appointed as a supervisor in December 2020 and the senior director of the department of pharmacology at our Company since January 2018. From September 2016 to December 2017, she served as the director of technology department. From August 2014 to August 2016, she served as the director of the gene editing department.

Dr. Huang obtained a bachelor's degree in biology from Henan Normal University (河南師範大學) in the PRC in July 2006. In June 2011, she obtained a doctorate degree in biochemistry and molecular biology from the Academy of Military Medical Sciences of the People's Liberation Army Academy of Military Science (中國人民解放軍軍事醫學科學院) in the PRC.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment	Current position	Responsibility
Dr. Shen Yuelei (沈月雷)[1]	52	November 13, 2009	November 13, 2009	Chairman of the Board, executive Director, CEO and general manager	Responsible for the overall strategic planning of our Group
Dr. Ni Jian (倪健)[2]	50	November 13, 2009	November 13, 2009	Executive Director	Responsible for overseeing our Group's operations and management
Dr. Zhang Haichao (張海超)	42	December 20, 2009	July 24, 2019	Executive Director, operation director of animal center	Responsible for overseeing our Group's animal model business line
Ms. Zhu Yan (朱艷)	57	December 18, 2011	December 15, 2020	Deputy general manager	Responsible for the establishment of a management structure of our Company and the operation of management functions
Dr. Guo Chaoshe (郭朝設)	50	October 23, 2013	December 15, 2020	Deputy general manager	Responsible for the formulation and implementation of our Company's marketing and business strategies and objectives
Dr. Yang Yi (楊毅)	43	November 4, 2016	December 15, 2020	Deputy general manager, chief scientific officer	Oversees the research and development of innovative drug

Name	Age	Date of joining our Group	Date of appointment	Current position	Responsibility
Dr. Lin Qingcong (林慶聰)	57	February 1, 2018	December 15, 2020	Deputy general manager of our Company and CEO of BIOCYTOGEN BOSTON CORP	Responsible for the expansion of our Company's overseas business, and in charge of the daily operations of BIOCYTOGEN BOSTON CORP
Dr. Li Zhihong (李志宏)	52	March 11, 2019	December 15, 2020	Deputy general manager and chief regulatory and strategy officer	Responsible for regulatory affairs and assist in the formulation of the business development strategy
Ms. Wang You (王鈾)	42	October 16, 2019	December 15, 2020	Deputy general manager and chief operation officer	Responsible for the operation of the clinical department and in charge of the clinical operation department
Dr. Yu Zhaoxue (庾照學)	58	April 1, 2020	December 15, 2020	Deputy general manager	Responsible for managing projects and operations in relation to pharmacology
Mr. Liu Bin (劉斌)	53	April 20, 2020	May 1, 2020	Chief financial officer	Supervises the financial operations of our Company
Mr. Wang Yongliang (王永亮)	37	July 17, 2017	July 5, 2021	Deputy general manager	Responsible for financing and investment of our Company and devising the Company's strategic development and internal control
			December 15, 2020	Chief secretariat officer	
Dr. Chen Zhaorong (陳兆榮)	63	June 7, 2021	July 5, 2021	Deputy general manager and chief medical officer	Responsible for formulation of research and development strategy and global clinical research

Notes:
(1) Spouse of Dr. Ni, an executive Director
(2) Spouse of Dr. Shen, the Chairman of the Board, an executive Director, the CEO and general manager

Dr. Shen Yuelei (沈月雷), aged 52, is our chairman of the board, executive Director and general manager. For the biography of Dr. Shen, please refer to "– Board of Directors – Executive Directors" of this section.

Dr. Ni Jian (倪健), aged 50, is our executive Director. For the biography of Dr. Ni, please refer to "– Board of Directors – Executive Directors" of this section.

Dr. Zhang Haichao (張海超), aged 41, is our executive Director and operation director of animal center. For the biography of Dr. Zhang, please refer to "– Board of Directors – Executive Directors" of this section.

Ms. Zhu Yan (朱艷), aged 57, joined our Group in December 2011 and has been the vice president since July 2015 and our deputy general manager since December 2020.

From August 1988 to March 1999, Ms. Zhu joined Shougang General Hospital (首鋼總醫院) as a physician. Her last positions there were deputy director and attending physician of its cardiovascular disease prevention and control Institute. She was recognized as an attending physician by the Beijing Intermediate Professional and Technology Qualification Evaluation Committee (北京市中級專業技術職務評審委員會) in November 1995 while she was working there. She was awarded the Third Prize for Ministry of Health Science and Technology Progress Award (衛生部科技進步三等獎) by the Chinese Academy of Medical Science Institute of Cardiovascular Diseases (中國醫學科學院心血管病研究所) in June 1998. She was also awarded the Prize for Progress of Science and Technology of Beijing (北京市科學技術進步獎) for the study on prevention and treatment of hypertension among the Shougang community (首鋼社區人群高血壓病防治研究) by the Beijing People's Government (北京市人民政府). Afterwards, she worked in various companies in the PRC. From March 2010 to October 2011, she was the director of the department of strategic development of Beijing Hyundai Gundam Biotechnology Co., Ltd. (北京現代高達生物技術有限公司).

Ms. Zhu obtained a bachelor's degree in preventive healthcare from Harbin Medical University (哈爾濱醫科大學) in the PRC in July 1988. She obtained a master's degree in business management from Tsinghua University (清華大學) in the PRC as recognized by the Academic Degree Evaluation Committee （學位評定委員會) of Tsinghua University in January 2005.

Dr. Guo Chaoshe (郭朝設), aged 50, joined our Group in October 2013 and has been the vice president of the marketing department since July 2015 and our deputy general manager since December 2020.

From July 2006 to November 2010, and from February 2011 to November 2013, he was a fellow at the Boston Children's Hospital, a teaching affiliate of Harvard Medical School in the United States. From October 2013 to June 2015, he was the research and development director of our Company.

In July 1999, Dr. Guo obtained a master's degree in physiology from Chinese Academy of Medical Sciences of Peking Union Medical College (北京協和醫科大學) in the PRC. In November 2003, he obtained a doctorate degree in biochemistry from the University of Göttingen in Germany.

Dr. Yang Yi (楊毅), aged 43, joined our Group in November 2016. He has been our chief scientific officer since January 2020, and our deputy general manager since December 15, 2020.

Dr. Yang was a post-doctoral fellow at the Littman Lab of New York University from 2008 to 2014. Since July 2014, he has been a tenure-track assistant professor in the department of microbiology and immunology within the College of Medicine in the Medical University of South Carolina (MUSC). He then became the director of antibody discovery of our Company from November 2016 to December 2019. He has been chief scientific officer since September 2018, and has been the director of drug research and development since January 2020.

Dr. Yang obtained a bachelor's degree in biology in July 1999 and with a master's degree in microbiology in July 2002 from Fudan University (復旦大學) in the PRC. In May 2008, he obtained a doctorate degree in immunology from the University of Connecticut in the United States.

Dr. Lin Qingcong（林慶聰）, aged 57, joined our Group in February 2018 and has been our deputy general manager since December 2020. He has also been serving as CEO of BIOCYTOGEN BOSTON CORP since February 1, 2018.

He was a post-doctoral researcher at Albert Einstein College of Medicine from February 1999 to August 2001 and at Harvard Medical School from 2001 to 2002. From 2002 to 2005, he was director of gene modification laboratory at the Harvard-Partners Center for Genetics and Genomics. From 2005 to 2009, he was a senior scientist and principal scientist at the Global Biotherapeutic Technologies department of Wyeth Pharmaceutical Co Ltd (acquired by Pfizer Inc. in 2009). He also worked at the immune protein screening group of Pfizer Inc. between 2010 and 2013. From January 2014 to February 2018, he worked at Shenogen Pharma Group (北京珅奧基醫藥科技有限公司) and his last position was senior vice president.

Dr. Lin obtained a Bachelor of Science degree in biology (cell biology) from Wuhan University (武漢大學) in the PRC in July 1984. He then obtained a Master of Science degree from Wuhan University in the PRC in August 1987. In January 1999, he obtained a doctorate degree in philosophy from the Albert Einstein College of Medicine in the United States.

Dr. Li Zhihong (李志宏), aged 51, joined our Group in March 2019. He has been the deputy general manager of our Company since December 2020, and our chief regulatory and strategy officer of the Eucure (Beijing) since March 2019. Dr. Li has clinical development and review experience in several therapeutics areas including oncology. He worked at Pfizer Inc., and was as staff fellow at Food and Drug Administration of the United States from May 2009 to December 2007.

Dr. Li obtained a bachelor's degree and a master's degree in pharmacy in July 1992 and in June 1995 respectively from Beijing Medical University (北京醫科大學) in the PRC. In March 2007, he obtained a doctor of philosophy degree from the University of Minnesota in the United States.

Ms. Wang You (王鈾), aged 42, joined our Group in October 2019. She has been our deputy general manager since December 2020, and the chief operation officer of Eucure (Beijing) since October 2019.

From May 2004 to May 2012, Ms. Wang was a laboratory assistant, project coordinator, senior project coordinator, associate project manager, project manager, associate business development manager and business development manager of Q Squared Solutions (Beijing) Co., Ltd. (昆皓睿誠醫藥研發（北京）有限公司). She was also the Asia Regional Pre-Analytical Services and Investigator Manager at Q Squared Solutions (Singapore) Co., Ltd. between May 2012 and July 2013. From July 2013 to July 2014, she held the role of associate business development director at IQVIA China (艾昆緯中國（原昆泰）). From September 2014 to August 2018, she served at Paraxel China Co., Ltd. (精鼎醫藥研究開發（上海）有限公司) as she was the director of business development, head of business development in China, and senior director of portfolio management. From September 2018 to October 2019, she was the head of Biotech Delivery Unit at IQVIA China (艾昆緯中國).

Ms. Wang obtained a bachelor's degree in medicine from Chongqing Medical University (重慶醫科大學) in the PRC of Chongqing Medical University in July 2003.

Dr. Yu Zhaoxue (庾照學), aged 57, joined our Group in April 2020 and has been our deputy general manager since December 2020.

Dr. Yu joined Emory University as a postdoctoral fellow in October 2000. He then joined Alexion Pharmaceutical Inc., a biopharmaceutical company listed on the NASDAQ (stock code: ALXN) from September 2006 to December 2016 as a senior scientist III. Since January 2017, he has been the director of the complement system department at Achillion Pharmaceutical, Inc., a company delisted from NASDAQ. From October 2018 to March 2020, he worked at Gemini Therapeutics, Inc., a medicine company listed on the NASDAQ (stock code: GMTX).

Dr. Yu obtained a bachelor's degree in medicine in July 1987 and a master's degree in anatomy in June 1992 from Hubei University of Medicine (湖北醫學院) in the PRC. In July 2000, he obtained a doctorate degree in medicine from Zhongshan Medical University (中山醫科大學) in the PRC.

Mr. Liu Bin (劉斌), aged 52, has been our chief financial officer since May 2020.

He was the financial controller at ABB Xi'an Power Capacitor Co., Ltd. (ABB西安電力電容器有限公司) from March 2003 to April 2007. He was the chief financial officer at Shiji Tianle Wholesale Asset Porfolio (北京世紀天樂商業管理集團) from June 2010 to January 2016, and also at Xinjiang Keda Julong Equity Investment Partnership (新疆科大聚龍股權投資有限合夥企業). He was also the vice president of finance of Hitevision Co., Ltd. (鴻合科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002955), from December 2018 to December 2019.

Mr. Liu obtained a bachelor's degree in applied mathematics in June 1990 from Huazhong University of Science and Technology (華中科技大學) in the PRC. He also obtained a Master of Science degree from the University of Akron in the United States in August 1995. In August 1998, he obtained a master's degree in business administration from the Arizona State University in the United States and a master's degree in international management from the Thunderbird School of Global Management (formerly known as the American Graduate School of International Management) in the United States.

Mr. Wang Yongliang (王永亮), aged 36, joined our Group in July 2017. He has been our deputy general manager since July 2021 and our chief secretariat officer since December 2020.

Mr. Wang worked at SinoChem Group (中國中化集團公司) from August 2010 to February 2014. From February 2014 to September 2015, he was a senior investment manager of China SDIC High-tech Industry Investment Corporation (中國國投高新產業投資有限公司, formerly known as China High-tech Investment Group (中國高新投資集團公司)) whose wholly-owned subsidiary High-Tech Investment Development Co., Ltd. (高新投資發展有限公司) was an investor shareholder of our Company. He was also a senior investment manager, vice president and deputy investment director of Harvest Investment Management Co., Ltd. (嘉實投資管理有限公司) from October 2015 to July 2017. Since July 2017, he has served as an assistant to the chairman of the Board of our Company.

Mr. Wang was awarded a Bachelor of Science degree with chemistry as his major from Nankai University (南開大學) in the PRC in June 2007. In June 2010, he obtained a Master of Science degree with macromolecular chemistry and physics as his major from Nankai University (南開大學) in the PRC.

Dr. Chen Zhaorong (陳兆榮), aged 63, has been our deputy general manager. He has also been the chief medical officer of Eucure (Beijing) since June 2021.

Dr. Chen was the representative of Sanofi China (法國賽諾菲聖德拉堡集團中國公司) and the vice president of GlaxoSmithKline China (葛蘭素史克 (中國) 投資有限公司上海分公司). He also worked as the chief medical officer of CASI Pharmaceuticals, Inc, a biopharmaceuticals company listed on NASDAQ (stock code: CASI). From November 2016 to December 2017, he served as the chief medical officer of Phagelux (Nanjing) Biotechnology Co., Ltd. (菲吉樂科（南京）生物科技有限公司). He was also the chief medical officer of Chime Biologics (Wuhan)

Co., Ltd (鼎康（武漢）生物醫藥有限公司), formerly known as Xikang (Wuhan) Biopharmaceutical Co., Ltd. (喜康(武漢)生物醫藥有限公司), from January 2018 to January 2020, and Shanghai Langyu Health Technology (Group) Co., Ltd. (上海瑯鈺健康科技（集團）有限公司, formerly known as 上海琅鏟生物技術有限公司).

Dr. Chen obtained a bachelor's degree in medicine in August 1983 and a master's degree in pharmacology in October 1985 from Shandong Medical University (山東醫科大學) (formerly known as Shandong Medical College (山東醫學院)) in the PRC. In May 1989, he obtained a doctorate degree in philosophy from the University of Adelaide in Australia.

Save as disclosed above, none of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed above, none of our Directors, Supervisors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Document.

JOINT COMPANY SECRETARIES

Mr. Wang Yongliang (王永亮), who has been appointed as one of our joint company secretaries, is also our deputy general manager and chief secretariat officer. For the biography of Mr. Wang, please refer to the sub-section headed "– Senior Management" of this section. Mr. Wang was appointed as one of our joint company secretaries on July 5, 2021, with effect from the **[REDACTED]**.

Ms. Au Wai Ching (區慧晶), has been appointed as one of our joint company secretaries. Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider, in January 2016, and currently serves as a manager in corporate services. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained a bachelor's degree in business administration and a master's degree in professional accounting and corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

We have applied to the Stock Exchange 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 in relation to the appointment of Mr. Wang as our joint company secretary. Such waiver will be revoked immediately if and when Ms. Au ceases to be appointed as a joint company secretary or to provide assistance to Mr. Wang, and can also be revoked if there are material breaches of the Listing Rules by our Company. See the section headed "Waivers and Exemption – Waiver in Respect of Appointment of Joint Company Secretary" in this Document for further information regarding the waiver.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles and the Listing Rules, namely the Strategy Development Committee, Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

Strategy Development Committee

The Strategy Development Committee consists of four Directors, namely Dr. Shen Yuelei (沈月雷), Dr. Zhou Kexiang (周可祥), Mr. Wei Yiliang (魏義良) and Mr. Huang Xiaolu (黃小魯). Dr. Shen Yuelei (沈月雷) currently serves as the chairperson of the committee. The primary duties of the Strategy Development Committee are to study and advise on the long-term strategy and major investments of our Group.

Audit Committee

The Audit Committee consists of four Directors, namely Ms. Liang Xiaoyan (梁曉燕), Mr. Hua Fengmao (華風茂) , Dr. Yu Changyuan (喻長遠) and Mr. Wei Yiliang (魏義良). Ms. Liang Xiaoyan (梁曉燕) currently serves as the chairperson of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of our Group.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of four Directors, namely Mr. Hua Fengmao (華風茂), Ms. Liang Xiaoyan (梁曉燕), Dr. Yu Changyuan (喻長遠), and Dr. Ni Jian (倪健). Mr. Hua Fengmao (華風茂) currently serves as the chairperson of the committee. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board regarding the assessment standard for our Directors and senior management, as well as their remuneration policy and proposals.

Nomination Committee

The Nomination Committee consists of four Directors, namely Dr. Yu Changyuan (喻長遠), Mr. Hua Fengmao (華風茂), Ms. Liang Xiaoyan (梁曉燕) and Dr. Shen Yuelei (沈月雷). Dr. Yu Changyuan (喻長遠) currently serves as the chairperson of the committee. The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and senior management.

EMPLOYMENT ARRANGEMENT OF SENIOR MANAGEMENT

We normally enter into (i) an employment contract, (ii) a non-competition agreement, and (iii) a confidentiality agreement with our senior management members. The key terms of such contracts are set forth below.

- *Terms*: We normally enter into three-year or non-fixed term employment contracts with our senior management members.

Non-competition

- *Non-competition obligation:* The non-competition obligations shall subsist throughout the employee's period of employment and up to two years after termination of employment. During the non-competition period, the employee shall not seek, induce, cause, allow, or assist other employees of our Company to terminate his or her labor relations or employment relationship with our Company, nor shall they act as an intermediary or contact person to support or assist any other employee to terminate his or her labor relations or employment relationship with our Company. During the term of employment, the employee shall not work, hold any position, or serve as consultant in any other company, unit, or economic entity unless the employee has obtained written consent from our Company and remains in compliance of his or her social and legal obligations in accordance with the applicable laws. The employee shall not operate any business that will be in competition with our Company. If requested by our Company, the employee is required to sign a competition restriction and confidentiality agreement and other relevant documents

Confidentiality

- *Confidential information*: The employee shall keep confidential information, namely information related to our Company's business, assets, customers, finances or any other matters of our Company or any associated entity of our Company in strict confidence (including but not limited to our Company's (i) production technology, management requirements, product formulas or operating procedures, (ii) training content, training materials and documents, (iii) property plans, regulations, report forms, data or reports, (iv) customer list, business strategy, sales information, data or report, (v) labor discipline, rules and regulations, wages, bonus standards, and related materials, data or reports, and (vi) all information of our Company that has been marked as "confidential" or "classified").

- *Obligation and duration*: During the term of employment, the employee shall not, without the prior approval or written consent from our Company, directly or

indirectly, disclose or divulge any confidential information of our Company or of any of its affiliated business entities to any third party in any way. The employee is also obliged to prevent the disclosure, leakage, loss of and improper use of confidential information in relation to our Company. The employee shall return the documents and materials of our Company upon termination of his/her employment contract. Such obligations of confidentiality shall subsist for the term of his/her employment and after the termination of his/her employment contract.

Intellectual Property Rights

- *Acknowledgement:* The employee agrees that our Company shall have all intellectual property rights (including but not limited to patent rights, patent application rights, trademarks, copyrights, technical secrets, technical ideas, technical solutions, research results, and associated results) arising from the performance of his/her duties or from the use of our Company's material and technical conditions, confidential information during the term of employment. The employee agrees that our Company shall have the intellectual property right (including but not limited to inventions and innovations) associated with the employee's previous work and developed in the one-year period following the termination of his/her employment ("**Work Product**"). Our Company has the full right to apply such Work Product in its business operations, including but not limited to production, operation, or assignment or licensing to a third party, unless the law stipulates otherwise. The employee agrees not to make any request, including but not limited to any requests for financial compensation and payment of expenses or any claim for the aforementioned intellectual property rights at any time, apart from the rewards given to the employee for the Work Product.

- *Assignment:* The employee agrees to take all necessary action in order to assist our Company to acquire and exercise the abovementioned intellectual rights flowing from the Work Product.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the **[REDACTED]**.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer

should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Shen currently performs these two roles. Therefore, our Board expects that there will be a deviation from code provision A.2.1 of the Code upon **[REDACTED]**. Our Board believes that, in view of Dr. Shen's experience, personal profile and his roles in our Company as mentioned above, Dr. Shen is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the **[REDACTED]** save for the deviation as disclosed above.

BOARD DIVERSITY

In order to enhance the effectiveness of our Board and to maintain high standards of corporate governance, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity of our Board. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, skills, age, ethnicity, knowledge, cultural and educational background, professional experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development as well as knowledge and experience in areas such as biology, medicine, finance and law. They obtained degrees in various majors including biology, pharmacy, medicine and computer science. We have three independent non-executive Directors with different industry backgrounds, namely investment banking, medicine, and accounting, representing more than one-third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Our Board comprises six male members (including one executive Director, three non-executive Directors and two independent non-executive Directors) and three female members (two executive Directors and one independent non-executive Director). Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

The Nomination Committee is responsible for reviewing and ensuring the diversity of the Board. After **[REDACTED]**, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management receive their remuneration in the form of salary and allowances, employer's contribution to pension schemes, annual bonuses and independent directors' fees.

For the two years ended December 31, 2021, the total remuneration paid to our Directors amounted to RMB125.4 million and RMB7.0 million, respectively.

Under the arrangements currently in force, our Directors and Supervisors will be entitled to receive remuneration and benefits in kind (excluding equity-settled share-based payments) for their service which, for the year ending December 31, 2022, is expected to be approximately RMB2,992,739.57 and RMB1,900,000, respectively. The remuneration of Directors and Supervisors consists of Directors' fee, salaries and other benefits, performance-based bonus, retirement benefit scheme contributions and share-based compensation, which are determined based on the evaluation of each Directors' and Supervisors' individual performance and market trends in 2022. The actual remuneration of Directors and Supervisors in 2022 may be different from the expected remuneration.

For the two years ended December 31, 2021, the total emoluments paid to the five highest paid individuals by us amounted to RMB12,789,000 and RMB15,429,000, respectively. See the section headed "Appendix I – Accountants' Report – Notes to the Historical Financial Information – 10. Individuals with highest emoluments" in this Document for further details.

For the two years ended December 31, 2021, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

For further information regarding the terms of the Employee Incentive Schemes please refer to the section headed "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes" in this Document.

As of the Latest Practicable Date, save as otherwise disclosed in the section headed "Substantial Shareholders" and "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 1. Disclosure of Interests" in this Document, none of the Directors, Supervisors or senior management is interested in any Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no additional matter with respect to the Directors or Supervisors, that needs to be brought to the attention of the Shareholders or the Stock Exchange and there was no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

Our Company has appointed Guotai Junan Capital Limited as the compliance advisor upon **[REDACTED]** in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Our compliance advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this Document or where our business activities, development or results deviate from any forecast, estimate or other information in this Document; and
- 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.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules

issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

COMPETITION

As of the Latest Practicable Date, none of the other Directors have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS, CONTROLLING PARTIES AND CONCERT PARTIES

Our single largest group of Shareholders consists of the Controlling Parties and the Employee Incentive Platforms, which are controlled by Dr. Shen as sole general partner and sole managing partner. They are also the Concert Parties.

Our Controlling Parties, namely Dr. Shen and Dr. Ni, were founders of our Group and have always been the only natural persons ultimately controlling our operations and management since the establishment of our Company in November 2009. Dr. Shen and Dr. Ni are spouses.

The Employee Incentive Platforms, which are limited liability partnerships established in the PRC for employee incentive purpose, are parties to the AIC Agreement together with the Controlling Parties. They are therefore the Concert Parties. For details, please see the section headed "History, Reorganization and Corporate Structure - AIC Agreement" in this document.

As at the Latest Practicable Date and immediately prior to the completion of the **[REDACTED]**, our single largest group of Shareholders were, and shall continue to be, interested in approximately **[REDACTED]**% of our total issued share capital collectively. For details of the shareholding of our single largest group of Shareholders immediately prior to and following the completion of the **[REDACTED]**, please refer to the section headed "History, Development and Corporate Structure" in this document.

INDEPENDENCE FROM OUR CONTROLLING PARTIES

Our Directors consider that we are capable of carrying on our business independently from our Controlling Parties and their respective close associates after the **[REDACTED]**, taking into consideration the factors below.

Management Independence

We are able to carry on our business independently from our Controlling Parties from a management perspective. Our Board consists of 9 Directors, including 3 executive Directors and 3 independent non-executive Directors.

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

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;

(c) we have 3 independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Parties which would support our independent management. For details, see "– Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Parties and their respective close associates after the **[REDACTED]**.

Operational Independence

We do not rely on our Controlling Parties and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Parties and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Parties and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on our Controlling Parties and their respective close associates for financing after the **[REDACTED]** as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the **[REDACTED]** from the **[REDACTED]**.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Parties and their respective close associates. As of the Latest Practicable Date, there was no outstanding loans or guarantee provided by or granted to our Controlling Parties and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of **[REDACTED]** from third party investors independently. For details of the **[REDACTED]**, please refer to the section headed "History, Reorganization and Corporate Structure" in this document.

Based on the above, our Directors believe that we do not place undue reliance on our Controlling Parties after the **[REDACTED]**.

INTERESTS OF OUR CONTROLLING PARTIES IN OTHER BUSINESSES

None of the members of our Controlling Parties was, as of the Latest Practicable Date, interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Parties:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Parties and their respective close associates has a material

interest, our Controlling Parties will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if our Company enters into connected transactions with our Controlling Parties and their respective associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and our Controlling Parties (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Parties will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its **[REDACTED]** or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Guotai Junan Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Parties, and to protect minority Shareholders' interests after the **[REDACTED]**.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately upon **[REDACTED]** and assuming the **[REDACTED]** is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number and class of Shares held as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED][1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED] (%)
Dr. Shen[2]	Beneficial owner	26,394,840 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
	Interest of spouse	29,004,840 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporations	54,695,160 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
Dr. Ni[2]	Beneficial owner	29,004,840 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
	Interest of spouse	81,090,000 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
SDIC Shanghai	Beneficial owner	42,133,320 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
國投（上海）創業投資管理有限公司[3]	Interest in controlled corporations	42,133,320 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
SDIC Shenzhen	Beneficial owner	18,996,120 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
國投創業投資管理有限公司[4]	Interest in controlled corporations	30,804,120 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
中國國投高新產業投資有限公司[5]	Interest in controlled corporations	18,996,120 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
維科控股集團股份有限公司[6]	Interest in controlled corporations	30,804,120 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
Zhaoyin Chengzhang Qihao	Beneficial owner	22,602,960 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
Zhaoyin Langyao[7]	Beneficial owner	6,433,560 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporations	22,602,960 Unlisted Shares	**[REDACTED]**	**[REDACTED]**

Name of Shareholder	Nature of Interest	Number and class of Shares held as of the Latest Practicable Date[1]	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED][1]	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED]
			(%)	(%)
深圳市招銀肆號股權投資合夥企業（有限合夥）[7]	Interest in controlled corporations	29,036,520 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
全國社會保障基金理事會[7]	Interest in controlled corporations	29,036,520 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
Zhaoyin Chengzhang Shijiuhao	Beneficial owner	19,060,920 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
招銀國際金融控股（深圳）有限公司[8]	Interest in controlled corporations	19,060,920 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
CMB International Capital[9]	Beneficial owner	3,074,400	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporations	48,097,440 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
Astral	Beneficial owner	26,088,480 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
CMBI Private Equity Series SPC-Biotechnology Fund I SP[10]	Interest in controlled corporations	26,088,480 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
CMBI Private Equity Series SPC-Biotechnology Fund V SP[10]	Interest in controlled corporations	26,088,480 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
BioVeda	Beneficial owner	20,291,400 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
InnoVeda Medtech, Ltd.[11]	Interest in controlled corporations	20,291,400 Unlisted Shares	**[REDACTED]**	**[REDACTED]**
中國人壽保險股份有限公司[12]	Interest in controlled corporations	23,519,160 Unlisted Shares	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The calculation is based on the total number of 374,929,920 Unlisted Shares in issue and **[REDACTED]** H Shares in issue upon **[REDACTED]**, assuming that the **[REDACTED]** is not exercised.

(2) Dr. Shen and Dr. Ni are spouses. Each of Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng are employee incentive platforms established in the form of domestic limited liability partnerships in the PRC with Dr. Shen acting as the sole general partner and sole managing partner. The aforementioned six parties are parties to the AIC Agreement.

(3) 國投（上海）創業投資管理有限公司 is the general partner of SDIC Shanghai.

(4) 國投創業投資管理有限公司 is the general partner of each of SDIC Ningbo, which is expected to hold **[REDACTED]** Shares upon **[REDACTED]**, and SDIC Shenzhen.

(5) 中國國投高新產業投資有限公司 is a limited partner holding 49.4% limited partnership interests in SDIC Shenzhen.

(6) 維科控股集團股份有限公司 is a limited partner holding 38.4% limited partnership interests in SDIC Shenzhen and a limited partner holding 49.0% limited partnership interests in SDIC Ningbo.

(7) Zhaoyin Langyao is a limited partner holding 99.8% limited partnership in Zhaoyin Chengzhang Qihao. 深圳市招銀肆號股權投資合夥企業（有限合夥）and 全國社會保障基金理事會 are limited partners holding limited partnership interests of 41.9% and 40% in Zhaoyin Langyao, respectively.

(8) 招銀國際金融控股（深圳）有限公司 is a limited partner holding limited partnership interests of 99.9% in Zhaoyin Chengzhang Shijiuhao

(9) CMB International Capital is a general partner of Zhaoyin Chengzhang Qihao, Zhaoyin Chengzhang Shijiuhao and Zhaoyin Langyao.

(10) Each of CMBI Private Equity Series SPC-Biotechnology Fund I SP and CMBI Private Equity Series SPC-Biotechnology Fund V SP holds 50% of the issued capital of Astral.

(11) InnoVeda Medtech, Ltd. holds all issued capital of BioVeda.

(12) 中國人壽保險股份有限公司 is (i) a limited partner holding 74.9% limited partnership interests in China Life Chengda, which in turn holds 14,296,320 Shares, and (ii) a limited partner holding 60.0% limited partnership interests in China Life Jiequan, which in turn holds 9,222,840 Shares.

For details of the substantial shareholders who will be, directly or indirectly, interested in 10% or more of the value of any class of Shares varying rights to vote in all circumstances at general meetings of any member of our Group, see "Appendix VII – Statutory and General Information – Further Information about our Directors, Supervisors, Management and Substantial Shareholders – 1. Disclosure of Interests."

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have interests and/or short positions in Shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

This section presents certain information regarding our share capital before and upon completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB374,929,920, comprising 374,929,920 Unlisted Shares of nominal value RMB1.00 each, which were categorized as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	306,699,480	81.8
Unlisted Foreign Shares in issue	68,230,440	18.2
Total	374,929,920	100.00

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	306,699,480	**[REDACTED]**
Unlisted Foreign Shares in issue	68,230,440	**[REDACTED]**
Unlisted Shares in issue	374,929,920	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	100.00

Immediately following completion of the **[REDACTED]**, assuming the **[REDACTED]** is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	306,699,480	**[REDACTED]**
Unlisted Foreign Shares in issue	68,230,440	**[REDACTED]**
Unlisted Shares in issue	374,929,920	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	100.00

SHARE CLASSES

Upon completion of the **[REDACTED]**, we would have two classes of Shares: H Shares as one class of Shares, Unlisted Shares (comprising Domestic Shares and Unlisted Foreign Shares) as another class. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai – Hong Kong Stock Connect or the Shenzhen – Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI – Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix VI – Summary of Articles of Association."

Except for the differences above, Unlisted Shares and H Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

All our Unlisted Shares are not listed or traded on any stock exchange. The holders of our Unlisted Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The **[REDACTED]** of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Full Circulation Guidelines**") published and implemented by the CSRC on November 14, 2019, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) could be listed and traded on the Hong Kong Stock Exchange after application to and approval from the CSRC. The Full Circulation Guidelines are applicable to domestic companies listed on the Hong Kong Stock Exchange only and not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, the Company did not file for application for a "full circulation" of the domestic unlisted shares. In the event that the Company decides to apply for "full circulation" in future, the Company will apply to the CSRC and submit the application reports, authorization documents of the shareholders of domestic unlisted shares for which an H-share "full circulation" are applied, explanation about the compliance of share acquisition and others documents in accordance with the requirements of the CSRC.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the **[REDACTED]** of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the **[REDACTED]**. As any **[REDACTED]** of additional Shares after our initial **[REDACTED]** on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for **[REDACTED]** at the time of our initial **[REDACTED]** in Hong Kong.

No class Shareholder voting is required for the **[REDACTED]** and trading of the converted Shares on the Hong Kong Stock Exchange. Any application for **[REDACTED]** of the converted Shares on the Hong Kong Stock Exchange after our initial **[REDACTED]** is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to **[REDACTED]** on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

Please refer to "Risk Factors – Risks Relating to the **[REDACTED]** – Future sales or perceived sales of a substantial number of our H Shares in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future."

So far as we are aware, none of our Shareholders currently proposes to convert any of their Unlisted Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the **[REDACTED]** shall not be transferred within one year from the **[REDACTED]**.

For details of the **[REDACTED]** given by the the Concert Parties to Rule 10.07 of the Listing Rules see "**[REDACTED]** – Undertaking to the Hong Kong Stock Exchange Pursuant to the Listing Rules – Undertakings by the Concert Parties.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關于境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 business days upon the **[REDACTED]** and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the **[REDACTED]** and **[REDACTED]** of our H Shares.

EMPLOYEE INCENTIVE SCHEMES

We adopted the Employee Incentive Schemes. As of the Latest Practicable Date, no options had been granted pursuant to the Employee Incentive Schemes. For further information regarding the terms of the Employee Incentive Schemes, please refer to the section headed "Appendix VII – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes".

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a clinical-stage biopharmaceutical and revenue-generating pre-clinical research services company, empowered by our proprietary gene editing technology, transgenic mice platforms, comprehensive animal disease models and *in vivo* antibody discovery platform. We have two Core Products, YH003 and YH001, and 10 other pipeline product candidates. YH003 is a recombinant humanized agonistic anti-Cluster of Differentiation 40 (CD40) Immunoglobulin G2 (IgG2) monoclonal antibody; and YH001 is a recombinant humanized anti-CTLA-4, a protein receptor expressed constitutively on T cells that functions as an immune checkpoint and downregulates immune responses, Immunoglobulin G1(IgG1) monoclonal antibody. Our Core Products are primarily being developed for advanced solid tumor, pancreatic cancer, programmed cell death protein 1 (PD-1) refractory melanoma, hepatocellular carcinoma (HCC) and non-small-cell lung carcinoma (NSCLC). Since our inception in 2009, we have also established fully integrated research and development capabilities ranging from early target validation and antibody generation to clinical development. Our capabilities are validated through our years of services to multinational companies and local biotechnology companies and evidence from our in-house clinical-stage drug candidates.

During the Track Record Period, our revenue was mainly generated from services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and

antibody development. However, we currently have no products approved for commercial sale and have not generated any revenue from sales of our product candidates. We expect to incur significant expenses, in particular increasing research and development expenses, for at least the next several years as we further our pre-clinical research and development efforts, continue the clinical development of, and seek regulatory approval for, our product candidates, launch commercialization of our pipeline products, and add personnel necessary to operate our business. Subsequent to the **[REDACTED]**, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our product candidates, regulatory approval timeline and commercialization of our product candidates after approval.

BASIS OF PREPARATION AND PRESENTATION

Our Company was established in the PRC in November 2009 and was converted into a joint stock company in December 2020. Our Company is ultimately controlled by our Controlling Parties, namely Dr. Shen and Dr. Ni. We acquired 100% of the equity interest in Eucure (Beijing) Biopharma Co., Ltd. (祐和醫藥科技（北京）有限公司), or "Eucure", a company incorporated in the PRC and ultimately controlled by the Controlling Parties. The acquisition is considered as a business combination under common control. For the details of our history and reorganization, please refer to the section headed "History, Reorganization and Corporate Structure" of this Document.

Our historical financial information has been prepared using the merger basis of accounting as if the current group structure had always been in existence.

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). The IASB has issued a number of new and revised IFRSs. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRSs to the Track Record Period. We have not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2022. The stub period corresponding financial information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of our historical financial information.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. For example, not only the factors in relation to our pre-revenue product candidates, but also the factors in relation to our revenue-generating services, may affect our results of operations. A detailed discussion of the key factors is set out below.

Our Ability to Successfully Develop and Commercialize Our Product Candidates

Our business and results of operations depend on our ability to successfully develop, as well as our receipt of regulatory approval for and successful commercialization of, our product candidates. Leveraging our core competency in discovery, research and development of antibodies, we have strategically designed and built a selective antibody drug pipeline of 12 drug candidates as of the Latest Practicable Date, including four clinical candidates, six pre-clinical stage candidates and two out-licensed candidates. Our Core Products, YH003 and YH001, are currently in Phase II clinical trial stage in Australia and the United States. Meanwhile, we have multiple ongoing pre-clinical trials for our other product candidates. See the section headed "Business" for more details on the development of our various product candidates. Our business and results of operations depend on our product candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates.

Although we currently do not have any product that is approved for commercial sale and have not generated any revenue from sales of our product candidates, we expect to commercialize one or more of our product candidates over the coming years as they move towards the final stages of development. Once our product candidates are commercialized, our business and results of operations will be driven by the market acceptance and sales of our commercialized products and by our manufacturing capacity to meet the commercial demand. However, the commercialization may require significant marketing efforts before we are able to generate any revenue from sales of our product candidates. If we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. For more details, see "Business" and "Risk Factors – Risks Relating to Our Business and Industry – Risks Relating to Commercialization of Our Drug Candidates" in this Document.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses, cost of sales and general and administrative expenses.

Research and development activities, such as conducting pre-clinical studies, clinical trials and activities related to regulatory filings for our product candidates, are central to our business model. In 2020 and 2021, our research and development expenses were RMB276.3 million and RMB558.5 million, respectively. Our research and development expenses primarily consist of staff costs, share-based payment, direct material costs, commission service fee, testing and laboratory processing fee and depreciation and amortization expenses. We expect our research and development expenses to continue to increase for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our product candidates and as we move those product candidates

into further clinical trials for additional indications and as potential earlier lines of treatment options.

Our cost of sales consists of staff costs, cost of supplies and overhead costs. We expect our cost of sales to continue to increase for the foreseeable future as our business continues to grow.

Our general and administrative expenses primarily consist of staff costs (excluding share-based payment), service charge and consulting fees, depreciation and amortization expenses, share-based payment, office expenses and related sundry fees, impairment loss on trade receivables and other receivables, recruiting costs, rental and property management fees, utilities and travel expenses.

We expect our cost structure to evolve as we continue to develop and expand our business. As the pre-clinical studies and clinical trials of our product candidates continue to progress and as we gradually bring assets in our product pipeline to commercialization, we expect to incur additional costs in relation to our manufacturing and sales and marketing, among other things. We also anticipate increasing legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing, revenue from gene editing, animal models selling, pre-clinical pharmacology and efficacy evaluation and antibody development. Going forward, we expect to primarily fund our operations with revenue generated from gene editing, animal models selling, pre-clinical pharmacology and efficacy evaluation and antibody development. In the event of the successful co-development and commercialization with our partners of one or more of our drug candidates, we may also generate revenue from our commercialized drug products. However, with the continuing expansion of our business, we may require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other funding sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

Growth of Pharmaceutical R&D Expenditure and Outsourcing

Our financial results are affected by the demand for pharmaceutical research and development services, which in turn is dependent on the growth in pharmaceutical research and development expenditure and the rate of outsourcing such work to third-party service providers like us. According to Frost & Sullivan, total research and development expenditure

in the global pharmaceutical industry increased from approximately US$156.7 billion in 2016 to US$204.8 billion in 2020, and is expected to reach US$295.4 billion in 2025 with a CAGR of 7.6% from 2020 to 2025, and further increase to US$379.2 billion in 2030 with a CAGR of 5.1% from 2025 to 2030. Research and development expenditure in China's pharmaceutical industry increased significantly from approximately RMB78.8 billion in 2016 to RMB170.3 billion in 2020, and is expected to grow to RMB342.3 billion in 2025 with a CAGR of 15.0% from 2020 to 2025, and further increase to RMB537.7 billion in 2030 with a CAGR of 9.5% from 2025 to 2030. The growth in the global and China's pharmaceutical research and development expenditures, in particular spending on outsourcing services, has led to rising demands for our integrated CRO services, particularly our pre-clinical studies and related services, and we expect to continue to benefit from this positive market trend. See "Industry Overview" for a detailed discussion on the growth drivers of the global pharmaceutical CRO market.

Our Ability to Attract and Maintain Our Customers and Partners

We have a large, high-quality, loyal and expanding customer base, including global and Chinese leading pharmaceutical companies and small-to-medium-sized biotechnology companies. Our results of operations depend largely on our ability to retain existing customers and to acquire new customers. Our ability to attract and retain customers is affected by our brand image, service quality, service offerings, geographic footprint and service capacity. Our integrated service offerings and strong scientific and technical expertise have enabled us to enter into new service contracts with existing customers and attract new customers. However, if we fail to maintain or grow our customer base, our results of operations and financial conditions would be materially and adversely affected. See "Risk Factors – Risks Relating to Our Business and Industry – We face increasing competition. If our service and product quality does not meet customers' standards or evolving needs, we may lose or fail to attract customers. Our inability to compete effectively may result in downward pricing pressure and reduced demand for our products and services."

We have made efforts to establish a close relationship with top pharmaceutical companies in China and around the world through target-exclusive co-development via Project Integrum where each party can invest resources in areas with comparative advantages and retain certain commercial rights and interests to jointly promote the subsequent clinical process. With shared benefits and risks, we are able to maximize our clinical development and commercial operation capabilities and leverage the commercial value of our clinical pipeline.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items.

Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 to the Accountants' Report in Appendix I to this document.

Revenue and Other Income

Income is classified by us as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our revenue and other income recognition policies are as follows:

Rendering of Services

Revenue for services rendered mainly consists of Pre-IND contract research organization services (including gene editing services and pre-clinical pharmacology and efficacy evaluation services) ("Pre-IND CRO") and antibody development.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Revenue is recognized at the point in time when we transfer the control for services/ deliverable units and have right to payment from the customers for the services performed upon finalization, or upon the delivery and acceptance of the deliverable units.

For antibody development, contracts with customers may contain more than one performance obligations. For such arrangements, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenue is recognized with the allocated amounts at a point in time upon satisfaction of the individual performance obligations.

Sale of Goods

Revenue for goods sold mainly consists of animal models selling.

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Credit Losses and Impairment of Assets

Credit Losses From Financial Instruments

We recognize a loss allowance for expected credit losses (ECLs) on the following items:

- Financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables); and

- Debt securities measured at FVOCI (recycling).

Other financial assets measured at fair value, including other financial assets measured at FVTPL are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to us in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls of fixed-rate financial assets and trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which we are exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- life time ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, we recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Impairment of Other Non-current Assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;

- intangible assets;

- other non-current assets; and

- interests in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of Recoverable Amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of Impairment Losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units ("CGUs") (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Reversals of Impairment Losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Contract Assets and Contract Liabilities

A contract asset is recognized when we recognize revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays non-refundable consideration before we recognize the related revenue. A contract liability would also be recognized if we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Fair Value Measurement

The measurement basis used in the preparation of our historical financial information is the historical cost basis except that the following assets are stated at their fair value: biological assets and other investment in debt and equity securities. Details of their fair value measurement during the Track Record Period are set out in Note 2(g) and 2(f) to the Accountants' Report included in Appendix I to this Document.

Inventories and Contract Costs

Inventories

Inventories mainly represent raw materials and supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realizable value. Cost is calculated using specific identification or first-in, first-out formula. Net realizable value is the estimated contracted selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Contract Costs

Contract costs are the costs to fulfill a contract with a customer which are not capitalized as inventory.

Costs to fulfill a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered.

Costs that relate directly to an existing contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because we entered into the contract such as payments to sub-contractors. Other costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that we expect to receive in exchange for the services to which the asset relates, less (ii) any costs that relate directly to providing those services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the assets related is recognized.

Biological Assets

Our biological assets mainly represent mice for breeding and mice for selling. Biological assets are measured at initial recognition and at the end of each reporting period with their fair value less costs to sell, except where the fair value cannot be measured reliably.

The feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for raising mice are capitalized until mice begin to mate and transfer to our mice camp for breeding.

Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in profit or loss for relevant financial periods.

DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS ITEMS

The table below sets forth our key consolidated statements of profit or loss items derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Document:

	Years ended 31 December,					
	2020			2021		
	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**253,542**	**–**	**253,542**	**354,555**	**–**	**354,555**
Cost of sales	(86,549)	–	(86,549)	(107,115)	–	(107,115)
Gross profit	**166,993**	**–**	**166,993**	**247,440**	**–**	**247,440**
Other gains and losses, net	8,748	–	8,748	25,569	–	25,569
Net change in fair value of biological assets	–	19,211	19,211	–	9,812	9,812
Selling and marketing expenses	(31,656)	–	(31,656)	(42,032)	–	(42,032)
General and administrative expenses	(245,416)	–	(245,416)	(188,120)	–	(188,120)
Research and development expenses	(276,306)	–	(276,306)	(558,485)	–	(558,485)
Loss from operations	**(377,637)**	**19,211**	**(358,426)**	**(515,628)**	**9,812**	**(505,816)**
Finance costs	(22,537)	–	(22,537)	(39,425)	–	(39,425)
Changes in the carrying amount of financial instruments issued to investors	(95,815)	–	(95,815)	–	–	–
Share of profit/(loss) of an associate	87	–	87	(402)	–	(402)
Loss before taxation	**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Income tax	–	–	–	–	–	–
Loss for the year	**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Attributable to:						
Equity shareholders of the company			(428,091)			(545,576)
Non-controlling interests			(48,600)			(67)
Other comprehensive income for the year/ period (after tax)						
- Exchange differences on translation of financial statements of foreign operations			1,903			581
Total comprehensive income for the year			**(474,788)**			**(545,062)**

Revenue

During the Track Record Period, our revenue was mainly generated from services related to gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development. We expect to continue to generate most of our revenue from such sources and expand our revenue sources upon the commercialization of our drug candidates. In addition, other revenue consists of revenue generated from rental income. The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	For the years ended December 31,			
	2020		2021	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*
Gene editing	68,885	27.2	51,146	14.4
Pre-clinical pharmacology and efficacy evaluation	75,376	29.7	105,607	29.8
Animal models selling	65,948	26.0	107,555	30.3
Antibody development	41,094	16.2	88,606	25.0
Others	2,239	0.9	1,641	0.5
Total revenue	**253,542**	**100.0**	**354,555**	**100.0**

The following table sets out a breakdown of revenue by customer geographical location for the period indcated:

	For the years ended December 31,			
	2020		2021	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*
The PRC	162,706	64.2	218,997	61.8
The USA	62,893	24.8	102,118	28.8
Others	27,943	11.0	33,440	9.4
Total revenue	**253,542**	**100.0**	**354,555**	**100.0**

Cost of Sales

Our cost of sales consists of staff costs, cost of supplies and overhead costs. The table below sets forth a breakdown of our cost of sales in absolute amount and as percentages of our total cost of sales for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs	32,430	37.5	38,093	35.6
Cost of supplies	20,045	23.2	25,662	24.0
Overhead costs	34,074	39.3	43,360	40.4
Total	**86,549**	**100.0**	**107,115**	**100.0**

Our staff costs primarily consist of salaries and employment benefits. Our cost of supplies primarily includes costs for chemical reagents, biological products and consumables required for our products and services. Our overhead costs primarily include depreciation, long-term amortization, energy and power costs, testing and laboratory processing fee, transportation expenses and royalties.

In addition, our cost of sales by segment is generally in line with our revenue by segment. The following table sets forth a breakdown of our cost of sales by segment for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Gene editing	36,300	41.9	27,148	25.4
Pre-clinical pharmacology and efficacy evaluation	26,681	30.8	36,662	34.2
Animal models selling	18,313	21.2	25,202	23.5
Antibody development	4,630	5.3	17,496	16.3
Others	625	0.8	607	0.6
Total	**86,549**	**100.0**	**107,115**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents gross profit as a percentage of revenue. In 2020 and 2021, our gross profit was RMB167.0 million and RMB247.4 million, respectively. For the same periods, our gross profit margin was 65.9% and 69.8%, respectively.

The table below sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*%*	*(RMB'000)*	*%*
Gene editing	32,585	47.3	23,998	46.9
Pre-clinical pharmacology and efficacy evaluation	48,695	64.6	68,945	65.3
Animal models selling	47,635	72.2	82,353	76.6
Antibody development	36,464	88.7	71,110	80.3
Others	1,614	72.1	1,034	63.0
Total	**166,993**	**65.9**	**247,440**	**69.8**

Our gene editing, pre-clinical pharmacology and efficacy evaluation and animal model selling segments together generated gross profits of RMB128.9 million and RMB175.3 million in 2020 and 2021, respectively. The three segments together remained profitable in 2020 and 2021 after deducting only the expenses for research and development and sales and marketing that, to our best judgment, are directly attributable to the three segments in the respective periods.

Our antibody development segment generated gross profits of RMB36.5 million and RMB71.1 million in 2020 and 2021, respectively. Our antibody development segment was loss-making in 2020 and 2021 after deducting only the expenses for research and development and sales and marketing that, to our best judgment, are directly attributable to the segment in the respective periods. While we recorded increasing gross profits for our antibody development segment from 2020 to 2021, we continued to incur substantial research and development expenses in the respective years that, to our best judgment, are directly attributable to the segment. The research and development expenses for antibody development relate to the research and development of our antibody discovery technologies and the expenses associated with the generation and screening of antibodies under Project Integrum.

Project Integrum allows us to identify large amounts of PCC antibodies for potential targets which is integral to our drug discovery cooperation with our partners and in generating our own pipeline. During the Track Record Period, we established collaborations on 17 targets under Project Integrum with ten partners. Generally, for each collaboration program, we are entitled to receive discovery milestone payments, co-own the product rights which may convert to licensing fees or royalties. Project Integrum provides an opportunity for us to leverage the clinical and commercial advantages of pharmaceutical companies and biotechnology companies as our partners to expand our capabilities while maintaining a flexible business strategy. We expect larger upfront investments in antibody research and development because of the significant resources needed to develop our antibody discovery technologies and to screen potential drug targets and generate antibody candidates. We also need additional time to enter into collaborations with third parties and reach specified milestones under these collaborations to generate revenue. These factors contributed to the substantial research and development expenses compared to our gross profits for our antibody development segment during the Track Record Period. For additional information on the business risks associated with Project Integrum, see "Risk Factors – Risk Relating to Our Business and Industry – Our business and prospects depend substantially on the success of our Project Integrum. If we are unable to successfully complete the antibody therapeutic discovery, enter into collaboration with third parties to successfully develop our drug candidates, or if these third parties do not successfully carry out their contractual duties or meet expected timelines, our business and profitability may be affected."

It is important to note that the effects of general and administrative expenses, which are a significant part of our operating expenses during the Track Record Period, are not considered in the above discussion as it is impracticable to separate general and administrative expenses into different segments. Therefore, it is important to consider the above discussion in that context and that our business segments may be loss-making after considering general and administrative expenses.

Other Gains and Losses, Net

Our other gains and losses, net, consist of net (loss)/gain on disposal of property, plant and equipment, change in fair value of financial assets at FVTPL, interest income, government grants (including amortization of deferred income), gain on disposal of financial assets at FVTPL, net foreign exchange loss and others. The table below sets forth a breakdown of our other gains and losses, net, for the periods indicated:

	For the year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Net (loss)/gain on disposal of property, plant and equipment	(1,201)	385
Change in fair value of financial assets at FVTPL	2,922	1,507
Interest income	5,749	12,506
Government grants (including amortisation of deferred income)	4,614	12,632
Gain on disposal of financial assets at FVTPL	3,264	627
Net foreign exchange loss	(6,590)	(1,776)
Others	(10)	(312)
Total	**8,748**	**25,569**

Our government grants mainly represent incentives we received from the local governments. Such incentives are granted primarily for compensation of expenditure arising from research activities and pre-clinical and clinical trial activities. We were also awarded for new product development. For example, we received government grants from The Science and Technology Committee of Daxing District, Beijing City for research and development of anti-coronavirus antibody. Interest income refers to the amount of interest we received from our deposits with commercial banks. Change in fair value of financial assets at FVTPL mainly represents gains resulting from changes in the fair value of our wealth management products. Gain on disposal of financial assets at FVTPL represents our gain from wealth management products. Net foreign exchange loss primarily reflects decreased value of the foreign currency we hold resulting from fluctuated exchange rate.

Net Change in Fair Value of Biological Assets

For mice that remained as our biological assets at the end of a reporting period, we recognize the change in the fair value of these biological assets, less costs of disposal at the period-end. At each balance sheet date, our biological assets are valued at fair value less costs of disposal at the period-end. The net change in fair value of biological assets is recognized as profit or loss. Net change in fair value of biological assets represents the difference in fair

value from the beginning to the end of the year/period and does not generate actual cash inflow or outflow. The fair values of biological assets are determined using the market approach and cost approach. Recent unit trading price and adjustment factors, which are based on the characteristics of the biological assets, were used in the calculations of fair values. A significant increase or decrease in the quantity in stock as well as the estimated unit market price would result in a significant increase or decrease in the fair value of the biological assets. See"– Valuation of Biological Assets" below for more detailed information.

In 2020 and 2021, we recorded gain from fair value changes of RMB19.2 million and RMB9.8 million, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs, share-based payment, promotion costs, conference and exhibition fees and travel expenses. The table below sets forth a breakdown of our selling and marketing expenses in absolute amount and as percentages of our total selling and marketing expenses for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs (excluding share-based payment)	23,747	75.1	30,194	71.8
Share-based payment	345	1.1	979	2.4
Promotion costs	3,101	9.8	5,559	13.3
Conference and exhibition fees	2,002	6.3	3,310	8.0
Travel expenses	484	1.5	339	0.9
Others	1,977	6.2	1,651	4.0
Total	**31,656**	**100.0**	**42,032**	**100.0**

Our staff costs primarily include salaries and welfare for our sales staff. Our conference and exhibition fees primarily consist of fees in relation to medical summits, conferences and seminars we sponsored. Our promotion costs primarily consist of expenses in connection with our online and offline sales and marketing. Other selling and marketing expenses primarily consist of office and communication expenses of our sales department.

General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs, service charge and consulting fees, depreciation and amortization expenses, share-based payment, office expenses and related sundry fees, impairment loss on trade receivables and other receivables, recruiting costs, rental and property management fees, utilities and travel expenses. The table

below sets forth a breakdown of our general and administrative expenses in absolute amount and as percentages of our total general and administrative expenses for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs (excluding share-based payment)	49,203	20.0	68,754	36.5
Service charge and consulting fees	19,816	8.1	31,764	16.9
Depreciation and amortization expenses	11,362	4.6	29,165	15.5
Share-based payment	126,679	51.6	11,320	6.0
Office expenses and related sundry fees	15,872	6.5	10,695	5.7
Impairment loss on trade receivables and other receivables	1,512	0.6	3,115	1.7
Recruiting costs	1,785	0.7	5,709	3.0
Rental and property management fees	2,171	0.9	3,234	1.7
Utilities	5,316	2.2	5,098	2.7
Travel expenses	1,431	0.6	888	0.5
Others	10,269	4.2	18,378	9.8
Total	**245,416**	**100.0**	**188,120**	**100.0**

Our staff costs include salaries and welfare for our administrative staff. Service charge and consulting fees primarily consist of the service fees paid to third-party professionals, such as tax advisors, legal advisors, auditors and intellectual property agents. Depreciation and amortization are primarily related to the depreciation and amortization of our equipment and facilities for administrative purposes. Our share-based payment represents the share option scheme operated by us for the purpose of providing incentives and rewards provided by us to our administrative staff. Other general and administrative expenses primarily include training, and delivery expenses incurred for administrative purposes.

Research and Development Expenses

Our research and development expenses are expenses incurred in connection with carrying out our product development projects. Our research and development expenses primarily consist of staff costs, commission service fee, direct material costs, share-based payment, testing and laboratory processing fee, and depreciation and amortization expenses. The table below sets forth a breakdown of our research and development expenses in absolute amount and as percentages of our total research and development expenses for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs (excluding share-based payment)	85,757	31.0	172,680	30.9
Commission service fee	75,714	27.4	116,377	20.8
Direct material costs	51,211	18.5	111,404	19.9
Share-based payment	5,429	2.0	15,453	2.8
Testing and laboratory processing fee	21,930	8.0	21,230	3.8
Depreciation and amortization expenses	14,164	5.1	65,396	11.7
Others	22,101	8.0	55,945	10.0
Total	**276,306**	**100.0**	**558,485**	**100.0**

Our staff costs include salaries and welfare for our research and development employees. Our commission service fee refers to CRO/CDMO expenses for our clinical and pre-clinical pipelines. Our direct material costs represent expenses on the raw materials used for research and development, including reagents and mice. Testing and laboratory processing fee primarily reflects the testing and evaluation expenses relating to our research and development projects. Depreciation and amortization expenses are primarily related to the depreciation and amortization of our equipment and facilities for research and development purposes. Others are mainly comprised of furnishing expenses of our laboratories and maintenance expenses for our equipment and animal facilities.

Our research and development expenses incurred for our Core Products, YH003 and YH001, were RMB43.4 million and RMB92.9 million in 2020 and 2021, respectively.

Finance Costs

Our finance costs consist of interest on long-term payables and interest on lease liabilities. The table below sets forth a breakdown of our finance costs in absolute amount and as percentages of our total finance costs for the periods indicated:

	For the year ended December 31,			
	2020		2021	
	RMB'000	*%*	*RMB'000*	*%*
Interest on long-term payables	18,530	82.2	31,762	80.6
Interest on lease liabilities	4,007	17.8	7,663	19.4
Total	**22,537**	**100.0**	**39,425**	**100.0**

Our interest on long-term payables mainly refer to interest resulting from construction milestone payment payables. Our interest on lease liabilities mainly consist of interests from lease liabilities for research and development facilities and office buildings.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), our subsidiaries which operate in Mainland China are subject to EIT at a rate of 25% on the taxable income. Preferential tax treatment is available to Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (百奧賽圖（北京）醫藥科技股份有限公司) and Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司) during the Track Record Period, because they are recognized as High and New Technology Enterprises and entitled to a preferential tax rate of 15%.

United States

Our U.S. subsidiaries were incorporated in Massachusetts, United States, which are subject to statutory U.S. federal corporate income tax at a rate of 21%. Our U.S. subsidiaries are also subject to the state income tax in Massachusetts at a rate of 8%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2020 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 39.8% from RMB253.5 million in 2020 to RMB354.6 million in 2021. The increase was mainly driven by the increase in revenue generated from our antibody development, pre-clinical pharmacology and efficacy evaluation services and animal models selling.

Gene Editing

Our revenue generated from our gene editing services decreased from RMB68.9 million in 2020 to RMB51.1 million in 2021. This was because we strategically shifted our gene editing capacity towards internal research and development, especially with respect to Project Integrum, in order to meet our strategy to accelerate Project Integrum with a focus on the discovery of antibodies. In particular, the average monthly number of ongoing gene editing projects we conducted for our customers decreased from approximately 750 in 2020 to approximately 600 in 2021.

Pre-clinical Pharmacology and Efficacy Evaluation

Our revenue generated from pre-clinical pharmacology and efficacy evaluation services increased by 40.1% from RMB75.4 million in 2020 to RMB105.6 million in 2021, which was primarily attributable to the increased demand from our customers.

Animal Models Selling

Our revenue generated from animal models selling increased by 63.3% from RMB65.9 million in 2020 to RMB107.6 million in 2021, which was primarily attributable to the increased number of sales from approximately 69,000 heads in 2020 to approximately 109,000 heads in 2021.

Antibody Development

Our revenue generated from antibody development increased by 115.6% from RMB41.1 million in 2020 to RMB88.6 million in 2021, primarily due to our continuous business expansion and our antibody development projects reaching several milestones in 2021.

Cost of Sales

Our cost of sales increased by 23.8% from RMB86.5 million in 2020 to RMB107.1 million in 2021, which was generally attributable to our revenue growth.

Our cost of sales for gene editing decreased from RMB36.3 million in 2020 to RMB27.1 million in 2021, which was generally in line with the decrease of revenue generated from gene editing.

Our cost of sales for pre-clinical pharmacology and efficacy evaluation increased from RMB26.7 million in 2020 to RMB36.7 million in 2021, which was generally in line with the increase of revenue generated from pre-clinical pharmacology and efficacy evaluation.

Our cost of sales for animal models increased from RMB18.3 million in 2020 to RMB25.2 million in 2021, primarily due to the increased sales in animal models.

Our cost of sales for antibody development increase from RMB4.6 million in 2020 to RMB17.5 million in 2021, which was in line with the progress in our antibody development segment.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 48.1% from RMB167.0 million in 2020 to RMB247.4 million in 2021 due to the increased gross profit of animal models selling, antibody development and pre-clinical pharmacology and efficacy evaluation in 2021. Our gross profit margin increased from 65.9% in 2020 to 69.8% in 2021 primarily attributable to change in business mix and increased gross profit margin of animal models selling.

Our gross profit for gene editing decreased from RMB32.6 million in 2020 to RMB24.0 million in 2021, generally in line with the revenue decrease. Our gross profit margin for gene editing remained relatively stable at 47.3% and 46.9% in 2020 and 2021, respectively.

Our gross profit for pre-clinical pharmacology and efficacy evaluation services increased from RMB48.7 million in 2020 to RMB68.9 million in 2021, primarily due to revenue growth. Our gross profit margin for pre-clinical pharmacology and efficacy evaluation services remained relatively stable at 64.6% and 65.3% in 2020 and 2021, respectively.

Our gross profit for animal models selling increased from RMB47.6 million in 2020 to RMB82.4 million in 2021, primarily due to higher sales volume and gross profit margin. Our gross profit margin for animal models selling was 72.2% and 76.6% in 2020 and 2021, respectively. The

increase of our gross profit margin for animal models selling is primarily because we sold more humanized mice in 2021 as a percentage of total animal models sold, which have a higher unit market price range than our other categories of animal models.

Our gross profit for antibody development increased from RMB36.5 million in 2020 to RMB71.1 million in 2021, primarily due to revenue growth. Our gross profit margin for antibody development was 88.7% and 80.3% in 2020 and 2021, respectively. Due to the nature of our antibody development business, for which a large portion of capital injection and commitment was required when such platform was built up, the ongoing expenses to fulfill customers' contracts are relatively small compared to the sales revenue, once we have completed the development of this platform. Specifically, before we enter into contracts with our customers for antibody development, our antibody development activities are considered internal research projects, and the expenses associated with such activities are recognized as research and development expenses when they are incurred. Our gross profit margin in 2020 to a certain extent reflects the accounting treatment as expenses associated with antibody development activities before we had entered into customer contracts have already been recorded into research and development expenses.

The gross profit margin of antibody development business in 2021 is lower than that in 2020, primarily because, as part of our customer expansion and business development strategy, we have undertaken co-development projects in 2021, which require us to conduct subsequent development experiments while receiving subsequent milestone payments. The costs of such experiments are recognized as cost of sales as incurred. As our antibody development business matures, we expect to undertake fewer co-development projects in the future.

Other Gains and Losses, Net

Our other gains and losses, net, increased by 194.3% from RMB8.7 million in 2020 to RMB25.6 million in 2021. Such increase was primarily attributable to the increase of interest income, which was due to an increase in bank deposits after our Series D+ financing in September 2020 and increase of government grants, partially offset by the decrease in gain on disposal of financial assets at FVTPL, which was primarily because less wealth management products matured in 2021 as compared to 2020.

Net Change in Fair Value of Biological Assets

Our net change in fair value of biological assets decreased from a gain of RMB19.2 million in 2020 to a gain of RMB9.8 million in 2021, primarily due to the lower increase in the number of humanized mice in stock during 2021 as compared to 2020. The stock level of humanized mice increased approximately 27,000 heads in 2020, while we recorded a increase of approximately 7,600 heads in the number of humanized mice in stock during 2021. The unit price of difference product line did not fluctuate materially during the

period hence it did not have material impact on the net change in fair value of biological assets. For more detailed information, please see Note 18 to the Accountants' Report included in Appendix I to this document.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 32.5% from RMB31.7 million in 2020 to RMB42.0 million in 2021. Such increase was primarily attributable to our increased staff costs as a result of increased salaries and our increased promotion costs due to our expanded promotion activities.

General and Administrative Expenses

Our general and administrative expenses decreased by 23.3% from RMB245.4 million in 2020 to RMB188.1 million in 2021. Such decrease was primarily attributable to our significant decrease in share-based payment in 2021.

Research and Development Expenses

Our research and development expenses increased by 102.1% from RMB276.3 million in 2020 to RMB558.5 million in 2021. Such increase was primarily due to (i) our increased staff costs as a result of increasing number of research and development employees, (ii) our increased commission service fee of Eucure, (iii) our increased direct material costs and (iv) our increased depreciation and amortization expenses.

Finance Costs

Our finance costs increased by 75.1% from RMB22.5 million in 2020 to RMB39.4 million in 2021 primarily due to the increased interest on long-term payables from our construction projects and increased interest on lease liabilities for research and development facilities and office buildings.

DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this Document:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Total non-current assets	1,178,880	1,428,545
Total current assets	1,147,638	874,238
Total assets	**2,326,518**	**2,302,783**
Total current liabilities	328,465	446,559
Total non-current liabilities	539,812	604,253
Total liabilities	**868,277**	**1,050,812**
Net current assets	819,173	427,679
Net assets	1,458,241	1,251,971
Share capital/paid-in capital	360,000	374,930
Reserves	1,093,411	872,278
Total equity	1,458,241	1,251,971

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of January 31,
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Current assets			
Inventories	7,980	15,140	15,888
Contract costs	20,816	41,812	43,888
Biological assets	53,845	68,131	74,653
Trade receivables	67,226	103,089	93,091
Prepayments and other receivables	47,727	79,621	97,466
Other financial assets	200,000	100,000	50,000
Cash at bank and on hand	750,044	466,445	393,534
Total current assets	1,147,638	874,238	768,520
Current liabilities			
Trade and bills payables	87,599	102,441	90,404
Contract liabilities	47,512	61,581	61,169
Other payables	179,248	255,640	218,855
Leases liabilities	14,106	26,897	26,949
Total current liabilities	328,465	446,559	397,377
Net current assets	**819,173**	**427,679**	**371,143**

We had net current assets of RMB819.2 million as of December 31, 2020, as compared to net current assets of RMB427.7 million as of December 31, 2021. This is primarily due to the decrease in cash at bank and on hand as a result of our net loss from business operation.

Cash at Bank and on Hand

Our cash at bank and on hand was RMB750.0 million and RMB466.4 million as of December 31, 2020 and 2021, respectively, which was mainly attributable to the funds we received from our Series D+ financing in September 2020.

The table below sets forth our cash at bank and on hand as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash and cash equivalent	697,294	466,445
Restricted bank deposits	52,750	–
Total	**750,044**	**466,445**

Other Financial Assets

Our other financial assets include certificates of deposit.

We invested in wealth management products from time to time. Our wealth management products include structured deposits provided by commercial banks in China with expected rates of return ranging from 1.0% to 3.8% per annum. We primarily invest in wealth management products with relatively low risk and high credit quality. The maturity periods of the wealth management products were generally below three months. Our certificates of deposit include financial products of "3-year certificate of deposit" that we cannot withdraw before the three year term but can sell the certificates of deposit to others. The annual interest rate of the deposits is fixed and ranged from 3.3% to 3.8%.

We have internal control measures in place regarding our investment strategies. Our internal control measures sets out our investment strategy related to the wealth management products and certificates of deposit we purchase and the corresponding internal control measures to mitigate the risks. We consider investing in wealth management products only when we have surplus cash that is not required for our short-term working capital purposes. Our finance department is responsible for managing our investment in wealth management products and certificates of deposit. Before making any investment proposal, our finance department will assess our cash flow levels, operational needs and capital expenditures. Our investment strategy related to the wealth management products and certificates of deposit aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. We do not invest in high risk wealth management products or certificates of deposit and the proposed investment must not interfere with our daily operation and business prospects. In accordance with our treasury policy, we make our investment decisions related to wealth management products and certificates of deposit on a case by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of

the investment. To the extent that we will have surplus cash that is not required for our short-term working capital purposes, we will continue to consider investing in wealth management products taking into account the considerations above as appropriate to be in the best interest of the Company.

The table below sets forth our financial assets measured at FVOCI as of the dates indicated:

Financial assets measured at FVOCI

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Certificate of deposit	200,000	100,000

In relation to the investment in wealth management products, the Board authorizes and supervises the chief financial officer to approve through a strict review and decision-making process. The chief financial officer adopts the following procedures: (i) reviewed the terms of investment agreements; (ii) performed valuation assessments for wealth management products based on their expected returns; and (iii) considered and discussed the financial and operating data, as well as the development and the business plans of the investees.

Prepayments and Other Receivables

Our current prepayments and other receivables include advances to third parties, deposits, interest receivables, VAT recoverable and other receivables. Advances to third parties primarily include advances for outsourced research and development expenses.

The table below sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Advances to CRO service suppliers	23,421	21,929
Prepayments for costs incurred in connection with the issuance of the Company's H shares	–	29,240
Advances to materials suppliers	2,234	6,512
VAT recoverable	13,825	13,831
Deposits	7,369	6,978
Interest receivables	786	304
Others	335	1,296
	47,970	80,090
Less: loss allowance	(243)	(469)
Total	**47,727**	**79,621**

Our prepayments and other receivables increased from RMB47.7 million as of December 31, 2020 to RMB79.6 million as of December 31, 2021. The increase was mainly attributable to the increase in advances to materials suppliers, as well as prepayments for costs incurred in connection with the issuance of the Company's H shares, which will be transferred to the share premium account with equity upon **[REDACTED]** of the Company's H shares on the Stock Exchange. For more detailed information, please see Note 22 to the Accountants' Report included in Appendix I to this Document.

Trade Receivables

Our trade receivables primarily represent the balances due from certain clients with respect to our service offerings. While we generally have prepayment arrangements with our clients, we also allow a credit period from 0 to 90 days after the invoice date for a limited number of customers. We usually issue invoices 0 to 90 days after services is completed and revenue is recognized. We set a maximum credit limit for each customer and consider a number of factors in determining the credit term of a customer, including its cash flow conditions and creditworthiness as well as the local market environment.

The table below sets forth our trade receivables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade receivables due from		
– third parties	69,974	108,719
Less: loss allowance	(2,748)	(5,630)
Total	**67,226**	**103,089**

Our trade receivables were RMB67.2 million and RMB103.1 million as of December 31, 2020 and 2021, respectively. As of December 31, 2020 and 2021, our trade receivables from our top five customers accounted for 32.4% and 33.6% of our total trade receivables, respectively, which were relatively dispersed. As our business continues to expand and our competitive advantages continue to grow, our reliance on a single project or customer will gradually reduce. Our main trade receivable counterparties are well-known overseas pharmaceutical companies and large domestic pharmaceutical companies, with good credit standing of customers and good guarantee for the recovery of accounts receivable. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing.

As of January 31, 2022, RMB15.0 million, representing 14.5% of the trade receivables as of December 31, 2021 was subsequently settled.

The following table sets forth an aging analysis based on the earlier of invoice date or revenue recognition date of our net trade receivables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	61,894	94,155
1 to 2 years	4,230	7,740
2 to 3 years	1,102	1,194
Total	**67,226**	**103,089**

Our average trade receivables turnover days was 74.5 and 87.7 in 2020 and 2021, respectively. The increase in turnover days in 2021 is due to the significant increase in

revenues in the fourth quarter of 2021 which generated more trade receivable that has not yet been collected at year end.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectability, taking into account of the historical loss patterns of our customers and adjust for forward looking macroeconomic data in calculating the expected credit loss rate. As of the Latest Practicable Date, we believe that we can collect on our net trade receivables after making the necessary adjustments for loss allowance.

Trade and Bills Payables

Our trade payables primarily consist of the balances due to related parties and third parties for the purchase of materials. Bills payables mainly consist of bills due to suppliers for the furnishing of new offices and production plant. The table below sets forth our trade and other payables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade payables due to		
– related parties	20	1,609
– third parties	34,829	52,283
Bills payables	52,750	48,549
Total	**87,599**	**102,441**

Our trade and bills payables increased from RMB87.6 million as of December 31, 2020 to RMB102.4 million as of December 31, 2021. The increase was mainly attributable to the expansion of our business.

As of January 31, 2022, RMB30.9 million, representing 30.2% of the trade and bills payables as of December 31, 2021 was subsequently settled.

The following table sets forth an aging analysis of the trade and bills payables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	87,404	101,785
After 1 year but within 2 years	96	478
After 2 years but within 3 years	64	87
After 3 years	35	91
Total	**87,599**	**102,441**

Other Payables

Our other payables primarily consist of payables for staff related costs, payables relating to construction cost, payables to a local government, payables for other taxes and payables relating to purchases of equipment. The table below sets forth our trade payables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Other Payables		
Payables for staff related costs	27,409	53,661
Payables relating to construction cost(1)	143,151	143,225
Payables for other taxes	1,415	5,015
Payables relating to purchases of equipment	5,377	45,511
Payables for costs incurred in connection with the issuance of the Company's H shares	–	4,050
Others	1,896	4,178
Total	179,248	255,640

Notes:

(1) The amounts include the current portion of long-term payables as disclosed in Note 33 which are to be paid within one year with the amount of RMB 96,313,000, and RMB 70,827,000 as at 31 December 2020 and 2021.

Our other payables increased from RMB179.2 million as of December 31, 2020 to RMB255.6 million as of December 31, 2021. The increase was mainly attributable to the

increase in payables relating to purchases of equipment due to expansion of business and increase in payables for staff related costs due to increasing number of employees.

Contract liabilities

Our contract liabilities represent our obligations to transfer goods or services to our customers for which we have received advanced payments or we have an unconditional right to receive non-refundable payments from such customers under the relevant contracts with our customers. Our contract liabilities were RMB47.5 million and RMB61.6 million as of December 31, 2020 and 2021, respectively. The increase in our contract liabilities from RMB47.5 million as of December 31, 2020 to RMB61.6 million as of December 31, 2021 was primarily due to the expansion of our sales.

Contract Costs

Our contract costs are the costs to fulfill a contract with a customer which are not capitalized as inventory. Our contract costs increased from RMB20.8 million as of December 31, 2020 to RMB41.8 million as of December 31, 2021, primarily due to the increasing number of uncompleted projects.

Lease Liabilities

Our lease liabilities increased from RMB80.9 million as of December 31, 2020 to RMB89.8 million as of December 31, 2021, primarily due to newly-leased research and development facilities and office building of Eucure. The table below sets forth an aging analysis of our lease liabilities for the periods indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	14,106	26,897
After 1 year but within 2 years	14,871	25,004
After 2 years but within 5 years	33,523	24,630
After 5 years	18,418	13,268
Total	**80,918**	**89,799**

Inventories

Our inventories consist of raw materials and others. We formulate the purchase plan of raw materials according to delivery time needed by our suppliers, our production and sales

targets. We formulate and supervise production progress, inventory levels and projected sales of our products, and adjust our sales and purchase plans every month according to sales performance, to minimize the risk of inventory shortage or accumulation. We have also established an inventory management system that monitors each stage of the warehousing process. We did not experience any material shortage or accumulation of inventory during the Track Record Period. The tables below set forth our inventory balances as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Raw materials and consumables	7,980	15,140
Less: write-down of inventories	–	–
Total	**7,980**	**15,140**

Our inventory balance increased from RMB8.0 million as of December 31, 2020 to RMB15.1 million as of December 31, 2021, primarily due to our increased projects requirement for reagents, biological products and laboratory consumables.

As of January 31, 2022, RMB5.0 million, representing 32.9% of the inventory as of December 31, 2021 was subsequently utilized.

Biological Assets

During the Track Record Period, our biological assets mainly include mice for breeding and mice for selling. Expendable biological assets represent mice held for sale or experimentation. Production biological assets represent breeding mice held for the purpose of breeding. The following table sets forth a breakdown of our biological assets as of the dates indicated.

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
B-NDG	2,599	3,983
Humanized mice	51,082	63,628
Conventional strain mice	164	520
Total	**53,845**	**68,131**

Our biological assets increased from RMB53.8 million as of December 31, 2020 to RMB68.1 million as of December 31, 2021, primarily due to our increased reserve of humanized mice from the expansion of our business.

Our biological assets were independently valued by Asia-Pacific Consulting and Appraisal Limited (亞太評估諮詢有限公司) ("**APA**"), which is an independent professional appraiser not connected with us and has extensive experience in the valuation of biological assets. See"– Valuation of Biological Assets" below.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. During the Track Record Period, we relied on equity financing as the major sources of liquidity. We also generate cash from our revenue from our service offerings, including gene editing, pre-clinical pharmacology and efficacy evaluation services, animal models selling and antibody development.

During the Track Record Period, we incurred negative cash flows from our operations and most of our operating cash outflows was for research and development expenses. Our operating activities used RMB225.3 million and RMB365.8 million of cash for 2020 and 2021, respectively. As our business develops and expands, we expect to generate more cash flow from our operating activities, through our services offering of gene editing, pre-clinical pharmacology and efficacy evaluation, animal models selling and antibody development, as well as from launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

Cash Flows

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

	For the years ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Operating cash flows before changes in working capital	(196,077)	(355,600)
Net cash used in operating activities	(225,313)	(365,778)
Net cash (used in)/generated from investing activities	(188,180)	(84,131)
Net cash generated from/ (used in) financing activities	868,442	219,440
Net increase (decrease) in cash and cash equivalents	454,949	(230,469)
Cash and cash equivalents at January 1	246,384	697,294
Effect of foreign exchange rate changes	(4,039)	(380)
Cash and cash equivalents at December 31	697,294	466,445

Operating Activities

Since the commencement of our business operation, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our research and development expenses. Our management closely monitors the use of cash and cash balances and has maintained a healthy liquidity for our operations. As our business develops and expands, we expect to generate more cash flow from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency. Specifically, we will (i) further increase our sales of provision of our pre-clinical research service, (ii) rapidly advancing our pipeline products towards commercialization to generate revenue from product sales; and (iii) enhancing working capital management efficiency.

In 2021, our net cash used in operating activities was RMB365.8 million, which was primarily attributable to our net loss before tax of RMB545.6 million, positively adjusted by depreciation of property, plant and equipment of RMB126.5 million, finance costs of RMB39.4 million and share-based payment expenses of RMB27.8 million, partially offset by an increase in trade and bills payables of RMB19.0 million, an increase in other payables of RMB36.4 million.

In 2020, our net cash used in operating activities was RMB225.3 million, which was primarily attributable to our loss before taxation of RMB476.7 million, positively adjusted by share-based payment expenses of RMB132.5 million, changes in the carrying amount of financial instruments issued to investors of RMB95.8 million and depreciation of property, plant and equipment of RMB42.5 million, partially offset by an increase in trade and bills payables of RMB16.8 million.

Investing Activities

In 2021, our net cash used in investing activities was RMB84.1 million, which was mainly attributable to the purchase of property, plant and equipment and intangible assets of RMB198.7 million and the purchase of other financial assets of RMB540.0 million, partially offset by proceeds from the disposal of other financial assets of RMB649.8 million.

In 2020, our net cash used in investing activities was RMB188.2 million, mainly attributable to the payment for the purchase of properties, plant and equipment and intangible assets of RMB296.4 million and the payment for purchase of other financial assets of RMB1,275.0 million, partially offset by proceeds from disposal of other financial assets of RMB1,393.2 million.

Financing Activities

During the Track Record Period, we derived our cash inflows from financing activities primarily from capital injections by our shareholders.

In 2021, we had RMB219.4 million of net cash inflows from financing activities, primarily attributable to proceeds from capital injection of RMB311.0 million which were partially offset by the repayments of long-term payables of RMB42.2 million, payment of **[REDACTED]** of RMB26.8 million and capital element of lease rentals paid of RMB15.0 million.

In 2020, we had RMB868.4 million of net cash inflows from financing activities, primarily attributable to the issuance of financial instruments to investors of RMB850.0 million and proceeds from capital injection of RMB98.4 million, which were partially offset by the repayments of long-term payables of RMB55.3 million, and the repayment of borrowing from a local government of RMB16.9 million.

CASH OPERATING COSTS

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

	For the year ended December 31	
	2020	**2021**
	RMB'000	*RMB'000*
R&D Costs:		
Core Products		
Pre-clinical trial expenses	21,629	30,963
Clinical trial expenses	11,294	50,668
Staff cost	5,496	14,163
Subtotal	38,419	95,794
Other Product Candidates		
Pre-clinical trial expenses	32,527	47,103
Clinical trial expenses	5,094	10,430
Staff cost	4,470	12,245
Subtotal	42,091	69,778
Project Integrum and others		
Staff cost	73,901	144,229
Raw material costs	44,870	90,728
Third-party contracting costs	34,696	43,146
Others	5,995	27,570
Subtotal	**159,462**	**305,673**
Workforce employment cost(1)	107,490	124,516
Direct production cost(2)	39,627	51,636
Product marketing(3)	7,555	10,859
Non-income taxes, royalties and other governmental charges	–	–
Contingency allowances	–	–
Any other significant costs	–	–

Notes:

(1) Workforce employment cost represents total non-R&D staff costs mainly including salaries and bonus.

(2) Direct production cost is mainly related to the cost for gene editing, pre-clinical pharmacology and efficacy evaluation, antibody development and animal selling.

(3) Product marketing cost represents the sales and marketing expense for gene editing, pre-clinical pharmacology and efficacy evaluation, antibody development and animal selling.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available, including cash and bank balances and the estimated **[REDACTED]** from the **[REDACTED]**, as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, general and administrative expenses and other expenses for at least the next 12 months from the date of this Document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, payment for property, plant and equipment, payment for intangible assets, and lease payments. We estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the low-end of the indicative **[REDACTED]** in this Document. Assuming an average cash burn rate going forward of 2.0 times the level in 2021, we estimate that our cash at bank and on hand and other financial assets (RMB100.0 million certificate of deposit which can be sold before maturity) as of December 31, 2021 will be able to maintain our financial viability for 25 months from December 31, 2021 taking into account the estimated **[REDACTED]** from the **[REDACTED]**. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of January 31,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Current			
Lease liabilities	14,106	26,897	26,949
Current portion of long-term payables	96,313	70,827	72,307
Non-current			
Lease liabilities	66,812	62,902	59,528
Long-term paybales	382,879	448,554	460,268
Total	**560,110**	**609,180**	**619,052**

During the Track Record Period and up to the Latest Practicable Date, we did not have any borrowings, other than long-term payables and lease liabilities as set forth in the table

above, and had not been in violation of any of the covenants under any loan agreements. 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.

Our long-term payables mainly include long-term construction payables. The long-term construction payables are primarily due to Haimen Haoluokai Industry Corporation (海門豪羅凱實業公司) and Nantong Shihua Construction Engineering Co., Ltd (南通仕華建設工程有限公司) for the construction of (i) Haimen Phase II Project, (ii) HaimenPhase III Project and (iii) Beijing Daxing Project. For details, see Note 33 to the Accountants' Report set out in the Appendix I in this document.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Property, plant and equipment	646,634	393,396
Intangible assets	1,192	1,199
Interests in associates	10,000	–
Total	**657,826**	**394,595**

Our historical capital expenditures during the Track Record Period primarily included investment in facility and office building, decoration and purchase of scientific equipment. We funded our capital expenditures during the Track Record Period mainly from equity financing, and revenue generated from gene editing, animal models selling, pre-clinical pharmacology and efficacy evaluation and antibody development.

We plan to fund our planned capital expenditures using our cash and cash equivalents and the **[REDACTED]** received from the **[REDACTED]**. Please refer to the section headed "Use of **[REDACTED]**" in this Document for more details. We may reallocate the funds to be utilized on capital expenditure based on our ongoing business needs.

COMMITMENTS

We had the following capital commitment as of the dates indicated.

	As of December 31,	
	2020	2021
	RMB'000	*RMB'000*
Haimen Phase II Project[(1)]	113,717	70,051
Haimen Phase III Project[(1)]	149,188	103,231
Total	**262,905**	**173,282**

Notes:

(1) Haimen Phase II Project and Haimen Phase III Project refer to the construction of R&D and production facilities of Biocytogen Jiangsu.

CONTINGENT LIABILITIES

As of December 31, 2021, we did not have any contingent liabilities. We confirm that as at the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

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

	As of December 31,	
	2020	2021
Current ratio[(1)]	3.49	1.96
Quick ratio[(2)]	3.47	1.92

Notes:

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

(2) Quick ratio equals current assets excluding inventories, divided by current liabilities.

The decrease in current ratio and quick ratio as of December 31, 2021 as compared to those as of December 31, 2020 were primarily due to a decrease in our current assets, in which cash at bank and on hand decreased significantly.

RELATED-PARTY TRANSACTIONS

During the Track Record Period, we had transactions with the related parties in accordance with the terms agreed with the counterparties. Details of our transactions with related parties during the Track Record Period are set out in Note 37 to the Accountants' Report included in Appendix I to this document.

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

VALUATION OF BIOLOGICAL ASSETS

Information about the Independent Appraiser of Our Biological Assets

We have engaged APA, an independent appraiser, to determine the fair values of our biological assets as of December 31, 2020 and 2021, respectively. The key appraiser of the APA team is Mr. Li Wenjie (李文杰).

Mr. Li, partner at APA, is a Member of the Chartered Financial Analyst Institute and a Member of the Royal Institution of Chartered Surveyors. He oversees the business valuation services of APA and has been a partner at APA for over six years. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States. Mr. Li has also participated in certain large scale IPOs of State-owned and privately-owned enterprises in China. He oversaw the valuation of biological assets for the initial public offerings and subsequent financial reports of ZONBONG LANDSCAPE Environmental Limited (1855.HK), Universal Health International Group Holding Limited (2211.HK), China Modern Dairy Holdings Ltd. (1117.HK), China Shengmu Organic Milk Limited (1432.HK) and China Mengniu Dairy Company Limited (2319.HK).

Based on market reputation, track record in biological asset valuation, relevant background research and confirmation from APA, our Directors and the Joint Sponsors are satisfied that APA is independent from us and is competent in conducting a valuation of our biological assets.

Valuation Approach and Methodology

During the Track Record Period, our biological assets mainly represent mice for breeding and mice for selling, for which we engaged APA to measure their fair value.

In arriving at the assessed value, three generally accepted approaches have been considered, namely, the market approach, cost approach and income approach.

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established used market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known used market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Based on the discussion above, APA has relied solely on the market approach and cost approach in determining its opinion of value. In its study, the fair value of the biological assets for sale was derived by multiplying the market-determined of the biological assets and corresponding quantities. A market approach is adopted to value the mice for commercial purpose at the age of 4-8 weeks, which is usually used for sale as products. This approach was adopted because recent market prices for this age group of the mice for sale exist near the valuation dates. The fair values of the mice for sale at the age of 3-4 weeks were developed

through the application of market approach with reasonable adjustments to reflect age differences.

The fair value of the biological assets for breeding was adopted by the cost approach. The cost approach is adopted to value the mice for breeding at the age of 8-24 weeks or older for males and females respectively, which can be used for both breeding while predominantly are used for breeding according to the market practice, since there is no active market for these age group and the cost is the most reliable method to determine the value.

Assumptions Applied

According to APA, the key input and assumptions made for valuing our biological assets include the following:

- *Classification.* According to the Company's records, the rearing of mice have been categorized into commercial purpose and breeding purpose. The table below shows the classification of the mice rearing as of the value dates.

Purpose	Category	Age
Commercial purpose	B-NDG mice	3-4 weeks 4-5 weeks 6-8 weeks
	Humanized mice	3-4 weeks 4-5 weeks 6-8 weeks
	General mice	3-4 weeks 4-5 weeks 6-8 weeks
Breeding purpose	B-NDG mice	8-16 weeks 16-24 weeks >24 weeks
	Humanized mice	8-16 weeks 16-24 weeks >24 weeks

- *Quantity.* In conducting its valuation, APA has relied on the figures provided by the Company for the biological assets.

- *Market Price.* Based on APA's discussion with the management, it noticed that there was not a significant difference among different weeks of ages according to the historical sales statistics during the Track Record Period provided by the

management. Set forth below are the key inputs adopted for the valuation of our biological assets:

	As of December 31,	
	2020	**2021**
	RMB	*RMB*
Average Unit Price		
B-NDG at age of 4-8 weeks	240-260	240-260
Humanized mice at age of 4-8 weeks	1,400-4,600	1,300-4,700

- *Cost for Raising, Culling Rate & Residual Breeding Useful Lives.* Based on APA's discussion with the management, it is assumed that the cost for raising, culling rate and residual breeding useful lives of the biological asset can be achieved with the effort of management.

- *Other Assumptions*. For the valuation exercise, APA assumed that all proposed facilities and systems will be operated efficiently and have sufficient capacity for future expansion. APA also assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the business of the Company.

The Joint Sponsors have reviewed the qualifications and relevant valuation experience of APA. The Joint Sponsors also discussed with APA in relation to its scope of work, valuation procedures, valuation bases and assumptions, valuation techniques and information required to prepare its valuation report. As confirmed by APA, the valuation of our biological assets was conducted in accordance with the International Accounting Standard 41 issued by the International Accounting Standards Board and the International Valuation Standards issued by the International Valuation Standards Council. APA has further confirmed that its valuation procedures provide a reasonable basis for its opinion, and that the inputs used in the valuation techniques are appropriate and reasonable.

The details on the fair value measurement of biological assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs are disclosed in Note 18 to the Accountants' Report. The Reporting Accountants have performed their work on the Historical Financial Information in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Report on Historical Financial Information in Investment Circular ("HKSIR 200"). As part of their work on the Historical Financial Information, the Reporting Accountants have considered the results of audit procedures performed in connection with the valuation techniques and key inputs used

in valuation of the biological assets. They have satisfied themselves in respect of the valuation technique chosen and the key inputs used in the valuation for the purpose of forming an opinion on the Historical Financial Information as a whole. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out in Appendix I to this document.

The Joint Sponsors discussed with our management and APA with respect to the techniques chosen and inputs used in the valuations, and the Joint Sponsors have further discussed with the Reporting Accountants regarding the valuation techniques and key inputs used in the valuation of the biological assets, and noted that the Reporting Accountants had considered the audit procedures performed in accordance with the relevant auditing standards. On the basis of the foregoing, the Joint Sponsors are satisfied that the valuation techniques chosen and the key inputs used in the valuation techniques are appropriate and reasonable.

Sensitivity Analysis

The following table indicates the instantaneous change in the value of our biological assets that would arise if the key inputs for valuation as of December 31, 2021 had changed at that date, assuming all other risk variables remained constant:

% change in unit market price of mice of research model	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	(20,500)	(13,667)	(6,833)	6,833	13,667	20,500
% change in costs for raising mice to the mice for selling	-30%	-20%	-10%	10%	20%	30%
Change in fair value of our biological assets (RMB'000)	61	41	20	(20)	(41)	(61)

Stock-take and Internal Control

Stock-take

We have established a standard set of protocols for stock-take, which consist of periodic stock takes to ensure the physical existence of our research models and the accuracy and integrity of the relevant data and information concerning such animal models. Each of our animal model breeding or hosting facilities is required to perform a full stock take on a monthly basis to ensure the relevant data and information such as details of quantities, survival rates, grouping and other relevant information are accurately reflected in our digital management records. Any discrepancies with the record identified in the stock take or any biological assets discovered to be excluded from the stock take must be reported and necessary inquiries or verifications are required to be performed. The staff of our animal model breeding or hosting facilities, staff of finance department and the heads of other relevant departments are required to review and confirm the results of the stock take.

Internal Control and Management System

We have adopted a policy for biological assets management. Our biological assets management policy covers among other things, the relevant accounting policies, transfer of animal models among breeding and non-clinical studies groups, purchase and disposal of animal models, breeding, record keeping, and stock take. To facilitate the implementation of our biological assets management policy, we keep a comprehensive record of our animal model population and its key data and information.

PROPERTY VALUATION

APA, an independent property valuer, has valued our properties as of January 31, 2022. Details of our property interests are set out in Appendix III to this Document.

As required under Rule 5.07 of the Listing Rules, the table below sets out the reconciliation between the net book value of our properties as of December 31, 2021 in the Accountants' Report set out in Appendix I to this Document and the market value of our properties as of January 31, 2022 in the Property Valuation Report set out in Appendix III to this Document.

	RMB'000
Net book value of our property as of December 31, 2021	634,600
Capital expenditures	10,549
Depreciation	(1,507)
Net book value of our property as of January 31, 2022	643,642
Valuation surplus as of January 31, 2022	5,459
Valuation as of January 31, 2022 as set out in appendix III	649,101
Valuation of Group I[(1)]	450,761
Valuation of Group II	198,340

Note:

(1) Valuation of Group I with RMB450,761,000 is the capital value of Group I as set out in Notes 2 of Appendix III. Please see Note 2 in Appendix III for more detained information.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by our management, for which we consider to have low credit risk. For further details, see Note 35 to the Accountants' Report set out in Appendix I to this Document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintains a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details, see Note 35 to the Accountants' Report set out in Appendix I to this Document.

Interest Rate Risk

Our interest rate risk arises primarily from lease liabilities and long-term payables. Borrowings issued at fixed rates expose us to fair value interest rate risk. For further details, including relevant sensitivity analysis, see Note 35 to the Accountants' Report set out in Appendix I to this Document.

Currency Risk

We are exposed to currency risk primarily through sales which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily USD. For further details, including relevant sensitivity analysis, please see Note 35 to the Accountants' Report set out in Appendix I to this Document.

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the near future. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions and contractual restrictions.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to make dividend distributions to our Shareholders, even if we become profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. Our dividend distribution may also be restricted if we incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

[REDACTED] EXPENSE INCURRED AND TO BE INCURRED

[REDACTED] expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses for the **[REDACTED]** are estimated to be approximately HK$**[REDACTED]** (including (i) **[REDACTED]** and incentive fees of approximately HK$**[REDACTED]** and (ii) **[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, comprising (a) fees and expenses of legal advisors and accountants of approximately HK$**[REDACTED]** and (b) other fees and expenses of approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]**), which represents approximately **[REDACTED]**% of the **[REDACTED]** we expect to receive from this **[REDACTED]** assuming no Shares are issued pursuant to the **[REDACTED]**. HK$**[REDACTED]** were recognized and charged to our consolidated statements of profit or loss in 2021. After December 31, 2021, approximately HK$**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$**[REDACTED]** million is expected to be charged against equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2021, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For further details of our future plans, please see the section headed "Business – Our Strategies" in this Document.

USE OF [REDACTED]

We estimate that the aggregate net **[REDACTED]** to our Company from the **[REDACTED]** (after deducting **[REDACTED]** and estimated expenses in connection with the **[REDACTED]** payable by us and assuming that the **[REDACTED]** is not exercised and an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** stated in this Document) will be approximately HK$**[REDACTED]**. We currently intend to apply such net **[REDACTED]** for the following purposes:

We intend to use the net **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

(i) approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) to fund further clinical research and development of our Core Products, which includes:

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to fund the research and development of YH003. We plan to continue our Phase II MRCT of YH003 in the United States, Australia, China and other countries or regions. The Phase II MRCT is designed to be open-label, multi-center trials which would evaluate the safety and antitumor activity of YH003 in combination with toripalimab and with or without standard chemotherapy. We plan to invest approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) in subjects with unresectable/metastatic melanoma, and approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) in subjects with pancreatic ductal adenocarcinoma. We received the IND approval from the FDA in June 2021, the TGA in August 2021 and the NMPA in October 2021. We are applying for IND/CTN approval from the Taiwan FDA. We expect to begin (first subject in) the Phase II clinical trial in mainland China and the United States in the first half of 2022, and begin (first subject in) the Phase II clinical trial in Australia in the fourth quarter of 2021. For further details, please see the section headed "Business – Our Drug Candidates – Clinical or IND Stage Candidates – YH003 – Clinical Development Plan" in this Document.

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to fund the clinical research and development of YH001. We plan to initiate Phase II MRCT of YH001 in the United States, Australia, China and

other countries or regions. The Phase II MRCT clinical trials are designed to be open-label, nonrandomized, multi-center studies of YH001 in combination with toripalimab. We plan to invest approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) in human subjects with advanced HCC, and approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) in human subjects with advanced NSCLC. We have received FDA approval in June 2021 and Taiwan FDA approval in October 2021 for the Phase II clinical trial. We expect to begin (first subject in) the Phase II clinical trial in Taiwan in the first quarter of 2022, and begin (first subject in) the Phase II clinical trial in the United States, mainland China and Australia in the first half of 2022. For further details, please see the section headed "Business – Our Drug Candidates – Clinical or IND Stage Candidates – YH001 – Clinical Development Plan" in this Document;

(ii) approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) to fund our antibody drug discovery and development in connection with our Project Integrum:

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be invested in the facilities construction and purchase of equipment used for antibody drug discovery under Project Integrum:
  - approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be invested in facilities construction. Approximately HK$**[REDACTED]** (approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for the construction and management fee associated with the Beijing Daxing Project. Approximately HK$**[REDACTED]** (approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for rental for the leased R&D office in Daxing District of Beijing.
  - approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be invested in the purchase of equipment.
- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to cover our staff costs in Project Integrum:
  - approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for our antibody development and related services staff. As of the Latest Practicable Date, our antibody development and related services team had 281 professionals. As our business develops and expands, we expect to find PCC antibody molecules for a significant number of targets within the next three to five years, which would require

a robust talent pool. We expect to expand our antibody development and related services team to more than 290 staff in 2022, and more than 340 staff in 2025.

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for our clinical development team. As of the Latest Practicable Date, our clinical development team had 19 professionals. As our business develops and expands, we plan to independently bring two to three novel clinical-stage drugs to the market in the following four to six years. We will submit IND applications for our four preclinical drug candidates, namely YH008, YH009, YH006 and YH010, in the next 12 to 18 months. We also intend to promote the IND filing and clinical development of the antibodies identified in Project Integrum through internal research and development and external partnerships. Our clinical development plan needs to be supported by a strong team of talents. We expect to expand our clinical development team to more than 100 staff in 2022 and more than 200 staff in 2025, including members focusing on medical, pharmacology and clinical operations.

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for trial consumables and other costs in antibody discovery and development for Project Integrum, among which approximately **[REDACTED]** will be used for biological reagents, approximately **[REDACTED]** will be used for test consumables and approximately **[REDACTED]** will be used for purchasing external animal models.

(iii) approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) for the pre-clinical and clinical development of our other pipeline products:

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to fund our upcoming clinical trials of YH002. We plan to conduct a Phase I clinical trial of YH002 in combination with YH001 in patients with advanced solid tumors in China and Australia. Upon the completion of the Phase I clinical trial, we plan to conduct a Phase II MRCT to evaluate YH002 in combination with YH001 for the treatment of STS, small-cell lung cancer and other solid tumor indications in China, the United States, Australia and other countries or regions. For further details, please see the section headed "Business – Our Drug Candidates – Clinical or IND Stage Candidates – YH002 – Clinical Development Plan" in this Document.

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to fund our clinical trials of YH004. We plan to continue our Phase

I clinical trial of YH004 in Australia, and initiate Phase I clinical trials of YH004 in combination with toripalimab in China and the United States. For further details, please see the section headed "Business – Our Drug Candidates – Clinical or IND Stage Candidates – YH004 – Clinical Development Plan" in this Document.

- approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used to fund our pre-clinical trials of several drug candidates, including YH008, YH009, YH006, YH010, TH012 and YH013. We expect to submit IND applications for these four drug candidates in the next 12 to 18 months.

(iv) approximately HK$**[REDACTED]** (or approximately **[REDACTED]**% of the net **[REDACTED]**) will be used for our working capital and other general corporate purposes.

If the **[REDACTED]** is set at the maximum **[REDACTED]** or the minimum **[REDACTED]** of the indicative **[REDACTED]**, the net **[REDACTED]** of the **[REDACTED]** would increase or decrease by approximately HK$**[REDACTED]**. The above allocation of the net **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the indicative **[REDACTED]** stated in this Document.

To the extent that the net **[REDACTED]** from the **[REDACTED]** are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with licensed banks or authorized financial institutions in Hong Kong or the PRC.

We will issue an appropriate announcement if there is any material change to the above proposed use of **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-●, received from the Company's Reporting Accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BIOCYTOGEN PHARMACEUTICALS (BEIJING) CO., LTD., GOLDMAN SACHS (ASIA) L.L.C AND CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

Introduction

We report on the historical financial information of Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (百奧賽圖 (北京) 醫藥科技股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2020 and 2021, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2020 and 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-●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 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 ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2020 and 2021, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 34 to the Historical Financial Information which state that no dividends have been paid by the Company in respect of the Track Record Period.

[ ]
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[date]

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, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Renminbi ("RMB"))

		Years ended December 31,					
		2020			2021		
	Note	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	**253,542**	**–**	**253,542**	**354,555**	**–**	**354,555**
Cost of sales		(86,549)	–	(86,549)	(107,115)	–	(107,115)
Gross profit		**166,993**	**–**	**166,993**	**247,440**	**–**	**247,440**
Other gains and losses, net	*5*	8,748	–	8,748	25,569	–	25,569
Net change in fair value of biological assets	*6*	–	19,211	19,211	–	9,812	9,812
Selling and marketing expenses		(31,656)	–	(31,656)	(42,032)	–	(42,032)
General and administrative expenses		(245,416)	–	(245,416)	(188,120)	–	(188,120)
Research and development expenses		(276,306)	–	(276,306)	(558,485)	–	(558,485)
Loss from operations		**(377,637)**	**19,211**	**(358,426)**	**(515,628)**	**9,812**	**(505,816)**
Finance costs	*7(a)*	(22,537)	–	(22,537)	(39,425)	–	(39,425)
Changes in the carrying amount of financial instruments issued to investors	*29*	(95,815)	–	(95,815)	–	–	–
Share of profit/(loss) of an associate		87	–	87	(402)	–	(402)
Loss before taxation		**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Income tax	*8(a)*	–	–	–	–	–	–
Loss for the year		**(495,902)**	**19,211**	**(476,691)**	**(555,455)**	**9,812**	**(545,643)**
Other comprehensive income for the year (after tax)							
– Exchange differences on translation of financial statements of foreign operations				1,903			581
Total comprehensive income for the year				**(474,788)**			**(545,062)**

		Years ended December 31,					
		2020			2021		
	Note	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total	Results before biological assets fair value adjustments	Biological assets fair value adjustments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loss for the year attributable to:							
Equity shareholders of the Company				(428,091)			(545,576)
Non-controlling interests				(48,600)			(67)
Loss for the year				**(476,691)**			**(545,643)**
Total comprehensive income for the year attributable to:							
Equity shareholders of the Company				(425,932)			(544,995)
Non-controlling interests				(48,856)			(67)
Total comprehensive income for the year				**(474,788)**			**(545,062)**
Loss per share							
Basic and diluted (RMB)	*12*			(1.68)			(1.51)

Consolidated statements of financial position

(Expressed in RMB)

	Note	At December 31, 2020	At December 31, 2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*13*	1,135,591	1,390,945
Intangible assets	*14*	2,428	6,055
Interests in associates	*16*	10,087	9,685
Other non-current assets	*17*	30,774	21,860
		1,178,880	1,428,545
Current assets			
Inventories	*19*	7,980	15,140
Contract costs	*20*	20,816	41,812
Biological assets	*18*	53,845	68,131
Trade receivables	*21*	67,226	103,089
Prepayments and other receivables	*22*	47,727	79,621
Other financial assets	*23*	200,000	100,000
Cash at bank and on hand	*24*	750,044	466,445
		1,147,638	874,238
Current liabilities			
Trade and bills payables	*25*	87,599	102,441
Contract liabilities	*26*	47,512	61,581
Other payables	*27*	179,248	255,640
Lease liabilities	*28*	14,106	26,897
		328,465	446,559
Net current assets		**819,173**	**427,679**
Total assets less current liabilities		**1,998,053**	**1,856,224**

	Note	At December 31, 2020	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred income	*32*	90,121	92,797
Lease liabilities	*28*	66,812	62,902
Long-term payables	*33*	382,879	448,554
		539,812	604,253
NET ASSETS		1,458,241	1,251,971
CAPITAL AND RESERVES			
Share capital	*34*	360,000	374,930
Reserves	*34*	1,093,411	872,278
Total equity attributable to equity shareholders of the Company		1,453,411	1,247,208
Non-controlling interests		4,830	4,763
TOTAL EQUITY		1,458,241	1,251,971

Statements of financial position of the Company

(Expressed in RMB)

	Note	At December 31, 2020	At December 31, 2021
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	*13*	248,294	280,644
Intangible assets	*14*	2,428	5,765
Interests in subsidiaries	*15*	657,095	987,440
Interests in associates	*16*	10,000	10,000
Other non-current assets	*17*	2,605	10,205
		920,422	1,294,054
Current assets			
Inventories	*19*	5,013	11,588
Contract costs	*20*	12,814	34,185
Biological assets		992	491
Trade receivables	*21*	191,917	262,471
Prepayments and other receivables	*22*	20,712	48,992
Other financial assets	*23*	200,000	100,000
Cash at bank and on hand	*24*	571,470	257,318
		1,002,918	715,045
Current liabilities			
Trade and bills payables	*25*	44,393	80,924
Contract liabilities	*26*	25,066	29,047
Other payables	*27*	56,292	73,120
Lease liabilities	*28*	16,030	17,483
		141,781	200,574
Net current assets		861,137	514,471
Total assets less current liabilities		1,781,559	1,808,525
Non-current liabilities			
Deferred income	*32*	87,121	86,002
Lease liabilities	*28*	75,577	58,668
		162,698	144,670
NET ASSETS		1,618,861	1,663,855
CAPITAL AND RESERVES			
Share capital	*34*	360,000	374,930
Reserves	*34*	1,258,861	1,288,925
TOTAL EQUITY		1,618,861	1,663,855

Consolidated statements of changes in equity

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
		Paid-in capital/share capital	Share Premium	Other reserve	Accumulated losses	Exchange reserve	Total		
		RMB'000 (Note 34(c))	*RMB'000 (Note 34(d))*	*RMB'000 (Note 34(d))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		36,500	–	192,470	(593,039)	(1,907)	(365,976)	(139,132)	(505,108)
Changes in equity for 2020:									
Loss and total comprehensive income for the year		–	–	–	(428,091)	2,159	(425,932)	(48,856)	(474,788)
Issuance of financial instruments to investors	34(c)	8,896	–	841,104	–	–	850,000	–	850,000
Recognition of financial instruments issued to investors as current liabilities	29	–	–	(850,732)	–	–	(850,732)	–	(850,732)
Reclassification of financial instruments issued to investors as equity	29	–	–	2,208,056	–	–	2,208,056	–	2,208,056
Capital injection into the Company	34(c)	6,128	–	91,722	–	–	97,850	–	97,850
Capital injection into Eucure before acquisition	34(d)	–	–	510	–	–	510	–	510
Recognition of share-based payment	30(f)	–	–	131,000	–	–	131,000	1,453	132,453
Impact of equity transaction with non-controlling shareholders of Eucure		–	–	50,307	–	–	50,307	(50,307)	–
Acquisition of Eucure under common control	34(c)	9,750	–	(251,422)	–	–	(241,672)	241,672	–
Conversion into a joint stock company with limited liability	34(c)	298,726	1,219,464	(2,358,826)	840,636	–	–	–	–
Balance at December 31, 2020		360,000	1,219,464	54,189	(180,494)	252	1,453,411	4,830	1,458,241

		Attributable to equity shareholders of the Company							
	Note	**Paid-in capital/share capital**	**Share Premium**	**Other reserve**	**Accumulated losses**	**Exchange reserve**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 (Note 34(c))	*RMB'000 (Note 34(d))*	*RMB'000 (Note 34(d))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		360,000	1,219,464	54,189	(180,494)	252	1,453,411	4,830	1,458,241
Changes in equity for 2021:									
Loss and total comprehensive income for the year		–	–	–	(545,576)	581	(544,995)	(67)	(545,062)
Capital injection into the Company	34(c)	14,930	296,110	–	–	–	311,040	–	311,040
Recognition of share-based payment	30(f)	–	–	27,752	–	–	27,752	–	27,752
Balance at December 31, 2021		374,930	1,515,574	81,941	(726,070)	833	1,247,208	4,763	1,251,971

Consolidated cash flow statements

(Expressed in RMB)

	Note	Year ended December 31, 2020	2021
		RMB'000	*RMB'000*
Operating activities			
Loss before taxation		(476,691)	(545,643)
Adjustments for:			
Depreciation of property, plant and equipment	*13*	42,493	126,481
Amortization of intangible assets	*14*	874	1,616
Finance costs	*7(a)*	22,537	39,425
Changes in fair value of biological assets	*6*	(19,211)	(9,812)
Impairment of inventories and contract costs	*7(c)*	2,624	1,807
Change in fair value of financial assets at FVTPL	*5*	(2,922)	(1,507)
Gain on disposal of financial assets at FVTPL	*5*	(3,264)	(627)
Impairment losses on trade receivables and other receivables	*7(c)*	1,512	3,115
Net loss/(gain) on disposal of property, plant and equipment	*5*	1,201	(385)
Changes in the carrying amounts of financial instruments issued to investors	*29*	95,815	–
Net foreign exchange loss	*5*	6,590	1,776
Share of (profit)/ loss of associates		(87)	402
Share-based payment expenses		132,453	27,752
Operating cash flows before changes in working capital		(196,076)	(355,600)
Changes in working capital:			
Increase in inventories and contract costs		(5,286)	(29,963)
Increase in biological assets		(2,493)	(4,474)
Increase in trade receivables		(32,381)	(35,863)
Increase in prepayments and other receivables		(16,110)	(12,030)
Increase in trade and bills payables		16,781	19,043
Increase in other payables		1,763	36,364
Increase in contract liabilities		9,468	14,069
(Decrease) / increase in deferred income		(979)	2,676
Net cash used in operation activities		(225,313)	(365,778)
Tax paid		–	–
Net cash used in operating activities		(225,313)	(365,778)

	Note	Year ended December 31, 2020	2021
		RMB'000	*RMB'000*
Investing activities			
Payment for purchase of property, plant and equipment, intangible assets		(296,420)	(198,668)
Payment for purchase of other financial assets		(1,275,000)	(540,000)
Capital contribution to an associate		(10,000)	–
Proceeds from disposal of other financial assets		1,393,195	649,780
Proceeds from disposal of property, plant and equipment		45	4,757
Net cash used in investing activities		(188,180)	(84,131)
Financing activities			
Issuance of financial instruments to investors	*29*	850,000	–
Capital injection	*34(c)*	98,360	311,040
Repayment of borrowing from a local government		(16,850)	–
Payment of **[REDACTED]** expenses		–	**[REDACTED]**
Repayments of long-term payables	*24(b)*	(55,279)	(42,154)
Capital element of lease rentals paid	*24(b)*	(3,782)	(14,978)
Interest element of lease rentals paid	*24(b)*	(4,007)	(7,663)
Net cash generated from financing activities		868,442	219,440
Net increase/(decrease) in cash and cash equivalents		454,949	(230,469)
Effects of foreign exchange rate changes		(4,039)	(380)
Cash and cash equivalents at January 1,		246,384	697,294
Cash and cash equivalents at December 31,		697,294	466,445

NOTES TO THE HISTORICAL FINANCIAL INFORMATION
(Expressed in RMB)

1 Basis of preparation and presentation of Historical Financial Information

Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (百奧賽圖 (北京) 醫藥科技股份有限公司) (the "Company"), formerly known as Beijing Biocytogen Company Limited ("Biocytogen Limited", 北京百奧賽圖基因生物技術有限公司), was established on November 13, 2009 in the People's Republic of China (the "PRC") and was converted into a joint stock company on December 29, 2020. The Company is controlled by Mr. Shen Yuelei and Ms. Ni Jian ("Mr. Shen and Ms. Ni").

The Company and its subsidiaries (together, the "Group") are principally engaged in providing gene editing services, pre-clinical pharmacology and efficacy evaluation services, animal models selling, antibody development and innovative biologic drug research and development.

The Company acquired 100% equity interest of Eucure (Beijing) Biopharma Co., Ltd. (祐和醫藥科技（北京）有限公司) ("Eucure") in September 2020, as explained in the section headed "History, Reorganization and Corporate Structure" of the Document (the "Acquisition"). Eucure is a company incorporated in the PRC and is controlled by Mr. Shen and Ms. Ni. As the Company and Eucure were controlled by Mr. Shen and Ms. Ni before and after the Acquisition, and given there was a continuation of the risks and benefits to Mr. Shen and Ms. Ni, therefore, the Acquisition is considered as a business combination under common control. Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting as if the current group structure had always been in existence.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	*Place of incorporation/ establishment and kind of legal entity*	*Date of incorporation*	*Particulars of issued/ paid-in capital*	Proportion of ownership interest			*Principal activities*
				Group's effective interest	Held by the Company	Held by a subsidiary	
BIOCYTOGEN, LLC (note (ii) and note (iii))	The U.S., limited liability company	June 25, 2008	–	100%	100%	–	Biotechnology development and technical services
Biocytogen (Beijing) Biological Engineering Co., Ltd. ("Biocytogen Daxing") (note (i) and (iv)) 百奧賽圖（北京）生物工程有限公司	The PRC, limited liability company	June 25, 2014	RMB 15,000,000	100%	100%	–	Biotechnology development and technical services
Biocytogen Jiangsu Co., Ltd. ("Biocytogen Jiangsu") (note (i) and (iv)) 百奧賽圖江蘇基因生物技術有限公司	The PRC, limited liability company	October 14, 2014	RMB 11,111,111	100%	100%	–	Biotechnology development, technical services and animal models selling
Haimen Hechuang Animal Experimental Technology Co., Ltd (note (i) and (iv)) 海門合創動物實驗科技有限公司	The PRC, limited liability company	February 26, 2016	RMB 10,000,000	51%	–	51%	Animal experimental technology development, biotechnology development and technical services
Eucure (Beijing) Biopharma Co.,Ltd., ("Eucure") (note (i) and (iv)) 祐和醫藥科技（北京）有限公司	The PRC, limited liability company	November 11, 2016	RMB 1,739,131	100%	100%	–	Pharmaceutical technology development and technical services
Eucure Biopharma Boston Corp. (note (iii))	The U.S., limited liability company	May 29, 2018	–	100%	–	100%	Clinical trial and related services
Biocytogen Boston Corp (note (iii))	The U.S., limited liability company	June 19, 2018	–	100%	100%	–	Biotechnology development and technical services
Maple Leaf Pet Hospital (Beijing) Co., Ltd. (note (i) and (iv)) 楓葉寵物醫院（北京）有限公司	The PRC, limited liability company	4 March 2020	RMB 10,000,000	100%	100%	–	Animal diagnosis and treatment, veterinary drugs selling, and pets related goods selling
Doma Biopharmaceutical (Suzhou) Co., Ltd. (note (i)) 多瑪醫藥科技（蘇州）有限公司	The PRC, limited liability company	September 16, 2021	RMB 10,000,000	100%	100%	–	Pharmaceutical technology development and technical services
Xadcera Biopharmaceutical (Suzhou) Co., Ltd. (note (i)) 思道醫藥科技（蘇州）有限公司	The PRC, limited liability company	February 15, 2022	RMB 10,000,000	100%	–	100%	Pharmaceutical technology development and technical services

Notes:

(i) The official names of these entities are in Chinese. The English translation is included for identification purpose only.

(ii) BIOCYTOGEN, LLC was dissolved at June 30, 2021.

(iii) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(iv) The financial statements of this subsidiary have been audited by Beijing Fengrong Certified Public Accountants (北京鋒融會計師事務所(普通合夥)) for the year ended December 31, 2020.

All companies comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs throughout to the Track Record Period, The Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2021. The new and revised accounting standards and interpretations issued but not yet effective or adopted for the accounting period beginning January 1, 2021 are set out in Note 40.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- biological assets (see Note 2(g)); and
- other investment in debt and equity securities (see Note 2(f)).

(b) Use of estimates and Judgments

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make Judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the Judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations under common control

Business combinations under common control involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity.

The assets and liabilities acquired are recognized at the carrying amounts from the controlling shareholder's perspective. No amount is recognized in respect of goodwill or gain on bargain purchase at the time of common control combination. All differences between the cost of acquisition and the amount at which the assets and liabilities are recorded have been recognized directly in equity as part of other reserve.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The results of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Merger accounting is adopted for business combinations under common control in which all of the combining entities are ultimately controlled by the same controlling shareholder both before and after the business combination and that control is not transitory.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any Unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-Group transactions are eliminated in the same way as Unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(p), depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(c) and Note 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate (after applying the expected credit losses (ECLs) model to such other long-term interested where applicable).

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where Unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognized/Derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(iii)).

- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is Derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognized in profit or loss as other net gains and losses, net.

(g) Biological assets

The biological assets of the Group mainly represent mice for breeding and mice for selling. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, except for when the fair value cannot be measured reliably.

Feeding costs and other related costs such as staff costs, depreciation and amortization expenses and utilities cost incurred for raising mice are capitalized until the mice begin to mate and is transferred to the Group's mice for breeding.

Gains or losses arising from initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets are included in profit or loss in the period in which it arises.

(h) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
- Plant and buildings	20 - 40 years
- Machinery and equipment	5 - 10 years
- Vehicles, furniture, and others	3 - 10 years
- Leasehold improvement	Over the term of lease
- Right-of-use assets-land use rights	50 years
- Right-of-use assets-others	Over the term of lease

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see note 2(k)(ii)). Cost comprises direct costs of construction as well as interest expense capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see Note 2(k)(ii)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- Software	5 years

Both the period and method of amortization are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost (see notes 2(k)(i) and (ii)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

- Financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables);

- Debt securities measured at FVOCI (recycling).

Other financial assets measured at fair value, including other financial assets measured at FVTPL are not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of fixed-rate financial assets and trade and other receivables are discounted using effective interest rate determined at initial recognition or an approximation thereof, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The

Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in the comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(u)(iii) 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 the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- other non-current assets; and
- interests in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that

reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units ("CGUs") (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(l) Inventories and other contract costs

(i) Inventories

Inventories mainly represent raw materials and supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realizable value. Cost is calculated using specific identification or first-in, first-out formula. Net realizable value is the estimated contracted selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are consumed in the rendering of services, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are the costs to fulfill a contract with a customer which are not capitalized as inventory (see Note 2(l)(i)).

Costs to fulfill a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide services in the future; and are expected to be recovered.

Costs that relate directly to an existing contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the services to which the asset relates, less (ii) any costs that relate directly to providing those services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the assets related is recognized. The accounting policy for revenue recognition is set out in Note 2(u).

(m) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(u)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(iii)).

(n) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including less allowance for credit losses (see note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Financial instruments issued to investors

The Group entered into a series of investment agreements with some independent investors (the "Financial Instruments Issued to Investors"). The instrument holders had the right to require the Group to redeem all of the instruments held by the instrument holders at a predetermined amount upon certain redemption events, which are not all within the control of the Group.

The Group's contractual obligation to deliver cash or other financial assets to the holders of such financial instruments upon events that are beyond the control of the Group gives rise to a financial liability.

The financial liabilities are measured at the present value of the redemption amount. Any changes in the carrying amount of the financial liabilities were recorded in profit or loss as "changes in the carrying amounts of financial instruments issued to investors".

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Equity-settled share-based payments

For equity settled share-based payment transactions, the fair value of the services received is recognized as an expense with a corresponding increase in equity over the vesting period during which the employees become unconditionally entitled to the equity instrument. The fair value of the services received is determined by reference to the fair value of the equity instrument granted at the date of the grant. At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognized as an expense and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. No adjustment is made if the revision or actual outcome differs from the original estimate due to market conditions.

The proceeds received from the exercise of the equity instruments, net of any directly attributable transaction costs, are credited to share capital when the equity instruments are exercised.

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Details of the Group's revenue and other income recognition policies are as follows:

(i) Rendering of services

Revenue for services rendered mainly consists of Pre-IND contract research organization services (including gene editing services and pre-clinical pharmacology and efficacy evaluation services) ("Pre-IND CRO") and antibody development.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Revenue is recognized at the point in time when the Group transfers the control for services/deliverable units and has right to payment from the customers for the services performed upon finalization, or upon the delivery and acceptance of the deliverable units.

For antibody development, contracts with customers may contain more than one performance obligations. For such arrangements, the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. Revenue is recognized with the allocated amounts at a point in time upon satisfaction of the individual performance obligations.

(ii) Sale of goods

Revenue for goods sold mainly consists of animal models selling.

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(iv) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in the profit or loss over the useful life of the assets. When a government grant takes the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity, the Group records both asset and grant at a nominal amount.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognized in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(w) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

Note 18, Note 30 and Note 35(e) contains information about the assumptions and their risk factors relating to fair value of biological assets, fair value of restricted shares under share incentive scheme and fair value of financial instruments. Other key sources of estimation uncertainty is as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognized in accordance with accounting policy for impairment of non-current assets as described in Note 2(k)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Expected credit loss for trade receivables

The credit loss for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, set Note 35(e). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional loss allowance in future periods.

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in providing gene editing services, pre-clinical pharmacology and efficacy evaluation services, antibody development, selling animal models and innovative drugs development. Currently the Group have no products approved for commercial sale and have not generated any revenue from sales of drug candidates. Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Gene editing	68,885	51,146
Pre-clinical pharmacology and efficacy evaluation	75,376	105,607
Animal models selling	65,948	107,555
Antibody development	41,094	88,606
Others	2,239	1,641
	253,542	354,555

For the year ended December 31, 2020, no revenue from a single customer accounts for 10% or more of the Group's revenues. For the year ended December 31, 2021, the Group's customer includes one customer with whom transactions have exceeded 10% of the Group's revenues. Revenues from this customer amounted to RMB39,766,000.

The aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contract were RMB130,492,850 and RMB166,730,448 as at December 31, 2020 and 2021, respectively. These amounts represented revenue expected to be recognized in the future from unsatisfied contracts of antibody development revenues and were expected to be recognized within 3 years.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Gene editing services
  This segment provides the customized gene editing services based on animals as well as cells to meet the needs of basic science research and drug development of the customers.

- Pre-clinical pharmacology and efficacy evaluation
  This segment provides the pre-clinical pharmacology service for drug efficacy and toxicity evaluation.

- Animal models selling
  This segment breeds and sells the animal models for the external and internal use, including set of genetically engineered mice, disease mouse models and aged small animals.

- Antibody development
  This segment provides a one-stop solution from antibody preparation to IND filing for the customers.

- Innovative drugs development
  This segment is engaged in research and developing of innovative drugs with a focus on oncology and autoimmune disease therapeutics.

(i) Segments results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit.

The Group's other operating income and expenses, such as other gains and losses, net and selling and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the Track Record Period is set out below.

	Year ended December 31, 2020						
	Gene editing	**Pre-clinical pharmacology and efficacy evaluation**	**Animal models selling**	**Antibody development**	**Innovative drugs development**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition							
Point in time	68,885	75,376	65,948	41,094	–	2,239	253,542
Revenue from external customers	68,885	75,376	65,948	41,094	–	2,239	253,542
Inter-segment revenue	–	–	19,115	–	–	–	19,115
Reportable segment revenue	68,885	75,376	85,063	41,094	–	2,239	272,657
Reportable segment gross profit	**32,443**	**46,443**	**52,271**	**36,464**	**–**	**1,614**	**169,235**
Elimination of inter-segment gross profit	(142)	(2,252)	4,636	–	–	–	2,242
Gross profit after inter-segment elimination	**32,585**	**48,695**	**47,635**	**36,464**	**–**	**1,614**	**166,993**

	Year ended December 31, 2021						
	Gene editing	**Pre-clinical pharmacology and efficacy evaluation**	**Animal models selling**	**Antibody development**	**Innovative drugs development**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition							
Point in time	51,146	105,607	107,555	88,606	–	1,641	354,555
Revenue from external customers	51,146	105,607	107,555	88,606	–	1,641	354,555
Inter-segment revenue	–	–	21,103	–	–	–	21,103
Reportable segment revenue	51,146	105,607	128,658	88,606	–	1,641	375,657
Reportable segment gross profit	**23,964**	**66,022**	**86,678**	**71,110**	**–**	**1,034**	**248,808**
Elimination of inter-segment gross profit	(34)	(2,923)	4,325	–	–	–	1,368
Gross profit after inter-segment elimination	**23,998**	**68,945**	**82,353**	**71,110**	**–**	**1,034**	**247,440**

(c) Geographic information

The following tables set out information about the geographical location of the Group's revenue from external customers. The geographical information about the revenue prepared by external customers' respective country/region of domicile is as follows:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
The PRC	162,706	218,997
The USA	62,893	102,118
Others	27,943	33,440
	253,542	354,555

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
The PRC	1,133,587	1,387,873
The USA	4,432	9,127
	1,138,019	1,397,000

5 Other gains and losses, net

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Net (loss)/gain on disposal of property, plant and equipment	(1,201)	385
Change in fair value of financial assets at FVTPL	2,922	1,507
Interest income	5,749	12,506
Government grants (including amortization of deferred income, see Note 32)	4,614	12,632
Gain on disposal of financial assets at FVTPL	3,264	627
Net foreign exchange loss	(6,590)	(1,776)
Others	(10)	(312)
	8,748	25,569

6 Net change in fair value of biological assets

Net change in fair value of biological assets represents the difference in fair value from the beginning to the end of the year. Net fair value change consists of (i) negative realized fair value changes of RMB26,995,000 and RMB46,206,000 for the years ended December 31, 2020 and 2021, respectively and (ii) positive unrealized fair value changes of RMB46,206,000 and RMB56,018,000 for the years ended December 31, 2020 and 2021, respectively.

7 Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
Interest on long-term payables (Note 24(b))	18,530	31,762
Interest on lease liabilities (Note 13)	4,007	7,663
	22,537	39,425

(b) Staff costs

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	185,755	298,687
Contributions to defined contribution retirement schemes (Notes)	10,068	23,521
Equity-settled share-based payment expenses (Note 30)	132,453	27,752
	328,276	349,960

Notes:

As stipulated by the regulations of the PRC, the Company and its subsidiaries in the PRC participates in a defined contribution retirement plan organized by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 16% to 19% of the salaries, bonuses and certain allowances of the employees during the Relevant Periods.

Subsidiaries in the USA implemented a defined contribution 401(k) savings plan (the "401(k) Plan") for U.S. employees. The 401(k) Plan covers all U.S. employees, and allows participants to defer a portion of their annual compensation on a pretax basis. In addition, the Group implemented a matching contribution to the 401(k) Plan, matching employee's contribution up to a maximum of 5% of the participant's compensation.

The local government authorities are responsible for the entire retirement obligations payable to retired employees. To reduce the impact of the COVID-19 pandemic on enterprises, the local government gradually reduced or exempted the social insurance contributions for the period from February 1, 2020 to December 31, 2020.

(c) Other items

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Depreciation charge on property, plant and equipment (Note 13)	42,493	126,481
Amortization cost of intangible assets (Note 14)	874	1,616
Impairment losses on trade receivables and other receivables	1,512	3,115
Impairment of inventories and contract costs	2,624	1,807
Cost of inventories	78,823	150,671

8 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Current tax		
Provision for the year	–	–
	–	–

(b) Reconciliation between tax expense and accounting losses at applicable tax rates:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Loss before taxation	476,691	545,643
Notional tax on profit before taxation at PRC statutory tax rate (note (i))	119,173	136,411
Tax effect of different tax rates of the Company and the subsidiaries (note (ii) and (iii))	(22,643)	(34,017)
Tax effect of income not taxable	(13)	–
Tax effect of non-deductible expenses	(92)	(321)
Tax effect of tax losses utilized while not recognized in prior years	579	1,788
Tax effect of unused tax losses and temporary differences not recognized	(115,022)	(145,005)
Tax effect of additional tax deduction on research and development expenses (note (iv))	17,992	41,144
	–	–

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

(ii) The subsidiaries of the Group incorporated in the USA are subject to Federal Income Tax and State Income Tax. The federal income tax rate was 21% and the state income tax rate was 8% during the Track Record Period .

(iii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfillment of the recognition criteria.

The Company and Biocytogen Jiangsu were qualified as a HNTE and accordingly are entitled to the preferential tax rate of 15% during the Track Record Period.

(iv) According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 75% of such expenses during the Track Record Period.

9 Directors' and supervisors' emoluments

Details of the emoluments of the directors and supervisors of the Company during the Track Record Period are as followings:

	Year ended December 31, 2020						
	Directors' and supervisors' fee	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-total**	**Equity-settled share-based payments (Note 30)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Ni Jian	–	–	–	–	–	4,150	4,150
Mr. Shen Yuelei	–	1,752	137	6	1,895	118,583	120,478
Ms. Zhang Haichao	–	621	137	42	800	–	800
Non-executive directors							
Mr. Zhou Kexiang	–	–	–	–	–	–	–
Mr. Wei Yiliang	–	–	–	–	–	–	–
Mr. Zhuo Bing	–	–	–	–	–	–	–
Mr. Huang Xiaolu	–	–	–	–	–	–	–
Independent non-executive directors							
Ms. Liang Xiaoyan (appointed on December 15, 2020)	–	–	–	–	–	–	–
Mr. Li Shoushuang (appointed on December 15, 2020)	–	–	–	–	–	–	–
Mr. Yu Changyuan (appointed on December 15, 2020)	–	–	–	–	–	–	–
Supervisors							
Ms. Li Yan	–	287	20	31	338	4	342
Ms. Sun Chunli (appointed on December 15, 2020)	–	367	76	40	483	–	483
Ms. Huang Rui (appointed on December 15, 2020)	–	498	104	42	674	–	674
	–	3,525	474	161	4,190	122,737	126,927

	Year ended December 31, 2021						
	Directors' and supervisors' fee	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Equity-settled share-based payments (Note 30)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Ms. Ni Jian	–	–	–	–	–	–	–
Mr. Shen Yuelei	–	1,884	137	37	2,058	3,731	5,789
Ms. Zhang Haichao	–	793	166	53	1,012	–	1,012
Non-executive directors							
Mr. Zhou Kexiang	–	–	–	–	–	–	–
Mr. Wei Yiliang	–	–	–	–	–	–	–
Mr. Zhuo Bing	–	–	–	–	–	–	–
Mr. Huang Xiaolu	–	–	–	–	–	–	–
Independent non-executive directors							
Ms. Liang Xiaoyan	80	–	–	–	80	–	80
Mr. Li Shoushuang (retired on July 5, 2021)	40	–	–	–	40	–	40
Mr. Yu Changyuan	80	–	–	–	80	–	80
Mr. Hua Fengmao (appointed on 5 July 2021)	40	–	–	–	40	–	40
Supervisors							
Ms. Li Yan	–	385	122	40	547	14	561
Ms. Sun Chunli	–	540	103	53	696	–	696
Ms. Huang Rui	–	661	133	53	847	–	847
	240	4,263	661	236	5,400	3,745	9,145

During the Track Record Period, no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments, two and one are directors or supervisors for each of the year ended December 31, 2020 and 2021, respectively, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining individual during the Track Record Period are as followings:

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
Salaries and other emoluments	8,213	7,840
Discretionary bonuses	3,122	2,645
Retirement scheme contributions	235	303
Equity-settled share-based payment	1,219	4,641
	12,789	15,429

The emoluments of the individuals who are amongst the five highest paid individuals of the Group are within the following band:

	Year ended December 31,	
	2020	2021
	Number of individuals	*Number of individuals*
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	2	–
HK$4,000,001 to HK$4,500,000	1	1
HK$4,500,001 to HK$5,000,000	–	–
HK$5,000,001 to HK$5,500,000	–	1
HK$5,500,001 to HK$6,000,000	–	1
	3	4

11 Other comprehensive income

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
Exchange differences on translation of financial statements of foreign operations	1,903	581
Tax effect	–	–
Net-of-tax amount	1,903	581

12 Loss per share

The calculation of the basic loss per share during the Track Record Period is based on the loss for the year attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As described in Note 34, the Company converted into a joint stock limited liability company and issued 360,000,000 shares with the par value of RMB1 each on December 29, 2020. For the purpose of computing basic and diluted loss per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since January 1, 2020, at the conversion ratio established in the conversion in December 2020.

In addition, as described in Note 34(c), the Company issued paid-in capital of RMB9,750,150 to Eucure's original shareholders for acquiring 100% of equity interest in Eucure, among which the paid-in capital of RMB2,945,076 was issued to Mr. Shen and Ms. Ni and entities controlled by Mr. Shen and Ms. Ni. The acquisition is considered as a business combination under common control. Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting as if the current group structure had always been existence. For the purpose of computing basic and diluted loss per share, ordinary shares deemed to be in issue in relation to the paid-in capital of RMB2,945,076, taking into account the change in paid-in capital of Eucure held by Mr. Shen and Ms. Ni and entities controlled by Mr. Shen and Ms. Ni, are included in the calculation of the weighted average number of ordinary shares.

(a) Loss of the year attributable to ordinary equity shareholders of the Company

	As at December 31,	
	2020	2021
	RMB'000	*RMB'000*
Loss for the year attributable to all equity shareholders of the Company	(428,091)	(545,576)
Allocation of loss for the year attributable to Financial Instruments Issued to Investors	210,835	–
Loss for the year attributable to ordinary equity shareholders of the Company	(217,256)	(545,576)

(b) Weighted average number of shares

Weighted average number of ordinary shares deemed to be in issue

	As at December 31,	
	2020	2021
	RMB'000	*RMB'000*
Ordinary shares deemed to be in issue at January 1,	214,446	360,000
Effect of ordinary shares deemed to be in issue	23,130	–
Effect of ordinary shares issued	–	2,411
Effect of acquisition of Eucure under common control	16,720	–
Effect of the Financial Instruments Issued to Investors	(125,240)	–
Weighted average number of ordinary shares deemed to be in issue	129,056	362,411

Financial Instruments issued to investors (Note 29) were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Accordingly, diluted loss per share for each year during the Track Record Period were the same as basic loss per share of the respective periods.

13 Property, plant and equipment

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Machinery and equipment	Vehicles, furniture, and others	Leasehold improvement	Right-of-use assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At January 1, 2020	–	117,303	12,029	44,108	58,227	368,764	600,431
Additions	–	96,090	7,812	21	78,760	463,951	646,634
Transfer in/(out)	621,766	–	117	–	–	(621,883)	–
Disposals	–	(3,752)	(1,198)	–	–	–	(4,950)
Exchange adjustments	–	(380)	(101)	(60)	(615)	–	(1,156)
At December 31, 2020	621,766	209,261	18,659	44,069	136,372	210,832	1,240,959
Additions	22,993	93,132	22,780	2,781	29,923	221,787	393,396
Transfer in/(out)	113,006	14,012	–	119,597	–	(250,659)	(4,044)
Disposals	–	(7,543)	(709)	–	(6,064)	–	(14,316)
Exchange adjustments	–	(130)	(34)	(22)	(94)	–	(280)
At December 31, 2021	757,765	308,732	40,696	166,426	160,137	181,959	1,615,715

	Plant and buildings	Machinery and equipment	Vehicles, furniture, and others	Leasehold improvement	Right-of-use assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment:							
At January 1, 2020	–	(35,116)	(7,541)	(19,763)	(4,566)	–	(66,986)
Charge for the year	(5,625)	(19,605)	(2,849)	(4,976)	(9,438)	–	(42,493)
Disposals	–	2,613	1,091	–	–	–	3,704
Exchange adjustments	–	122	56	–	229	–	407
At December 31, 2020	(5,625)	(51,986)	(9,243)	(24,739)	(13,775)	–	(105,368)
Charge for the year	(24,970)	(45,629)	(11,618)	(19,765)	(24,499)	–	(126,481)
Disposals	–	5,555	649	–	–	–	6,204
Exchange adjustments	–	44	19	9	803	–	875
At December 31, 2021	(30,595)	(92,016)	(20,193)	(44,495)	(37,471)	–	(224,770)
Net book value:							
At December 31, 2020	616,141	157,275	9,416	19,330	122,597	210,832	1,135,591
At December 31, 2021	727,170	216,716	20,503	121,931	122,666	181,959	1,390,945

The Company

	Machinery and equipment	Vehicles, furniture, and others	Leasehold improvement	Right-of-use assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2020	71,142	3,115	2,833	780	2,778	80,648
Additions	36,758	1,902	–	98,038	78,937	215,635
Transfer in/(out)		117	–	–	(117)	–
Disposals	(575)	(1,077)	–	–	–	(1,652)
At December 31, 2020	107,325	4,057	2,833	98,818	81,598	294,631
Additions	21,003	7,501	–	–	63,970	92,474
Transfer in/(out)	14,012	–	117,948	–	(136,004)	(4,044)
Disposals	(1,487)	(159)	–	(6,064)	–	(7,710)
At December 31, 2021	140,853	11,399	120,781	92,754	9,564	375,351
Accumulated depreciation:						
At January 1, 2020	(21,975)	(1,807)	(2,454)	(573)	–	(26,809)
Charge for the year	(11,118)	(866)	(379)	(8,593)	–	(20,956)
Disposals	420	1,008	–	–	–	1,428
At December 31, 2020	(32,673)	(1,665)	(2,833)	(9,166)	–	(46,337)
Charge for the year	(21,270)	(2,589)	(12,693)	(12,941)	–	(49,493)
Disposals	982	141	–	–	–	1,123
At December 31, 2021	(52,961)	(4,113)	(15,526)	(22,107)	–	(94,707)
Net book value:						
At December 31, 2020	74,652	2,392	–	89,652	81,598	248,294
At December 31, 2021	87,892	7,286	105,255	70,647	9,564	280,644

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Property leased for own use, carried at depreciation cost:		
– Land use right	45,019	43,845
– Office buildings	77,578	72,325
– Machinery and equipment	–	6,496
	122,597	122,666

Note:

Besides the above leased assets which had been recorded as right-of-use assets during the Track Record Period, the Group was also granted by the local government and government related entity to lease the buildings in Haimen with free rental charge for 10 years commencing from July 2014. The management has determined the above rental-free arrangements as non-monetary government grants and recorded both the right-of-use assets and grants at a nominal amount, i.e. nil.

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Property leased for own use, carried at depreciation cost:		
– Office buildings	89,652	70,647

(c) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

The Group

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
– Land use right	863	3,752
– Office buildings	8,575	17,499
– Machinery and equipment	–	3,248
	9,438	24,499
Interest on lease liabilities (Note 7(a))	4,007	7,663
Expense relating to short-term leases and leases of low value assets	6,589	4,754

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 24(b) and Note 28, respectively.

14 Intangible assets

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cost:		
At January 1,	3,151	4,343
Transfer in from construction in progress	–	4,044
Additions	1,192	1,199
At December 31,	4,343	9,586
Accumulated amortization:		
At January 1,	(1,041)	(1,915)
Charge for the year	(874)	(1,616)
At December 31,	(1,915)	(3,531)
Net book value:		
At December 31,	2,428	6,055

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cost:		
At January 1,	2,481	3,673
Transfer in from construction in progress	–	4,044
Additions	1,192	778
At December 31,	3,673	8,495
Accumulated amortization:		
At January 1,	(594)	(1,245)
Charge for the year	(651)	(1,485)
At December 31,	(1,245)	(2,730)
Net book value:		
At December 31,	2,428	5,765

The amortization charges are included in "administrative expenses" in the consolidated statements of profit or loss and other comprehensive income of the Group.

15 Interests in subsidiaries

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Investment costs of subsidiaries	63,868	380,868
Investment arising from equity-settled share-based payment (Note (i))	19,910	34,658
Receivables from subsidiaries (Note (ii))	573,317	571,914
At December 31,	657,095	987,440

Notes:

(i) The amount represents share-based payment expenses arising from the grant restricted shares of the Company to employees of the subsidiaries (Note 30) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

(ii) The amount from subsidiaries represents financial supports provided by the Company to subsidiaries, which are interest-free and have no fixed terms of repayment.

16 Interests in associates

In September 2020, the Company entered into an investment arrangement with Kaika Biological Technology (Shanghai) Co., Ltd (愷佧生物科技（上海）有限公司) ("Kaika") and Kaika's equity holders (the "original equity holders"). Based on the investment agreement, the Company agreed to invest RMB10,000,000 to acquire 6.90% of the equity interest in Kaika. Pursuant to the above agreement, the Company has the right to appoint one out of five directors on the board of directors of Kaika to participate in the decision-making process, allowing the Company to exercise significant influence over Kaika's operational and financial directions.

In July 2021, the Company and other investors entered into an investment arrangement to set up Kemai Biological Technology (Suzhou) Co., Ltd (科邁生物科技（蘇州）有限公司) ("Kemai"). Based on the investment agreement, the Company agreed to invest RMB400,000 to acquire 30% of the equity interest in Kemai. Pursuant to the above agreement, the Company has the right to appoint one out of three directors on the board of directors of Kemai to participate in the decision-making process, allowing the Company to exercise significant influence over Kemai's operational and financial directions.

Details of the Group's interest in associates are as follows:

Name of associate	Kind of legal entity	Place of incorporation and business	Particulars of issued/paid in capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
Kaika Biological Technology (Shanghai) Co., Ltd 愷佧生物科技（上海）有限公司	limited liability	Shanghai	RMB1,930,310	6.90%	6.90%	Biotechnology development and technical services
Kemai Biological Technology (Suzhou) Co., Ltd 科邁生物科技（蘇州）有限公司	limited liability	Suzhou	RMB1,333,333	30.00%	30.00%	Biotechnology development and technical services

Interest in the associates are accounted for using the equity method from the date of investment in the consolidated financial statements.

17 Other non-current assets

The Group

	As at December 31,	
	2020	2021
	RMB'000	*RMB'000*
Value-added Tax ("VAT") recoverable	30,774	21,860

The Company

	As at December 31,	
	2020	2021
	RMB'000	*RMB'000*
VAT recoverable	2,605	10,206

18 Biological assets

The biological assets of the Group mainly include three animal models: B-NDG (NOD-Prkdcscid IL2rgtm1/Bcgen) mice , humanized mice and conventional strain mice which have been developed for different types of medical testing. All mice can be further separated into mice used to breed other mice ("mice for breeding") and mice to be sold for revenue ("mice for selling").

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
– B-NDG	2,599	3,983
– Humanized mice	51,082	63,628
– Conventional strain mice	164	520
	53,845	68,131

(a) Analysis of mice for breeding and mice for selling

	mice for breeding	**mice for selling**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	17,560	14,535	32,095
Breeding cost*	–	38,792	38,792
Decrease due to sales and mortality	(6,622)	(29,631)	(36,253)
Fair value changes of biological assets	9,690	9,521	19,211
Transfer	7,161	(7,161)	–
At December 31, 2020	27,789	26,056	53,845
Breeding cost*	–	67,373	67,373
Decrease due to sales and mortality	(8,571)	(54,328)	(62,899)
Fair value changes of biological assets	(10)	9,822	9,812
Transfer	9,440	(9,440)	–
At December 31, 2021	28,648	39,483	68,131

Note:

* Breeding cost incurred for mice mainly include feeding costs, staff costs, depreciation and amortization expenses and utilities costs.

The quantities of different types of mice are summarized as follows:

	As at December 31,	
	2020	**2021**
	(Heads)	*(Heads)*
For breeding		
– B-NDG	9,710	11,713
– Humanized mice	24,954	23,294
	34,664	35,007
For selling		
– B-NDG	11,247	14,127
– Humanized mice	32,952	42,285
– Conventional strain mice	10,194	14,812
	54,393	71,224

(b) Fair value measurement of biological assets

Fair value hierarchy

The inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

The Group's mice for selling and mice for breeding were revalued as at December 31, 2020 and 2021. The valuations were carried out by Asia-Pacific Consulting and Appraisal Limited, an independent valuer. The Group's finance manager and the chief financial officer have discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

The fair values of biological assets are determined using market approach and cost approach. Recent trading price and adjustment factors based on the characteristics of the biological assets (including age, gender, breeding useful life, expected rate of mortality etc.) were used in the calculations of fair values.

Information about Level 3 fair value measurements:

	Significant unobservable inputs	*December 31, 2020*
Mice for breeding	Recent trading price	RMB257 to RMB4,575 per head
	Remaining useful life	0-16 weeks
Mice for selling	Recent trading price and expected rate of mortality	RMB40 to RMB4,575 per head 59%-68%

	Significant unobservable inputs	*December 31, 2021*
Mice for breeding	Recent trading price	RMB249 to RMB4,643 per head
	Remaining useful life	0-16 weeks
Mice for selling	Recent trading price and expected rate of mortality	RMB40 to RMB4,643 per head 8%-64%

A significant increase/decrease in the estimated market price would result in a significant increase/decrease in the fair value of the biological assets.

The estimated fair value of mice for breeding and mice for selling increased/decreased primarily due to an increase/decrease in the market price. As at December 31, 2020 and 2021, if transaction price increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB5,384,500 and RMB6,813,100, respectively.

The changes in fair value of biological assets are presented in "Net change in fair value of biological assets" in the consolidated statements of profit or loss.

19 Inventories

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Raw materials and consumables	7,980	15,140
Less: write-down of inventories	–	–
	7,980	15,140

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Raw materials and consumables	5,013	11,588
Less: write-down of inventories	–	–
	5,013	11,588

20 Contract costs

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Costs to fulfill contracts	23,986	44,641
Less: write-down of contract costs	(3,170)	(2,829)
	20,816	41,812

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Costs to fulfill contracts	14,161	35,768
Less: write-down of contract costs	(1,347)	(1,583)
	12,814	34,185

21 Trade receivables

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade receivables due from		
– third parties	69,974	108,719
Less: loss allowance	(2,748)	(5,630)
	67,226	103,089

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade receivables due from		
– third parties	35,064	51,481
– subsidiaries	158,712	214,509
Less: loss allowance	(1,859)	(3,519)
	191,917	262,471

(a) Aging analysis

The Group generally provide a credit period of 0 - 90 days to its trade customers. The aging analysis of trade receivables, based on the earlier of invoice date or revenue recognition date and net of allowance for doubtful debts, is as follows:

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	61,894	94,154
1 to 2 years	4,230	7,740
2 to 3 years	1,102	1,195
	67,226	103,089

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	108,047	104,802
1 to 2 years	30,619	80,118
2 to 3 years	24,101	29,251
Over 3 years	29,150	48,300
	191,917	262,471

Further details on the Group's credit policy and credit risk arising from trade debtors are set out in Note 35(a).

22 Prepayments and other receivables

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Advances to CRO service suppliers	23,421	21,929
Prepayments for costs incurred in connection with the issuance of the Company's H shares (Note (i))	–	29,240
Advances to materials suppliers	2,234	6,512
VAT recoverable	13,825	13,831
Deposits	7,369	6,978
Interest receivables	786	304
Others	335	1,296
	47,970	80,090
Less: loss allowance	(243)	(469)
	47,727	79,621

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Prepayment for costs incurred in connection with the issuance of the Company's H shares (Note (i))	–	29,240
Advances to CRO service suppliers	5,839	4,204
VAT recoverable	10,651	12,279
Deposits	3,296	2,991
Interest receivables	786	304
Others	383	251
	20,955	49,269
Less: loss allowance	(243)	(277)
	20,712	48,992

Note:

(i) The balance will be transferred to the share premium account within equity upon the **[REDACTED]** of the Company's H shares on Hong Kong Stock Exchange.

All the prepayments and other receivables are expected to be recovered or recognized as expense within one year.

23 Other financial assets

The Group and the Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Financial assets measured at FVOCI Certificate of deposit (Note (i))	200,000	100,000

Note:

(i) The Company purchase from the bank the financial products of "3-year certificate of deposits" with the terms that the Company could not withdraw the deposits in advance but could sell them to others. The annual interest rates of the deposits are fixed and ranged from 3.3% to 3.8% and the interest is settled monthly. As the Company manage the above financial products with the objective of both the collection of contractual cash flows and sale, it was recognized as financial assets measured at FVOCI in the consolidated financial position.

24 Cash at bank and on hand

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash on hand	1	1
Cash at bank	697,293	466,444
Restricted bank deposits	52,750	–
	750,044	466,445
Less: restricted bank deposits	(52,750)	–
Cash and cash equivalents in the consolidated statements of cash flows	697,294	466,445

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash at bank	571,470	257,318

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Long-term payables	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 33)	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
At January 1, 2020	243,238	8,141	1,261,509	1,512,888
Changes from financing cash flows:				
Proceeds from the issue of financial instruments to investors	–	–	850,000	850,000
Repayments of long-term payables and interests	(55,279)	–	–	(55,279)
Capital element of lease rentals paid	–	(3,782)	–	(3,782)
Interest element of lease rentals paid	–	(4,007)	–	(4,007)
Total changes from financing cash flows	(55,279)	(7,789)	850,000	786,932
Other changes:				
Construction cost incurred for property, plant and equipment	272,703	–	–	272,703
Interest expenses (Note 7(a))	18,530	4,007	–	22,537
Capitalization of new leases	–	76,559	–	76,559
Recognition of financial instruments issued to investors	–	–	733	733
Changes in the carrying amounts of financial instruments issued to investors	–	–	95,814	95,814
Reclassification of financial instruments issued to investors as equity	–	–	(2,208,056)	(2,208,056)
Total other changes	291,233	80,566	(2,111,509)	(1,739,710)
At December 31, 2020	479,192	80,918	–	560,110

	Long-term payables	Lease liabilities	Financial instruments issued to investors	Total
	RMB'000 (Note 33)	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000*
At January 1, 2021	479,192	80,918	–	560,110
Changes from financing cash flows:				
Repayments of long-term payables and interests	(42,154)	–	–	(42,154)
Capital element of lease rentals paid	–	(14,978)	–	(14,978)
Interest element of lease rentals paid	–	(7,458)	–	(7,458)
Total changes from financing cash flows	(42,154)	(22,641)	–	(64,795)
Other changes:				
Construction cost incurred for property, plant and equipment	50,581	–	–	50,581
Interest expenses (Note 7(a))	31,762	7,663	–	39,425
Capitalization of new leases	–	29,923	–	29,923
Reassessment of lease liability		(6,064)		(6,064)
Total other changes	82,343	31,522	–	113,865
At December 31, 2021	519,381	89,799	–	609,180

25 Trade and bills payables

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade payables due to		
– related parties	20	1,609
– third parties	34,829	52,283
Bills payable	52,750	48,549
	87,599	102,441

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade payables due to		
– a subsidiary	24,731	–
– other related party	–	1,609
– third parties	19,662	30,766
Bills payable	–	48,549
	44,393	80,924

Aging analysis

At December 31, 2020 and 2021, the aging analysis of trade payables, based on the invoice date, is as follows:

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	87,404	101,785
After 1 year but within 2 years	96	478
After 2 years but within 3 years	64	87
After 3 years	35	91
	87,599	102,441

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	44,316	80,569
After 1 year but within 2 years	5	287
After 2 years but within 3 years	56	5
After 3 years	16	63
	44,393	80,924

26 Contract liabilities

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Amount received in advance of the delivery of goods and services – third parties	47,512	61,581

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Amount received in advance of the delivery of goods and services – third parties	25,066	29,047

Revenue in the Group recognized during the year that was included in the contract liabilities at the beginning of the year is RMB32,830,000 and RMB33,781,000 for the years ended December 31, 2020 and 2021, respectively.

Revenue in the Company recognized during the year that was included in the contract liabilities at the beginning of the year is RMB21,171,000 and RMB16,714,000 for the years ended December 31, 2020 and 2021, respectively.

Normally, the Group and the Company receives advanced payments before the provision of Pre-IND CRO services, animal models selling, and antibody development from customers. Contract liabilities represent the Group's and the Company's obligations to transfer goods or services to customers for which the Group or the Company have received advanced payments received from such customers.

27 Other payables

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Payables for staff related costs	27,409	53,661
Payables relating to construction cost (note (i))	143,151	143,225
Payables for other taxes	1,415	5,015
Payables relating to purchases of equipment	5,377	45,511
Payables for costs incurred in connection with the issuance of the Company's H shares	–	4,050
Others	1,896	4,178
	179,248	255,640

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Payables for staff related costs	18,905	32,381
Payables relating to construction	23,506	28,504
Payables for other taxes	722	1,317
Payables relating to purchases of equipment	5,129	4,405
Payables for costs incurred in connection with the issuance of the Company's H shares	–	4,050
Others	8,030	1,828
	56,292	72,485

Note:

(i) The amounts of the Group include the current portion of long-term payables as disclosed in Note 33 which are to be paid within one year with the amount of RMB 96,313,000, and RMB 70,827,000 as at December 31, 2020 and 2021.

All the other payables are expected to be settled within one year or are repayable on demand.

28 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2020 and 2021.

The Group

	As at December 31,			
	2020		2021	
	Present value of the minimum lease payments RMB'000	*Total minimum lease payments RMB'000*	*Present value of the minimum lease payments RMB'000*	*Total minimum lease payments RMB'000*
Within 1 year	14,106	14,654	26,897	27,805
After 1 year but within 2 years	14,871	16,597	25,004	27,927
After 2 years but within 5 years	33,523	43,143	24,630	31,272
After 5 years	18,418	32,731	13,268	22,333
	66,812	92,471	62,902	81,532
	80,918	107,125	89,799	109,337
Less: total future interest expenses		26,207		19,538
Present value of lease liability		80,918		89,799

The Company

	As at December 31,			
	2020		2021	
	Present value of the minimum lease payments RMB'000	*Total minimum lease payments RMB'000*	*Present value of the minimum lease payments RMB'000*	*Total minimum lease payments RMB'000*
Within 1 year	16,030	16,705	17,483	18,134
After 1 year but within 2 years	16,887	18,919	16,522	18,510
After 2 years but within 5 years	40,273	51,563	28,877	35,685
After 5 years	18,417	32,731	13,269	22,333
	75,577	103,213	58,668	76,528
	91,607	119,918	76,151	94,662
Less: total future interest expenses		28,311		18,511
Present value of lease liability		91,607		76,151

29 Financial instruments issued to investors

(a) Financial instruments with preferential rights issued by the Company

Prior to January 1, 2020, the Company issued paid-in capital to several batches of independent investors including Series A Investors, Series B Investors, Series B+ Investors, Series C Investors and Series D Investors from year 2012 to 2019. The aforementioned investors are entitled with preferential rights, under which their investments shall be redeemed by the Company, or Mr. Shen and Ms. Ni ("the Founders"), at the option of the investors, upon the occurrence of certain contingent events, including but not limited to the event that a **[REDACTED]** not being consummated by a specified time, and that the Company or the Founders failing to accomplish certain business commitments, and the Group having defects or problems which hinder a **[REDACTED]**, at an redemption amount calculated based on the original investment cost plus a prescribed return and the pro rata shares of the net assets of the Company.

In September 2020, the Company issued paid-in capital of RMB 8,895,612, representing 16% of the enlarged paid-in capital of the Company to Series D+ Investors, at a consideration of RMB850 million .

In September 2020, the Company issued paid-in capital of RMB9,750,150 to Eucure's original shareholders for acquiring 100% of equity interest in Eucure, among which, RMB6,732,714 representing 15% of the enlarged paid-in capital of the Company was issued to independent investors (the "Series Eucure Investors").

Series D+ and Series Eucure Investors are entitled with preferential rights, under which their investments shall be redeemed by the Company or the Founders, at the option of the investors, upon the occurrence of certain contingent event, including but not limited to the events that a **[REDACTED]** not being consummated by a specified time, the Company or the Founders failing to accomplish certain business commitments, and the Group having defects or problems which hinder a **[REDACTED]**, at an redemption amount calculated based on the original investment cost plus a prescribed return and the pro rata shares of the net assets of the Company.

The Series A, Series B, Series B+ , Series C and Series D Investors subsequently entered into investment agreements to waive their existing preferential rights in exchange for the same preferential rights granted to the Series D+ and Series Eucure Investors, with no consideration exchanged with the Company.

In October 2020, the Company entered into a supplementary investment agreement with all batches of independent investors, pursuant to which all batches of independent investors agreed to waive their preferential rights described above.

(b) Financial instruments with preferential rights issued by Eucure

From 2016 to 2018, Eucure issued three batches of paid-in capital, to independent investors, including Eucure Series A Investors, Eucure Series A+ Investors, and Eucure Series B Investors. The aforementioned investors are entitled with the preferential rights, under which their investments can be redeemed by Eucure or the Founders or the Founders' certain controlled entities, at the option of the investors, upon the occurrence of certain contingent events, including but not limited to the events that a **[REDACTED]** or whole sale of equity not being consummated by a specified time, and that Eucure or the Founders or the Founders' certain controlled entities failing to accomplish certain business commitments, at an redemption amount equal to the higher of (i) the original investment amount plus the accumulated return with the annual return rate of 10% and minus any dividends distributed, and (ii) the original investment amount plus the pro rata shares of accumulated net profits of Eucure from the investment dates based on the investors' weighted average shareholding ratio and minus any dividends distributed.

In September 2020, the above preferential rights issued by Eucure had been replaced by the preferential rights issued by the Company as described in Note 29 section (a) upon the acquisition of Eucure by the Company.

(c) Presentation and classification

The Company initially recognized the paid-in capital issued to the investors as equity, and recognized financial liabilities for its obligation to buy back the paid-in capital from the investors upon the occurrence of any specified contingent redemption events, as not all triggering events mentioned above are within the Company or the Group's control. The financial liabilities were measured at the present value of the redemption amounts upon such contingent events.

Any changes in the carrying amounts of the financial liabilities were recorded in "changes in the carrying amounts of financial instruments issued to investors" in the consolidated statement of profit or loss.

In October 2020, as all batches of independent investors agreed to waive their redemption right as described above, these financial instruments were all reclassified from financial liabilities to equity as the Company's contractual obligation to pay cash to these investors were terminated then.

The movements of the Financial Instruments Issued to Investors are set out below:

	Years ended at December *31,*	
	2020	**2021**
	RMB'000	*RMB'000*
The Group		
At January 1,	1,261,509	–
Issue	850,733	–
Changes in the carrying amount	95,814	–
Reclassification to equity	(2,208,056)	–
At December 31,	–	–

	Years ended at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
The Company		
At January 1,	955,281	–
Issue	1,174,700	–
Changes in the carrying amount	78,075	–
Reclassification to equity	(2,208,056)	–
At December 31,	–	–

30 Equity settled share-based transactions

(a) 2015 Share Incentive Scheme

On August 31, 2015, the Board of Directors approved a share incentive scheme ("2015 Share Incentive Scheme"), pursuant to which the Company granted restricted shares to the eligible directors and employees (the "Participants of 2015") of the Group. The Participants of 2015 are entitled to subscribe the Company's restricted shares at certain prices (as disclosed below).

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Granted prices
Restricted shares granted to directors:			
– on December 7, 2018	321,440	No performance and service period conditions apply	RMB0.8
– on March 12, 2019	6,260	No performance and service period conditions apply	RMB0.8
– on November 28, 2019	47,720	No performance and service period conditions apply	RMB0.9
– on December 10, 2020	4,160	No performance and service period conditions apply	RMB0.8
Restricted shares granted to employees:			
– on December 26, 2017	620,000	No performance and service period conditions apply	RMB0.1
– on December 26, 2017	752,000	No performance and service period conditions apply	RMB0.2
– on December 26, 2017	264,000	No performance and service period conditions apply	RMB0.3
– on December 26, 2017	120,000	No performance and service period conditions apply	RMB0.4
– on December 26, 2017	60,000	No performance and service period conditions apply	RMB0.5
– on December 7, 2018	794,560	No performance and service period conditions apply	RMB0.8
– on November 28, 2019	97,500	No performance and service period conditions apply	RMB0.9
– on July 20, 2020	18,780	No performance and service period conditions apply	RMB0.9
Total Restricted shares granted	3,106,420		

(b) 2019 Share Incentive Scheme

On July 29, 2019, the Board of Directors approved a share incentive scheme ("2019 Share Incentive Scheme"), pursuant to which the Company granted restricted shares to the eligible directors and employees (the "Participants of 2019") of the Group. The Participants of 2019 are entitled to subscribe the Company's restricted shares at RMB13.7 each.

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Granted prices
Restricted shares granted to directors:			
– on July 29, 2019	1,685,746	No performance and service period conditions apply	RMB13.7
– on September 10, 2020	35,319	No performance and service period conditions apply	RMB13.7
– on March 15, 2021	5,147	No performance and service period conditions apply	RMB13.7
– on April 23, 2021	6,127	No performance and service period conditions apply	RMB13.7
– on August 12, 2021	12,193	No performance and service period conditions apply	RMB13.7
Restricted shares granted to employees:			
– on May 1, 2020	273,773	Service period 5 years,no performance conditions apply	RMB13.7
– on September 10, 2020	1,146,048	Service period 5 years,no performance conditions apply	RMB13.7
– on May 1, 2021	27,880	Service period 5 years, no performance conditions apply	RMB13.7
Total Restricted shares granted	3,192,233		

(c) 2020 Eucure Share Incentive Scheme

On September 10, 2020, the Board of Directors approved a share incentive scheme ("2020 Eucure Share Incentive Scheme"), pursuant to which the Company granted restricted shares to the eligible directors and employees (the "Eucure Participants") of the Company and Eucure. The Eucure Participants are entitled to subscribe the Company's restricted shares at RMB29.82 or RMB31.93 each.

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Granted prices
Restricted shares granted to directors:			
– on October 30, 2020	124,930	No performance and service period conditions apply	RMB29.82
– on June 15, 2021	12,745	No performance and service period conditions apply	RMB29.82
Restricted shares granted to employees:			
– on September 10, 2020	213,847	Service period 5 years, no performance conditions apply	RMB29.82
– on September 10, 2020	52,818	Service period 31 months, no performance conditions apply	RMB31.93
– on September 10, 2020	52,818	Service period 38 months, no performance conditions apply	RMB31.93
– on September 10, 2020	195,710	Service period 4 years, no performance conditions apply	RMB31.93
– on September 10, 2020	169,851	Service period 5 years, no performance conditions apply	RMB31.93
– on June 7, 2021	134,673	Service period 5 years, no performance conditions apply	RMB31.93
Total Restricted shares granted	957,392		

(d) 2020 Share Incentive Scheme

On September 23, 2020, the Board of Directors approved a share incentive scheme ("2020 Share Incentive Scheme"), pursuant to which the Company granted restricted shares to the eligible directors and employees (the "Participants of 2020") of the Company. The Participants of 2020 are entitled to subscribe the Company's restricted shares at RMB13.53 or RMB31.93 each.

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting Conditions	Granted prices
Restricted shares granted to directors:			
– on September 23, 2020	2,143,527	No performance and service period conditions apply	RMB13.53
Restricted shares granted to employees:			
– on September 23, 2020	1,072	Service period 4 years, no performance conditions apply	RMB13.53
– on June 7, 2021	16,000	Service period 5 years, no performance conditions apply	RMB31.93
Total Restricted shares granted	2,160,599		

(e) Fair value and assumptions

The fair value of services received in return for restricted shares granted was measured by reference to the fair value of restricted shares granted and the subscription price paid by the eligible directors and employees. The fair value of the restricted shares granted is measured at the grant date referring to the market price offered by the independent investors or the fair value assessed by an independent appraiser, both of which were adjusted using the equity allocation model. Best estimates of key assumptions are required to be determined by management. Key assumptions used in determining the fair value of restricted shares granted are as follows:

Fair value of restricted shares and assumptions	2015 Share Incentive Scheme	2019 Share Incentive Scheme	2020 Eucure Share Incentive Scheme	2020 Share Incentive Scheme
Fair value at measurement date	RMB27.86 - RMB67.57	RMB52.99 - RMB122.40	RMB67.57 - RMB122.40	RMB67.57 - RMB122.40
Expected volatility	46.48% - 57.47%	46.48% - 56.26%	46.48% - 49.28%	46.48% - 49.28%
Risk-free interest rate	2.67% - 3.74%	2.67% - 2.97%	2.67% - 2.95%	2.67% - 2.95%
Lack of marketability discount	15% - 20%	15% - 20%	15%	15%

(f) Equity-settled share-based payment expenses recognized in the consolidated statements of profit or loss during the Track Record Period:

	Year ended December 31,	
	2020	2021
	RMB'000	*RMB'000*
Research and development expenses	5,429	15,453
General and administrative expenses	126,679	11,320
Selling and marketing expenses	345	979
	132,453	27,752

31 Income tax in the statement of financial position

Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2, the Group has not recognized deferred tax assets in respect of tax losses of RMB 700,875,000 and RMB 1,472,313,000 as at December 31, 2020 and 2021, respectively, as the directors consider it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses of the Company and Biocytogen Jiangsu can be carried forward for ten years from when the loss incurred after they were qualified as a HNTE, while the tax losses of other subsidiaries in the PRC can be carried forward for five years from when the loss incurred. The tax losses of Biocytogen Boston Corp. in the U.S. can be carried forward without expiry date.

The expiry of unused tax losses not recognized is as follows:

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Year of expiry		
2021	31	–
2022	71,205	71,205
2023	96,237	96,237
2024	43,043	43,043
2025	83,046	83,046
2026	2,594	2,594
2027	33,305	33,305
2028	52,436	52,436
2029	38,652	38,652
2030	235,322	235,322
2031	–	719,725
Without expiry date	45,004	96,748
	700,875	1,472,313

32 Deferred income

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
At January 1,	91,100	90,121
Additions	970	7,232
Credit to profit or loss	(1,949)	(4,556)
At December 31,	90,121	92,797

The Company

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
At January 1,	88,100	87,121
Additions	970	3,232
Credit to profit or loss	(1,949)	(4,351)
At December 31,	87,121	86,002

Deferred income of the Group mainly represents government grants received in relation to the acquisition of property, plant and equipment, which would be recognized in "Other gains and losses, net" over the expected useful lives of the relevant assets.

33 Long-term payables

The Group

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Total long-term construction payables	479,192	519,381
Less: repayable within 1 year (see Note 27)	(96,313)	(70,827)
	382,879	448,554

The long-term construction payables are primarily due to Haimen Haoluokai Industry Corporation (海門豪羅凱實業公司, herein referred to as "Haoluokai") and Nantong Shihua Construction Engineering Co., Ltd (南通仕華建設工程有限公司, herein referred to as "Nantong Shihua") for the construction of (i) Haimen Phase II Project, (ii) Haimen Phase III Project and(iii) Beijing Daxing Project. The details are as following：

(i) Haoluokai is the constructor of Haimen Phase II Project of Biocytogen Jiangsu and funds the project during the construction period in advance. Biocytogen Jiangsu will obtain the certification of property and land use right after paying off the total construction expenditures at the sixth year after completion. Before that, Biocytogen Jiangsu pays management fee to Haoluokai at 8% of the total construction expenditures in the first to fourth years, and 9% of the total construction expenditures in the fifth to sixth years after completion, respectively. Haimen Phase II was completed and transferred to Biocytogen Jiangsu for use in September 2020. The total construction expenditure was agreed at RMB245,923,000.

(ii) Nantong Shihua is the constructor of Haimen Phase III Project of Biocytogen Jiangsu and funds the project during the construction period in advance. Biocytogen Jiangsu should pay a management fee in addition to RMB 25 million installment repayment each year to Nantong Shihua after completion. Management fee is at 8% of unpaid construction expenditure. As at December 31, 2021, Haimen Phase III Project is still under construction. Biocytogen Jiangsu can apply for the certification of property after completion of the project.

(iii) Nantong Shihua is also the constructor of Beijing Daxing Project of Biocytogen Daxing and funds the project during the construction period in advance. Biocytogen Daxing will pay a management fee in addition to RMB 8 million installment repayment each year to Nantong Shihua after completion. Management fee is at 8% of unpaid construction expenditure. Beijing Daxing Project was completed and transfer to Biocytogen Daxing for use in June 2020. The total construction expenditure was agreed at RMB 119,051,000. Biocytogen Daxing have obtained the property right certification in April 2021.

The long-term construction payable is measured at present value of total management fee, installment repayment and final repayment payable for Haimen Phase II Project, Haimen Phase III Project and Beijing Daxing Project with effective interest rate at 8.99%, 8.33%, 8.31%, respectively. Prior to the completion, the Group records the constructions in progress and payables to constructors in accordance with its percentage of completion.

For contractual undiscounted cash out flow for these construction payables, please refer to Note 35(b).

34 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Paid-in capital/share capital	Share Premium	Other reserve	Accumulated losses	Total
	RMB'000 (Note 34(c))	*RMB'000 (Note 34(c))*	*RMB'000 (Note 34(d))*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	36,500	–	202,197	(414,090)	(175,393)
Changes in equity for 2020:					
Loss and total comprehensive income for the year	–	–	–	(319,405)	(319,405)
Issuance of financial instruments to investors (note(ii))	8,896	–	841,104	–	850,000
Recognition of financial instruments issued to investors as current liabilities	–	–	(1,174,700)	–	(1,174,700)
Reclassification of financial instruments issued to investors as equity	–	–	2,208,056	–	2,208,056
Capital injection (note(iii))	6,128	–	91,722	–	97,850
Recognition of share-based payment	–	–	132,453	–	132,453
Acquisition under common control (note(i))	9,750	–	(9,750)	–	–
Conversion into a joint stock company with limited liability (note(iv))	298,726	1,219,464	(2,358,826)	840,636	–
Balance at December 31, 2020	360,000	1,219,464	(67,744)	107,141	1,618,861
Balance at January 1, 2021	360,000	1,219,464	(67,744)	107,141	1,618,861
Changes in equity for 2021:					
Loss and total comprehensive income for the year	–	–	–	(293,798)	(293,798)
Capital injection (note(v))	14,930	296,110	–	–	311,040
Recognition of share-based payment	–	–	27,752	–	27,752
Balance at December 31, 2021	374,930	1,515,574	(39,992)	(186,657)	1,663,855

(b) Dividends

No dividends have been declared or paid by the Company during the years ended December 31, 2020 and 2021.

(c) Paid-in capital/share capital

(i) Paid-in capital

For the purpose of this report, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	Total
	RMB'000
At January 1, 2020	36,500
Capital contribution by investors (i)	9,750
Capital contribution by investors (ii)	8,896
Capital contribution by investors (iii)	6,128
Conversion in a joint stock company (iv)	(61,274)
At December 31, 2020 and 2021	–

(ii) Issued share capital

	Number of ordinary shares	**Share capital**
	'000	*RMB'000*
Issued and fully paid:		
At January 1, 2020	–	–
Issue of ordinary shares upon conversion into a joint stock company (iv)	360,000	360,000
At December 31, 2020	360,000	360,000
Issue of ordinary shares (v)	14,930	14,930
At December 31, 2021	374,930	374,930

(i) On September 14, 2020, the Group underwent Acquisition, during which the Company acquired 100% equity interest of Eucure. The then shareholder of Eucure entered into an equity transfer agreement with the Company to transfer their interest in Eucure to the Company in consideration of the increased paid in capital of the Company, which is amounted to RMB9,750,150.

(ii) On September 23, 2020, the Company entered into the Series D+ Investment, pursuant to which the investors made a total investment of RMB850,000,000 in the Company, with RMB8,895,612 and RMB841,104,388 credited to the Company's paid in capital and reserves respectively. The Company recognized the financial instruments issued to the investors as financial liabilities (see Note 29) and recognized paid in capital with a corresponding decrease in other reserve within equity.

(iii) On October 29, 2020, the Company received cash consideration of RMB 97,850,529 under 2019 Share Incentive Scheme, 2020 Eucure Share Incentive Scheme and 2020 Share Incentive Scheme from the eligible person who were recognized and rewarded for their contributions to the Group, with RMB6,128,486 was credited to paid-in capital, and RMB91,722,043 was credited to the capital reserve.

(iv) On December 29, 2020, the Company was converted into a joint stock company with limited liability on December 29, 2020. Pursuant to the shareholders' meeting of the Company on December 15, 2020, the equity shareholders of the Company were converted into 360,000,000 ordinary shares each with a par value of RMB1.00. The then paid in capital is RMB61,274,248 and the conversion ratio is 5.88.

(v) On May 31, 2021, the Company entered into the cross-over round investment agreement, pursuant to which the investors subscribed 14,930,000 ordinary shares of the Company at a total investment of

RMB311,040,000, with RMB 14,930,000 and RMB 296,110,000 credited to the Company's share capital and share premium respectively.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the net proceeds received in excess of the total amount of the par value of shares issued in relation to the conversion into a joint stock company as disclosed in Note 34(c)(iv) and the Cross-over Round net proceeds received in excess of share capital as disclosed in Note 34(c)(v).

(ii) Other reserve

Other reserve mainly comprises the following:

Capital premium of the Company before conversion into a joint stock company, representing the net proceeds of capital contribution received in excess of the paid-in capital(less the amount of financial liabilities recognized(see Note 29)), and the portion of the grant date fair value of restricted shares granted to the employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(r)(ii).

On August 31, 2019 and June 29, 2020, Eucure received cash consideration of RMB310,000 and RMB510,000 from Eucure HK and Ni Jian, respectively, which both credited to the Group's other reverse.

(iii) Exchange reserve

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

35 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate risks and currency risk arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2020 and 2021,16% and 15% of the total trade receivables, respectively, were due from the Group's largest debtor, and 31% and 32% of the total trade receivables, respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated by individual assessment and collective assessment using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at December 31, 2020 and 2021:

	Year ended December 31, 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Collective assessment			
– less than 1 year	*1%*	62,519	625
– 1 to 2 years	*15%*	4,976	746
– 2 to 3 years	*44%*	1,968	866
– Over 3 years	*100%*	511	511
		69,974	2,748

	Year ended December 31, 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Collective assessment			
– less than 1 year	*1%*	96,376	964
– 1 to 2 years	*15%*	7,626	1,144
– 2 to 3 years	*57%*	2,778	1,583
– Over 3 years	*100%*	1,939	1,939
		108,719	5,630

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Balance at January 1,	1,351	2,748
Impairment loss recognized during the year	1,402	2,890
Exchange differences on translation of financial statement	(5)	(8)
Balance at December 31,	2,748	5,630

(b) Liquidity risk

The following tables show the remaining contractual maturities at December 31, 2020 and 2021 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	As at December 31, 2020					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term payables	102,629	50,305	245,133	299,557	697,624	479,192
Lease liabilities	14,654	16,597	43,143	32,731	107,125	80,918
Trade and bills payables	87,599	–	–	–	87,599	87,599
Other payables	82,935	–	–	–	82,935	82,935
	287,817	66,902	288,276	332,288	975,283	730,644

	As at December 31, 2021					
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term payables	78,525	86,576	334,420	256,990	756,511	519,381
Lease liabilities	27,805	27,927	31,272	22,333	109,337	89,799
Trade and bills payables	102,441	–	–	–	102,441	102,441
Other payables	184,813	–	–	–	184,813	184,813
	374,598	85,806	346,707	279,323	1,086,434	896,434

In addition to the above maturity profile of the Group's financial liabilities, the Group had an obligation to redeem its redeemable financial instruments at a predetermined amount upon certain redemption events prior to their preferential rights being waived in October 2020. The Group no longer has any outstanding redeemable financial instruments as at December 31, 2020 and 2021.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities and long-term payables.

The following table details the profile of the Group's interest-bearing financial liabilities at the end of each reporting period.

	As at December 31, 2020		As at December 31, 2021	
	Effective interest rate	Amounts	Effective interest rate	Amounts
	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings				
– Lease liabilities	8.00%	80,918	8.00%	89,799
– Long-term payables	8.31%-8.99%	479,192	8.31%-8.99%	519,381
Total borrowings		560,110		609,180
Fixed rate borrowings as a percentage of total borrowings		100%		100%

Since the Group nearly does not have variable-rate borrowings at December 31, 2020 and 2021, no sensitivity analysis about interest rates risk is prepared.

(d) Currency risk

The Group is exposed to currency risk primarily through sales which give rise to cash, receivables and payables balances that are denominated in a currency other than the functional currency of the operations to which they relate. The currency gives rise to this risk is primarily US Dollar ("USD").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the respective year end dates. Differences resulting from the translation of financial statements of foreign operations into the Group's presentation currency are excluded.

	As at December 31,	
	2020	2021
	USD RMB'000	*USD RMB'000*
Cash at bank and on hand	294	152,647
Trade receivables	219	10,727
Trade and bills payables	(496)	(125)
Gross exposure arising from recognized assets and liabilities	17	163,249

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss for the year (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		Effect on loss for the year and accumulated losses	
		As at December 31,	
	Increase/(decrease) in foreign exchange rates	2020	2021
		RMB'000	*RMB'000*
USD	5%	1	8,162
	-5%	(1)	(8,162)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss for the year and accumulated losses measured in USD, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency, which depends on the foreign currencies the Group is exposed to, may or may not have an effect on the Group's net assets. The analysis is performed on the same basis during the Historical Track Record Period.

(e) Fair values measurement

(i) Financial assets measured at fair value

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at December 31,	
	2020	2021
	Fair value measurements categorized into Level 2	Fair value measurements categorized into Level 2
	RMB'000	*RMB'000*
Financial assets at FVOCI		
– certificate of deposit	200,000	100,000
	200,000	100,000

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 2 fair value measurements

The fair value of certificate of deposit is calculated based the annualized interest rate of certificate of deposit.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2020 and 2021.

36 Commitments

Capital commitments outstanding at the end of each reporting period not provided for in the Historical Financial Information were as follows:

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Construction projects:		
Haimen Phase II Project	113,717	–
Haimen Phase III Project	149,188	52,575
	262,905	52,575

37 Material related party transactions and balances

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Name of related party	**Relationship**
Mr. Shen Yuelei	Controlling party and executive director
Ms. Ni Jian	Controlling party and executive director
Beijing Bio Changqing Technology Development Center (limited partnership) ("Bio Changqing") 北京祐和常青科技發展中心 (有限合夥)	Shareholders
Kaika	An associate
Beijing Youke Antai Biotechnology Co., Ltd ("Youke Antai")北京優科安泰生物技術有限公司	A fellow subsidiary

(b) Transactions with related parties during the Track Record Period

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Purchase of goods	86	6,734
Lease expense	180	52
Proceeds from borrowings		
– Ms. Ni Jian	15,000	–
– Bio Changqing	–	–
	15,000	–
Repayment of borrowings		
– Ms. Ni Jian	15,164	–
– Bio Changqing	4,374	–
	19,538	–
Interests income from associates		
– Ms. Ni Jian	191	–
	191	–

(c) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	As at December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Trade payables (Note 25)		
—Kaika	–	1,609
—Youke Antai	20	–
	20	1,609

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Year ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Salaries and other emoluments	3,948	21,307
Discretionary bonuses	467	5,613
Retirement scheme contributions	128	977
Equity-settled share-based payment	125,563	10,041
	130,106	37,938

Total remuneration is included in "staff costs" in Note 7(b).

38 Non-adjusting events after the reporting period

No significant subsequent events have occurred subsequent to December 31, 2021.

39 Immediate and ultimate controlling parties

As at December 31, 2021, the directors consider the immediate and ultimate controlling parties of the Group to be Mr. Shen and Ms. Ni.

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to ISA 1, Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidation financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to December 31, 2021.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this document received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at 31 January 2022 of the selected property interests of the Group.

Asia-Pacific Consulting and Appraisal Limited
Flat/Rm A, 12/F
Kiu Fu Commercial Building
300 Lockhart Road
Wan Chai
Hong Kong

[*] 2022

The Board of Directors
Biocytogen Pharmaceuticals (Beijing) Co., Ltd.
12 Baoshen South Street,
Daxing Bio-Medicine Industry Park,
Daxing District, Beijing
PRC

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions to value selected the property interests held by Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 January 2022 (the "**Valuation Date**").

The selected property interests form part of the Group's non-property activities that has a carrying amount of 15% or more of the Group's total assets and therefore the valuation report of this property interests is required to be included in this document.

Basis of Valuation

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

Methods of Valuation

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Valuation Assumptions

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Valuation Standards

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The

Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Document and Title Investigation

We have been shown copies of various title documents including Real Estate Title Certificate and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser – Zhonglun Law Firm, concerning the validity of the property interests in the PRC.

Area Measurement and Inspection

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 23 June 2021 by Mr. David Cheng who is a member of Royal Institution of Chartered Surveyor and has over 21 years' experience in property valuation in the PRC, and Ms. Rebecca Guo who has three year' experience in property valuation in the PRC.

Currency

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
Asia-Pacific Consulting and Appraisal Limited

David G. D. Cheng
MRICS
Executive Director

Note: David G. D. Cheng is a Chartered Surveyor who has 21 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.

SUMMARY OF VALUES

Abbreviation:

Group I –Property interest contracted to be acquired by the Group in the PRC

Group II –Property interest held under development by the Group in the PRC

No.	Property	Market value in existing state as at the Valuation Date *RMB*	Market value in existing state as at the Valuation Date *RMB*	The total market value in existing state as at the Valuation Date RMB
		Group I:	**Group II:**	
1.	A parcel of land and 9 buildings in Haimen Animal Center Phase II and a parcel of land and 3 buildings under construction in Haimen Animal Center Phase III located at south of Yuanjiangdi and north of Linjiang Avenue, Linjiang New District, Haimen District, Nantong City, Jiangsu Province, The PRC	[No commercial value](1)	[198,340,000]	[198,340,000]
	Total:	**[No commercial value]**	**[198,340,000]**	**[198,340,000]**

Note:

(1) For the portions without proper title certificates, we have not attributed commercial value to them. However, for reference purpose, we are of the opinion that the capital value of the portions of the property as at the date of valuation would be RMB[450,761,000], on condition that the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the Valuation Date *RMB*
1.	A parcel of land and 9 buildings in Haimen Animal Center Phase II and a parcel of land and 3 buildings under construction in Haimen Animal Center Phase III located at south of Yuanjiangdi and north of Linjiang Avenue, Linjiang New District, Haimen District, Nantong City, Jiangsu Province, The PRC	The property comprises: (i) a parcel of land with a site area of approximately 65,393.00 sq.m. and 9 buildings constructed thereon which were completed in 2020 ("Haimen Animal Center Phase II", categorized as Group I); and (ii) a parcel of land with a site area of approximately 51,099.00 sq.m. and 3 buildings which were being constructed thereon as at the Valuation Date ("Haimen Animal Center Phase III", categorized as Group II). The 9 buildings of Haimen Animal Center Phase II have a total gross floor area of approximately [76,901.61] sq.m., include office building, laboratory building, factory buildings and ancillary buildings. As advised by the Group, the buildings of Haimen Animal Center Phase III are scheduled to be completed in December 2023. Upon completion, the buildings will have a total gross floor area of approximately 61,086.55 sq.m. The total construction cost of the buildings is estimated to be approximately RMB [600,000,000], of which approximately RMB [179,588,000] had been paid up to the Valuation Date. The land use rights of Haimen Animal Center Phase II will be acquired by the Group for industry use. The land use rights of Haimen Animal Center Phase III have been granted to the Group for a term expiring on 22 September 2069 for industry use.	Haimen Animal Center Phase II is currently occupied by the Group for production purpose and Haimen Animal Center Phase III is currently under construction.	[198,340,000]

Notes:

1. The Group has entered into a Cooperative Agreement and its supplemental agreement with Haimen Haoluokai Industrial Corporation and Haimen Linjiang New Area Management Committee to acquire Haimen Animal Center Phase II. As advised by the Group, the total consideration will be RMB[369,112,000].

2. As at the date of valuation, Haimen Animal Center Phase II has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore, we have attributed no commercial value to Haimen Animal Center Phase II. However, for reference purpose, we are of the opinion that the capital value of Haimen Animal Center Phase II as at the date of valuation would be RMB[436,300,000], on condition that the relevant title certificates have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

3. As confirmed by the Group, a sum of approximately RMB[9,840,000] had been paid by the Group to purchase Haimen Animal Center Phase II up to the date of valuation.

4. Pursuant to a Real Estate Title Certificate – Su (2019) Hai Men Shi Bu Dong Chan Quan Di No. 0043928, the land use rights of Haimen Animal Center Phase III with a site area of approximately 51,099.00 sq.m. have been granted to Biocytogen Jiangsu Co., Ltd. (百奧賽圖江蘇基因生物技術有限公司, "Biocytogen Jiangsu") for a term expiring on 22 September 2069 for industry use.

5. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 320684202060001 in favour of Biocytogen Jiangsu, 3 buildings of Haimen Animal Center Phase III with a total gross floor area of approximately 61,086.55 sq.m. has been approved for construction.

6. Pursuant to a Construction Work Commencement Permit – No. 320684202006030101 in favour of Biocytogen Jiangsu, permission by the relevant local authority was given to commence the construction work of 3 buildings of Haimen Animal Center Phase III with a total gross floor area of approximately 61,086.55 sq.m.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Biocytogen Jiangsu legally owns the land use rights of Haimen Animal Center Phase III and is the sole legal land user of the land. The land use rights of Part B of the property is not subject to mortgage, seizure and other rights restrictions;

   b. For the buildings under construction of Haimen Animal Center Phase III, Biocytogen Jiangsu has obtained the relevant construction project planning permit and construction permit.

8. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the Valuation Date in its existing state is set out as below:

Group	**Market value in existing state as at the Valuation Date *(RMB)***
Group I - Property interest contracted to be acquired by the Group in the PRC	[No commercial value]
Group II - Property interest held under development by the Group in the PRC	[198,340,000]
Grand-total:	**[198,340,000]**

TAXATION FOR HOLDERS OF SECURITIES

A. PRC TAXATION

Taxation on Dividends

Individual Investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) (hereinafter referred to as "IIT Law") issued by the Standing Committee of the NPC on September 10, 1980, amended on August 31, 2018 and effective on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by Chinese companies to individual investors shall generally be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關于上市公司股息紅利差别化個人所得税政 策有關問題的通知》(財税[2015]101號)) issued by the MOF, the SAT and the CSRC on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances, as described in "Risk Factors – Risks Relating to our Doing Business in China – We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax."

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《內地和香港特别行政區關于對所得避免雙重徵税和防止偷 漏税的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative

Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家税務總局關于<內地和香港特別行政區關于對所得避免雙重 徵税和防止偷漏税的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

Enterprise Investors

In accordance with the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得税法》) (hereinafter referred to as "EIT Law") amended and effective on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) amended and effective on April 23, 2019, a non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premises in the PRC. The aforesaid income tax must be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Notice of the SAT on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家税務總局關于中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the SAT and effective on November 6, 2008, further clarified that a PRC resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise H Shareholders which are derived out of profit generated after January 1, 2008. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家税務總局關于非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) issued by the SAT and effective on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold EIT at a rate of 10% on dividends that it distributes to non-PRC resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regrading Income Tax (《內地和香港特別行政區關于對所得避免雙重徵税和防止偷 漏税的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative

Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家税務總局關于<內地和香港特別行政區關于對所得避免雙重徵税和防止偷漏税 的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau SAR may be entitled to preferential tax rates on dividends from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau SAR, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《財政部、國家税務總局關于個人轉讓股票所得繼續暫免徵收個人所得税的通知》(財税字[1998]61號)) (hereinafter referred to as "No. 61 Circular") issued by the MOF and SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. According to Announcement about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (MOF and SAT Announcement [2018] No. 177) (《財政部、國家税務總局關于繼續有效的個人所得税優惠 政策目錄的公告》(財政部、國家税務總局公告[2018]177號)) issued by the MOF and SAT on December 29, 2018, the No. 61 Circular will continue to be effective.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to EIT at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the

PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by non-PRC resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Taxation Policy of Shanghai-Hong Kong Stock Connect

Under the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mainland and Hong Kong Mutual Recognition of Funds (MOF Announcement [2019] No. 93) (《關于繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)) came into effect on December 5, 2019, from December 5, 2019 to December 31, 2022, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax. Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《財政部、國家稅務總局、中國證券監督管理委員會關于滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") for provision by CSDCC to the H-share companies register of mainland individual investors, and the H-share companies shall withhold individual income tax at the rate of 20%.

Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關于滬港股票市場交易互聯互通機制試點有關稅收政策的通知》 (財稅[2014]81號)) which came into effect on November 17, 2014, dividends derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. EIT will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

Under the Announcement on Continued Implementation of Individual Income Tax Policies Relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mainland and Hong Kong Mutual Recognition of Funds (MOF Announcement [2019] No. 93) (《關于繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得税政策的公告》(財政部公告2019年第93號)) came into effect on December 5, 2019, personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2019 to December 31, 2022. Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關于深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)) which came into effect on December 5, 2016, for dividends and bonus income obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for provision by CSDCC to the H-share companies register of mainland individual investors, and personal income tax shall be withheld by H-share companies at the tax rate of 20%.

Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關于深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)) which came into effect on December 5, 2016, dividends derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. EIT will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprises from investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

PRC Stamp Duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和 國印花税暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花税暫行條 例施行細則》) came into effect on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

Estate Duty

The PRC currently has not imposed any estate duty.

EIT

Under the EIT Law, the EIT rate in the PRC is 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

According to the Administrative Measures for Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the Enterprise Income Tax Law. According to the Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country (《關于將技術先進型服務企業所得税政策推廣至全國實施的通知》), which was promulgated by the Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, the Ministry of Science and Technology and the NDRC on November 2, 2017 and became effective on January 1, 2017, the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% across the country. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excess portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Value-added Tax

Pursuant to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) issued by the State Council on December 13, 1993, amended and effective on November 19, 2017, all organizations and individuals engaged in sales of goods, provision of processing, repairs and replacement services, sale of services, intangible assets or real estate or importation of goods within the territory of the PRC are subject to value-added tax ("VAT"). For taxpayers selling or importing goods, except as otherwise provided in the above regulations, the general tax rate shall be 17%.

Pursuant to the Notice of Comprehensive Roll-out of the Pilot Collection of Value Added Tax in lieu of Business Tax from Ministry of Finance and State Administration of Taxation (Cai Shui [2016] No. 36) (《財政部、國家税務總局關于全面推開營業税改征增值税試點的通知》(財税[2016]36號)) promulgated by the MOF the SAT on March 23, 2016 and effective on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in sectors such as construction, real estate, finance

or lifestyle services shall be included in the scope of the pilot program, where payment of VAT shall be made instead of business tax. Pursuant to the Measures for the Implementation of Pilot Reform for Transition from Business Tax to Value-added tax (《營業税改征增值税試點實施辦法》) issued and came into effect at the same time with the aforementioned notices, the tax rates applied to taxpayers for selling services, intangible assets or real estates shall be 17%, 11%, 6% and zero, respectively.

Pursuant to Notice on Adjusting Value-added Tax Rates issued by the MOF and SAT (Cai Shui [2018] No. 32) (《關于調整增值税税率的通知》(財税[2018]32號)) promulgated on April 4, 2018 and effective on May 1, 2018, for taxpayer engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% shall be adjusted to 16% and 10%, respectively.

Pursuant to Announcement on Policies for Deepening the VAT Reform issued by the MOF, SAT and General Administration of Customs (《關于深化增值税改革有關政策的公告》) promulgated on March 20, 2019 and effective on April 1, 2019, for taxpayer engaging in taxable sales or import of goods, the previously applicable VAT rates of 16% and 10% shall be adjusted to 13% and 9%, respectively.

2. TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

3. FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Pursuant to the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Foreign Exchange Control Regulations") which were issued by the State Council on January 29, 1996 and came into effect on April 1, 1996, all international payments and transfers are classified into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (《結匯、售匯及付匯管理規定》(銀髮[1996]210號)) issued by the PBOC on June 20, 1996 and effective on July 1, 1996 abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (PBOC Announcement [2005] No. 16) (《關于完善 人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]16號)), issued by the PBOC and effective on July 21, 2005, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

According to the Notice on Further Improving Inter-bank Spot Foreign Exchange Market (《關于進一步完善銀行間即期外匯市場的公告》), which was issued by the PBOC and became effective on January 3, 2006, starting from January 4, 2006, over-the-counter transactions were introduced into the inter-bank spot foreign exchange market, and the practice of matching was kept at the same time. In addition, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC issued the Notice of the People's Bank of China on Matters concerning the Administration of Exchange Rates in Inter-bank Foreign Exchange Market Transactions and Exchange Rates Quoted by Banks (Yin Fa [2014] No. 188) (《中國人民銀行關于銀行間外匯市場交易匯價和銀行挂牌匯價管理有關事項的通知》(銀髮[2014]188號)), authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the revised Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《國務院關于取消和調整一批行政審批項目等事項的决定》(國發[2014]50號)) promulgated by the State Council on October 23, 2014 has canceled the approval requirement of the SAFE and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《關于境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued by the SAFE on December 26, 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the prospectus and other public disclosure documents.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《關于改革和規範資本項目結匯管理政策 的通知》(匯發[2016]16號)) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion in based on international balance of payments.

On January 26, 2017, the Circular of the State Administration of Foreign Exchange Concerning Further Implementation of Foreign Exchange Administration Reforms to Improve Authentic Compliance Audit (Hui Fa [2017] No. 3) (《國家外匯管理局關于進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) was issued by the State Administration of Foreign Exchange to further expand the scope of foreign exchange settlement for domestic foreign exchange loans; allowing foreign exchange settlement for domestic foreign exchange loans with a background of export goods trading, allowing repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allowing settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, implementing administration on comprehensive overseas lending in domestic and foreign currencies, where a domestic institution engages in overseas lending business, the maximum sum of the balance of overseas lending in domestic currency and the balance of overseas lending in foreign currency shall not exceed 30% of the owners' equity as set out in its audited financial statements of the preceding year.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (Hui Fa [2019] No. 28) (《國家外匯管理局關于進一步促進跨境貿易投資便利化的通知》(匯發[2019]28號)) which was implemented on the same date (except for Article 8.2, which came into effect on January 1, 2020). Under this circular, On the basis that investing foreign-funded enterprises (including foreign-funded companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

Pursuant to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關于優化外匯管理支持涉外 業務發展的通知》(匯發[2020]8號)) which was issued by the SAFE and came into effect on April 10, 2020, eligible enterprises are allowed to use receipts under the capital accounts such as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts. Handling banks shall, under the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection of the facilitation of receipts and payments under capital accounts according to the relevant requirements.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, autonomous regulations, separate regulations and rules, and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as "Constitution") and the Legislation Law of the PRC (《中華人民共和國立法法》) (hereinafter referred to as "Legislation Law"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council is the highest administrative organs of the state, and enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations.

People's congresses of cities divided into districts and their respective standing committees may enact local regulations on the matters relating to urban and rural development and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

People's congresses of national autonomous areas may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic

principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

People's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts or autonomous prefectures may formulate rules in accordance with laws, administrative regulations and relevant local regulations.

The Constitution, enacted by the NPC, is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively cities divided into districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulation that contravenes the Constitution or laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關于加强法律解釋工作的決議》) passed on June 10, 1981, the issues related to the application of laws in a court trial shall be interpreted by the Supreme People's Court. The issues related to the application of laws in a prosecution process of a procuratorate shall be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between the interpretations of the Supreme People's Court and those of the Supreme People's Procuratorate, such issues shall be reported to the Standing Committee of the NPC for interpretation or determination. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》), the people's courts are made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and have other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates

within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. If, however, the people's courts at a higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, it may order retrial by the people's court at a lower level. If the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, he/she shall submit the case to the judicial committee for discussion and determination on retrial. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as "PRC Civil Procedure Law"), which was adopted on April 9, 1991 by the NPC, last amended on June 27, 2017 and became effective on July 1, 2017, provides for matters including instituting a civil case, the jurisdiction of the people's courts, the procedures for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with an effective judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective

judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law of the PRC (《中華人民共和國公司法》) (hereinafter referred to as the "Company Law") which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended and came into effect on October 26, 2018 provides for matters including the organization and operation of companies and the protection of the legitimate rights and interests of companies, shareholders and creditors. The amendment to the Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (《國務院關于股份有限公司境外募集股份及上市的 特別規定》) (hereinafter referred to as the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. On October 17, 2019, Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of General Meetings by Companies Listed Overseas (《國務院關于調整適用在境外上市公司召開 股東大會通知期限等事項規定的批復》) were approved by State Council to amend the provisions of Articles 20 through 22 of the Special Regulations. the notice period for a general meeting, the shareholder proposal right, and the procedures for convening a general meeting for the joint stock companies established within the PRC but listed overseas shall be governed by the PRC Company Law, and the Special Regulations shall no longer apply to the aforesaid matters. The Special Regulations include provisions in respect of the overseas share offering and listing of joint stock limited companies. The Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provision") jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe that the provisions should be incorporated into the articles of association of joint stock limited companies to be listed overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix [V] to this document.

Main provisions of the Company Law, the Special Regulations and the Mandatory Provisions are summarized as follows:

General

A joint stock limited company ("company")" refers to a corporate legal person established in China under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the Company for its own debts is limited to all the properties it owns and the liability of its shareholders for the Company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall notify all subscribers or make a public announcement of the date of the inaugural meeting 15 days before the meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the review of the report on organization of the company by the promoters, the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the

company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full; and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company' articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

(i) Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

(ii) Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

(iii) Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters may make capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out in accordance with the laws or administrative regulations on valuation without any over-valuation or under-valuation.

Shares shall be issued in a fair and equitable manner. The same class of shares must carry equal rights. Shares of the same class issued at the same time must be issued on the same conditions and at the same price. The same price per share shall be paid by any entity or individual, and shall be equal to or greater than the nominal value of the share and shall not be less than the nominal value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors (including foreign investors and the investors in Hong Kong Special Administration Region, Macau Special Administration Region and Taiwan) and listed overseas ("Overseas Listed Foreign Shares") shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. The shares issued by a company to overseas investors and subscribed for in foreign currency are referred to as foreign shares. The shares issued to investors within the PRC (other than foreign countries, Hong Kong, Macau and Taiwan region) and subscribed for in Renminbi are referred to as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of foreign shares, to reserve not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares provided that the total shares to be issued shall not exceed the total number of shares proposed to be issued. The shares reserved shall be part of the shares proposed to be issued.

Under the Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial number of share certificates held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

According to the Company Law, if a company proposes to issue new shares, resolutions shall be passed at general meeting in accordance with the articles of association to determine the class, amount and issue price of the new shares.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law (《中華人民共和國證券法》) (hereinafter referred to as "Securities Law") provides that the company shall:

(i) the company has a proper and well-functioning organization structure;

(ii) the company is a going concern;

(iii) the auditor has issued non-qualified audit reports for the company's financial accounting documents for the past three years;

(iv) the company and its controlling shareholder(s), actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order;

(v) other criteria stipulated by the securities regulatory authority of the State Council approved by the State Council.

The issue of new shares by listed companies shall satisfy the criteria stipulated by the securities regulatory authorities of the State Council; detailed administrative measures shall be formulated by the securities regulatory authorities of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not repurchase its own shares other than for the purpose of:

(i) reducing the registered capital of the company; or

(ii) merging with another company holding shares of this company; or

(iii) granting the shares for employee share ownership plans or as share incentives; or

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting;

(v) applying the shares for the conversion of the corporate bonds issued by a listed company and convertible into shares;

(vi) maintaining the corporate value and protecting the shareholders' interests of a listed company as necessary.

Repurchase of its own shares by a company under the circumstances specified in Subparagraph (i), (ii) of the preceding paragraph shall be subject to resolution adopted by the general meeting; repurchase of its own shares by a company under the circumstances specified in Subparagraph (iii), (v) or (vi) shall be subject to a resolution at a board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization of a general meeting.

Where a company repurchases the shares of the Company pursuant to subparagraph (i) of the first paragraph, such shares shall be canceled within 10 days from the date of repurchases; where the shares are repurchased pursuant to subparagraphs (ii), (iv), such shares shall be transferred or canceled within six months; and where the shares are repurchased pursuant to Subparagraphs (iii), (v), (vi), the aggregate number of the Company's shares held by a company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or canceled within three years.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations.

According to the Company Law, a shareholder may effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any otherwise stipulated legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

According to the Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the Company Law, the rights of shareholders include the rights:

(i) to petition the people's court to revoke any resolution passed at a general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(ii) to transfer the shares of the shareholders in accordance with the applicable laws and regulations and the articles of association;

(iii) to attend or appoint a proxy to attend general meetings and to exercise the voting rights;

(iv) to inspect the articles of association, shareholder register, counterfoil of company debentures, minutes of general meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(v) to receive dividends in respect of the number of shares held;

(vi) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(vii) any other shareholders' rights provided for in laws, administrative regulations, regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in laws, administrative regulations, regulatory documents and the articles of association.

General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The general meeting may exercise the following powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory committee or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

A general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board deems necessary;

(v) the supervisory committee so requests; or

(vi) any other circumstances as provided for in the articles of association.

A general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory committee shall convene and preside over such meeting in a

timely manner. If the supervisory committee fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Under the Company Law, a single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

The general meeting shall not make resolutions on matters that are not clearly listed in the notices given to the shareholders.

If holders of bearer stocks attend a general meeting, they shall have their stocks kept at the company from five days before the meeting is held till the conclusion of the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting.

Shareholders present at a general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the

articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the shareholders attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and the approval of the affected class shareholders at a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors may exercise its powers:

(i) to convene general meetings and report on its work to the general meetings;

(ii) to implement the resolutions passed by the shareholders at the general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

In addition, the Mandatory Provisions stipulate that the Board shall also be responsible for formulating proposals for amending the articles of association of the Company.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization that his/her representative has.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the

company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the Company Law, the following person may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his/her crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into in solvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(v) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the Company Law, the Board shall have one chairman and may have one vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing

his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Committee

A company shall have a supervisory committee composed of not less than three members. The supervisory committee consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the supervisory committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee shall be elected by more than half of the supervisors.

According to the Reply of the Overseas Listing Department of the CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關 于到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory committee shall be appointed by more than two-thirds of the supervisors.

The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. Where the chairman of the supervisory committee is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. Where the vice chairman of the supervisory committee is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated any laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or member of senior management are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board fails to perform the duty of convening and presiding over general meetings under the Company Law;

(v) to submit proposals to the general meetings;

(vi) to bring actions against directors and senior management pursuant to the relevant provisions of the Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory committee may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions shall also apply to the qualification of supervisory.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the production, operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual business plans and investment proposals;

(iii) to draft proposals for the establishment of the company's internal management organs;

(iv) to draft the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(viii) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board of directors. However, the general manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, the general manager, deputy managers and other members of senior management are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith and with due diligence.

Directors, supervisors, senior management are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting or the board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(vi) accepting commissions paid by a third party for transactions conducted with the company;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory committee, without impeding the discharge of duties by the supervisory committee.

Where a director or member of senior management contravenes any laws, regulations or the Company's articles of association in the performance of his/her duties resulting in any loss to the Company, shareholder(s) holding individually or in aggregate 1% or more of the Company's shares consecutively for 180 days or more may request in writing that the supervisory committee institute litigation at a people's court. Where a supervisor violates the laws or administrative regulations or these Articles of Association in the discharge of his/her duties resulting in any loss to the Company, such shareholder(s) may request in writing that the Board institute litigation at a people's court on its behalf. If the supervisory committee or

the Board refuses to institute litigation after receiving the abovementioned written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the Company's interests, such shareholder(s) shall have the right to institute litigation directly at a people's court in its own name for the Company's benefit. For other parties who infringe the lawful interests of the Company resulting in loss to the Company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or member of senior management contravenes any laws, administrative regulations or these Articles of Association resulting in the infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other members of senior management shall have fiduciary duties to the company. They are required to faithfully perform their duties to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems in accordance with the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits

after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by competent governmental department to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of any individual.

Appointment and Retirement of Auditors

Pursuant to the Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting. The appointment, removal and expiry of appointment of accounting firm by our Company shall be reported to the CSRC.

Profit Distribution

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to H shareholders shall be declared and calculated in RMB and paid in foreign currency. Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

According to the Company Law, the resolution of a general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association in accordance with the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration shall be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to perform their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt in accordance with laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the CSRC, and the listing must be arranged in accordance with procedures specified by the State Council.

Pursuant to The Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from the CSRC. Subject to approval by the CSRC of the company's plans to issue overseas-listed foreign invested shares and domestic shares the board of directors of the company may make arrangement to implement such plans for such

two kinds of shares to be issued respectively, within fifteen (15) months from the date of approval by the CSRC.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關于股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by the CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the Company granted by the CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

If the share certificate(s) in registered form is either stolen, lost or destroyed, a shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court for a declaration that such certificate(s) will no longer be valid. After such declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

A separate procedure regarding the loss of share certificates and H share certificates of the overseas listed foreign invested shareholders of the PRC is provided for in the Mandatory Provisions, details of which are set out in the articles of association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The company shall notify its creditors within 10 days from the date of resolution on merger, and make an announcement in a newspaper within 30 days therefrom. Within 30 days from the date of receiving the notice, or within 45 days from the date of announcement if the creditor fails to receive the notice, the creditor shall have the right to require the company to pay off its debts or provide corresponding guarantees. Upon the merger, the rights in relation to debtors and indebtedness of each of the merged parties shall be assumed by the company which survives the merger or the newly established company.

In case of a division, the company shall prepare a balance sheet and a list of assets. The company shall notify its creditors within 10 days from the date of resolution on division, and make an announcement in a newspaper within 30 days therefrom. Unless an agreement in writing is reached with its creditors in respect of the settlement of debts, the debts of the company prior to the division shall be assumed joint and severally by the divided companies.

SECURITIES LAWS AND REGULATIONS IN THE PRC

The PRC has promulgated a number of laws and regulations that relate to the issuance and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. On March 29, 1998, the State Council consolidated the aforementioned two departments and reformed the CSRC.

On April 22, 1993, the Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) were promulgated by the State Council to govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of regulations Joint Stock Limited Companies (《國務院關于股份有限公司境內上市外資股的規定》). These regulations principally govern the issuance, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (the "PRC Securities Law") took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019 respectively. The latest revised Securities Law came into effect on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles regulating, among other matters, the issuance and trading of securities, takeovers of listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. Currently, the issuance and trading of foreign issued securities (including H shares) are principally governed by the rules and regulations promulgated by the State Council and the CSRC.

On November 14, 2019, CSRC promulgated the Notice on the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China (CSRC Announcement [2019] No. 22), which came into effect on the same day. This provision is to regulate the listing and circulation (hereinafter referred to as "Full Circulation") of unlisted domestic shares of domestic joint-stock limited companies (hereinafter referred to as H-share Companies) listed on the stock exchange of Hong Kong (including unlisted domestic capital stock held by domestic shareholders before overseas listing, unlisted domestic capital stock issued in China after overseas listing and unlisted shares held by foreign shareholders) to the Hong Kong Stock Exchange.

H-share Companies applying for "Full Circulation" shall put forward the application to CSRC in accordance to the administrative licensing procedure of Examination and Approval of Overseas Public Offering and Listing (Including Additional Issuance) of Joint-Stock Limited Companies. H-share companies may put forward the application of "Full Circulation" separately or simultaneously when applying for overseas refinancing. Unlisted domestic joint-stock limited companies may put forward the application of "Full Circulation" simultaneously when applying for overseas initial public offering and listing.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") which was considered and passed by the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, it is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, the arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case, unless the arbitration agreement is invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association. In respect of any disputes or claims in relation to the company's affairs or as a result of any rights or obligations arising under the articles of association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose

participation is necessary for the resolution of such dispute or claim, if they are a company or its shareholders, directors, supervisors, managers or other members of senior management, shall be subject to the arbitration. Disputes in respect of the identification of shareholder and the register of shareholders of the company need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic or Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award made by the arbitral body is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. The people's court shall enforce the arbitral award. A people's court may decide to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal. If an arbitral award shall not be enforced according to the ruling by the people's court, the parties may apply re-apply for arbitration or file a lawsuit before the people's court.

A party seeking to enforce an arbitral award of a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitral body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. According to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁决公約》) (the "New York Convention") which came into effect for China on April 22, 1987, all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE COMPANY LAWS IN HONG KONG AND THE PRC

The Hong Kong laws applicable to a company incorporated in Hong Kong are based on the Companies Ordinance and is supplemented by common law and the rules of equity that are

applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a primary listing of shares on the Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company laws applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company laws, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under the new Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by/ filed with our general meeting and the relevant PRC governmental and regulatory authorities, if applicable.

Under the Securities Law, listing applications should meet the listing requirements under the listing rules of the stock exchanges. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and asset verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Generally, domestic shares denominated and subscribed for in Renminbi may be subscribed for or purchased by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors within the scope permitted by laws and regulations.

Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau SAR and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lock-up period for the controlling shareholders (as defined under Listing Rules) disposal of shares, after **[REDACTED]**.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or

its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of General Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting, whereas notice of an extraordinary general meeting must be given not less than fifteen 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual general meeting is 21 days.

Quorum for General Meetings

The Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at General Meetings

Under the Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or change in corporate form, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Actions by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take actions against directors and supervisors in default.

Minority Shareholder Protection

Under Hong Kong laws, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to the interests of shareholders, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder (as defined in the Articles of Association in accordance with the Mandatory Provisions) may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of the Company's assets or the individual rights of other Shareholders.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements in accordance with the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the article of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC law this limitation period is three years.

The Mandatory Provisions require the relevant company to appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under the Company Law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory transfer

Under the Company Law, a company shall set aside a certain percentage of profit after taxation as statutory reserve. There are no corresponding provisions under the Hong Kong law.

Dispute Arbitration

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the company, a holder of H shares and directors, supervisors, managers and other members of senior management of the company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the CIETAC. Such arbitration is final and conclusive.

Remedies for a Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules and the Mandatory Provisions require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

A company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Special Regulations, directors and supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

This Appendix contains a summary of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the Articles of Association is available for inspection at the address specified in the section headed "Appendix VIII – Documents delivered to the registrar of companies and available for inspection".

SHARES

Shares and Registered Capital

The Company shall have ordinary shares at all times. The Company may create other classes of shares if necessary, upon approval by the departments authorized by the State Council. Each share of the same class shall have the equal rights.

All the shares issued by the Company shall have a par value, which shall be RMB1 for each share.

The Company may issue shares to domestic investors and to overseas investors following approval from the securities regulatory authority under the State Council. Upon the approval by the securities regulatory authority under the State Council for the issue of overseas-listed foreign shares and domestic shares by the Company, the Board may make arrangement for the respective issue thereof within 15 months or within the valid period granted by the securities regulatory authority under the State Council from the date of approval.

Increase, Reduction and Repurchase of Shares

Capital Increase

In accordance with the laws, regulations and these Articles of Association, the Company may, based on its operating and development needs and the special resolution of the general meeting, increase its capital by the following methods:

(I) Public offering;

(II) Private offering;

(III) Placing new shares to existing shareholders;

(IV) Allotting bonus issue to existing shareholders;

(V) Capitalizing its capital reserve;

(VI) Other methods permitted by laws or administrative regulations.

The Company's increase in capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant laws and administrative regulations after having been approved in accordance with these Articles of Association.

Reduction of Capital

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the Company Law of the People's Republic of China (the "Company Law") and other relevant regulations and the procedures stipulated in these Articles of Association.

Repurchase of Shares

Under the following circumstances, the Company may repurchase its shares in accordance with the provisions of the relevant laws, administrative regulations, listing rules of stock exchange where its shares are listed and these Articles of Association:

(I) To reduce the registered capital of the Company;

(II) To merge with other companies that hold the shares of the Company;

(III) To use the shares for Employee Stock Ownership Plan or as equity incentive;

(IV) The shareholders disagreeing with the merger or separation resolution made by the general meeting ask the Company to acquire their shares;

(V) To use the shares in the conversion of the convertible corporate bonds issued by the listed company;

(VI) Necessary to protect the company value and the shareholders' equity;

(VII) Other circumstances permitted by laws, regulations and the regulatory rules of the place where the shares of the Company are listed.

Unless the Company is in the course of liquidation, it shall comply with the following provisions in repurchasing its issued and outstanding shares:

(I) Where the Company repurchases its shares at par value, payment shall be made out of the book balance of distributable profits of the Company or out of proceeds of the issue of new shares for that purpose;

(II) Where the Company repurchases its shares at a premium to their par value, payment up to the par value shall be made out of the book balance of distributable profits of the Company or out of the issuance of new shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(i) If the shares repurchased were issued at their par value, payment shall be made out of the book balance of distributable profits;

(ii) If the shares repurchased were issued at a premium to their par value, payment shall be made out of the book balance of distributable profit or out of the proceeds of issuance of new shares for that purpose; provided that the amount paid out of the proceeds of the issue of new shares shall not exceed the total premium obtained at the time of issue of the old shares or the current amount of the Company's premium account (or capital common reserve account) (including the premiums from the issuance of new shares) at the time of repurchase;

(III) The sums paid by the Company for the purposes set forth below shall be paid out of the Company's distributable profits:

(i) Acquisition of the right to repurchase its own shares;

(ii) Modification of any contract for repurchasing its own shares;

(iii) Release from any of the Company's obligations under any repurchase contract.

(IV) After the par value of the canceled shares has been deducted from the registered capital of the Company in accordance with relevant provisions, the amount deducted from the distributable profit for payment of the par value portion of the shares repurchased shall be transferred to the Company's premium account (or capital common reserve account).

If the laws, administrative regulations and relevant rules of the securities regulatory authority in the place where the Company's shares are listed have other provisions on the financial treatment involved in the aforementioned share repurchase, such provisions shall prevail.

FINANCIAL ASSISTANCE FOR THE PURCHASE OF SHARES

The Company or its subsidiaries shall not at any time and in any manner provide financial assistance to anyone purchasing or proposing to purchase the Company's shares. The persons purchasing the shares of the Company include the persons becoming directly or indirectly liable as a result of the purchase of the shares.

No financial assistance shall be provided at any time and in any manner by the Company and its subsidiaries to reduce the said obligor's obligation or release the said obligor from the same.

The above restrictions shall not apply for the following circumstances:

(I) The provision of financial assistance by the Company in good faith for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of a master plan of the Company;

(II) The lawful distribution of the Company's assets as dividends;

(III) The distribution of dividends in the form of shares;

(IV) A reduction of registered capital, a repurchase of shares, adjustment to shareholding structure, etc. in accordance with these Articles of Association;

(V) The provision of loans by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance was paid out of the Company's distributable profits); and

(VI) Contributions made by the Company to the Employee Stock Ownership Plan (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance was paid out of the Company's distributable profits).

SHARE CERTIFICATES AND REGISTER OF MEMBERS

Share Certificates

The share certificates of the Company shall be in registered form.

The share certificates of the Company shall contain items provided in the Company Law and other items as required by any stock exchange on which the shares of the Company are listed.

Share certificates shall be signed by the legal representative. Where the stock exchange on which the Company's shares are listed requires that the share certificates shall be signed by other members of senior management, the share certificates shall also be signed by the

relevant members of senior management. Share certificates shall only become valid after being affixed with the seal of the Company or with the seal in printed form. The affixing of the Company's seal on share certificates shall be authorized by the Board. The signatures of the chairman of the Board or other members of senior management of the Company may be affixed to the share certificates by mechanical means.

Under the conditions of the paperless issuance and trading of the Company's shares, the provisions of the securities regulatory authority and the stock exchange where the Company's shares are listed shall apply.

Register of Members

The Company shall keep a register of shareholders which shall contain the following particulars:

(I) The name (title), address (domicile), occupation or nature of each shareholder;

(II) The class and number of shares held by each shareholder;

(III) The amount paid or payable on the shares held by each shareholder;

(IV) The serial numbers of the shares held by each shareholder;

(V) The date on which each shareholder was registered as a shareholder; and

(VI) The date on which each shareholder ceased to be a shareholder.

The register of shareholders shall be sufficient evidence of the shareholders' shareholding in Company, unless there is evidence to the contrary.

The Company may, in accordance with the understanding and agreement reached between the securities regulatory authority under the State Council and the overseas securities regulatory agencies, keep the original register of shareholders of overseas listed foreign shares outside China and appoint overseas agencies to maintain such register. The original register of shareholders of overseas listed foreign shares listed in Hong Kong shall be maintained in Hong Kong.

Copies of the register of shareholders for overseas listed foreign shares shall be kept at the Company's domicile. Appointed overseas agencies shall from time to time maintain the consistency of the original register of shareholders for overseas listed foreign shares and the copies thereof. In case of any inconsistency between the original and copies of the register of shareholders of overseas listed foreign shares, the original shall prevail.

The Company shall keep a complete register of shareholders. The register of shareholders shall include the following:

(I) Register of shareholders other than those provided in items (II) and (III) below kept at the Company's legal address;

(II) Register of shareholders for overseas listed foreign shares kept at the place where the overseas stock exchange in which those shares are listed is located;

(III) Register of shareholders maintained in other place(s) as the Board thinks fit for the purpose of listing the shares of the Company.

Different parts of the register of shareholders shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not, during the continuance of the registration of such shares on that part of the register, be registered in any other part of the register.

Changes and corrections to each part of the register of shareholders shall be in accordance with the laws of the places where that part is kept. When the Company convenes a general meeting, distributes dividends, is liquidated or engages in other acts requiring the recognition of equity, the Board shall decide that a certain date shall be the Record Date. The registered shareholders as of the Record Date shall be the shareholders of the Company.

Any person that challenges the register of shareholders and requests for his/her name to be entered into or removed from the register may apply to a competent court for correction of the register.

If the individual who has his/her name registered or requests to have his/her name registered on the register of shareholders loses his/her share certificate (i.e., the "Original Share Certificate"), he/she may apply to the Company for issuing a replacement share certificate representing the same shares (i.e., the "Related Shares") in accordance with the requirements of applicable laws and regulations.

The Company is not liable to compensate for any losses incurred by any person as a result of the cancelation of the original share certificates or the issue of the replacement share certificates, unless such person is able to prove that there is fraud on the part of the Company.

RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

The shareholders of the Company are those who lawfully hold the shares of the Company and have their names registered in the register of shareholders.

The shareholders shall enjoy the rights and assume the obligations according to the class and amount of the shares they hold. The shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Various classes of shareholders of the Company shall have equal rights in any distribution made in the form of dividends or otherwise.

When a legal person is a shareholder of the Company, it shall have its rights exercised by its legal representative or agent on its behalf.

Shareholders of ordinary shares of the Company shall enjoy the following rights:

(I) To receive dividend and other forms of distribution of interest in proportion to their respective shareholdings;

(II) To attend general meeting in person or by proxy, to issue opinion in general meeting, and to exercise voting rights in proportion to their respective shareholdings;

(III) To supervise the management of the business operations of the Company and to make recommendations and interrogations;

(IV) To transfer or pledge the shares they hold according to the laws, administrative regulations and these Articles of Association;

(V) To obtain relevant information in accordance with these Articles of Association, including:

1. A set of these Articles of Association upon payment of a fee covering the cost;

2. The rights to inspect and obtain photocopies of the following information upon payment of a reasonable charge:

(1) All parts of the register of shareholders;

(2) Personal information of the directors, supervisors, general manager and other members of senior management of the Company, including: (a) current and previous name and alias; (b) main address (domicile); (c) nationality; (d) full-time and all other part-time jobs and titles; (e) identity documents and relevant numbers.

(3) Status of the share capital of the Company;

(4) Reports showing the nominal value, the number, the maximum and minimum price paid in respect of each class of shares repurchased by the Company since the end of last fiscal year, and the aggregate amount paid by the Company for such shares;

(5) the minutes of general meetings (for inspection by shareholders only) and special resolutions of general meetings;

(6) the Company's latest audited financial statements and the directors', auditors' and supervisors' reports thereon;

(7) the copy of the latest annual return submitted to the State Administration for Market Regulation or other competent authorities in the PRC for filing;

(8) receipts of corporate bonds, proposals of meetings of the Board and the Supervisory Committee, the financial and accounting reports;

The Company shall maintain the documents set out in items (1) to (7) above except item (2) at the address of the Company in Hong Kong for free inspection by the public and its shareholders in accordance with the requirements of the Hong Kong Listing Rules.

(VI) Request from shareholders who object to a resolution of a general meeting on merger or division of the Company for the Company to acquire their shares;

(VII) The right to participate in the distribution of the Company's remaining assets in proportion to their shareholdings upon termination or liquidation of the Company;

(VIII) Inspect the Hong Kong Branch of the Company's Register of Members, but the company may suspend the registration of shareholders in accordance with the equivalent provisions of section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

(IX) Any other rights prescribed by the laws, administrative regulations, rules of the securities regulatory authority and the stock exchange where the Company's shares are listed and these Articles of Association.

Shareholders of ordinary shares of the Company shall have the following obligations:

(I) To comply with the laws, regulations and these Articles of Association;

(II) To pay capital contribution as per the shares subscribed for and the method of subscription;

(III) To be liable to the Company within the limits of the shares they hold;

(IV) Not to withdraw capital contribution, unless in the circumstances stipulated by the relevant laws and administrative regulations;

(V) Not to injure any of the interests of the company or of other shareholders by abusing the shareholder's rights, or injure the interests of any creditor of the company by abusing the independent status of legal person or the shareholder's limited liabilities;

(VI) Any other obligations prescribed by the laws, regulations and these Articles of Association.

Except for the conditions the share subscribers agree to at the time of subscription, shareholders do not assume any subsequently added responsibility for share capital unless otherwise specified by laws and regulations.

RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which shares of the Company are listed, in exercising its right as a shareholder, the controlling shareholder shall not make decisions that are detrimental to the interests of all or part of shareholders on the following issues:

(I) To relieve a director or supervisor of his/her duty to act in good faith in the best interest of the Company;

(II) To approve the expropriation by a director or supervisor (for the benefit of his/her own or of another person), in any manner, of the Company's assets, including but not limited to, opportunities favorable to the Company;

(III) To approve the expropriation by a director or supervisor (for the benefit of his/her own or of another person) of the personal rights of other shareholders, including but not limited to, rights to distributions and voting rights, save and except for a corporate restructuring of the Company submitted to and approved by the general meeting of shareholders in accordance with these Articles of Association.

GENERAL MEETINGS

General Rules for Convening General Meetings

The general meeting is the source of authority of the Company and exercises its powers according to the laws. The general meeting shall exercise the following functions and powers:

(I) To decide the management policies and investment plans of the Company;

(II) To elect and replace directors assumed by non-representatives of the employees and to decide matters relating to the remuneration of directors;

(III) To elect and replace supervisors who are not employee representatives and to decide matters relating to the remuneration of supervisors;

(IV) To consider and approve reports of the Board;

(V) To consider and approve reports of the Supervisory Committee;

(VI) To consider and approve the Company's annual financial budget and final accounts;

(VII) To consider and approve the Company's profit distribution plans and loss recovery plans;

(VIII) To resolve on the increase or reduction of the Company's registered capital;

(IX) To resolve on the issuance of corporate bonds or other securities and public listing plans;

(X) To resolve on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;

(XI) To amend these Articles of Association;

(XII) To resolve on the appointment, removal or non-renewal of the services of an accounting firm for the Company;

(XIII) To consider any proposals made by shareholders representing more than 3% (inclusive) of the voting rights of the Company;

(XIV) To consider the Company's purchase, disposal or replacement of major assets within one year with an aggregate value exceeding 30% of the total assets of the Company in the latest audited financial statements;

(XV) To resolve on matters relating to guarantee as stipulated under these Articles of Association and applicable laws and regulations;

(XVI) To consider and approve the equity incentive plan;

(XVII) To consider and approve connected transactions required to be considered and approved by the general meeting in accordance with the laws, regulations, the listing rules of the stock exchange on which the shares of the Company are listed and these Articles of Association;

(XVIII) Any other matters that should be resolved by the general meeting according to the laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed and these Articles of Association.

The general meetings shall be divided into the annual general meetings and the extraordinary general meetings. The annual general meeting shall be convened once a year, and shall be held within six months after the prior accounting year ends.

Extraordinary general meetings shall be held whenever necessary. The Board shall hold the extraordinary general meeting in two months upon the occurrence of the following events:

(I) The number of directors falls short of the number required by the Company Law or is less than two-thirds of the number required by these Articles of Association;

(II) The uncovered loss of the Company reaches one-third of the total paid-in share capital of the Company;

(III) Upon request(s) by shareholder(s) individually or collectively holding more than 10% (inclusive of 10%) of the Company's shares;

(IV) As deemed necessary by the Board or proposed by the Supervisory Committee;

(V) Other circumstances required by the laws, regulations and these Articles of Association.

The number of shares held by a shareholder in item (III) above shall be calculated based on the number of shares of the Company held on the date of written request by the shareholder.

Proposals of General Meetings

Unless otherwise provided in these Articles of Association, shareholders holding, individually or jointly, 3% or more of the Company's shares may submit a temporary motion and present a written proposal to the conveners 10 days before the date of the general meeting. The convener of the general meeting shall, within two days after receiving the proposal, send a supplementary notice detailing the temporary motion in accordance with the relevant rules of the stock exchange where the Company's shares are listed to notify other shareholders, and include in the agenda of the proposed meeting matters that fall within the terms of reference of the general meeting and submit them to the general meeting for consideration.

Save as specified above, the convener shall not change the proposal set out in the notice of general meeting or add any new proposal after the said notice is served.

Notices of General Meetings

To hold an annual general meeting, a written notice shall be given 21 days before the date of the general meeting, so as to notify all the shareholders listed on the register of the matters to be considered at the meeting and the meeting date and place. To hold an extraordinary general meeting, a written notice shall be given at least 15 days and not less than 10 business days before the date of the meeting, so as to notify all the shareholders listed on the register of the matters to be considered at the meeting and the meeting date and place.

In determining the starting date of the "21 days" and "15 days" above, the Company shall not include the date on which the meeting is held, but shall include the date on which the notice is given.

For the shareholders of domestic shares, the notice of general meeting may be made in the form of announcement in accordance with the laws and regulations.

For the shareholders of H shares, the Company may also give notice of the general meeting by posting on the Company's website and the website designated by Hong Kong Stock Exchange or by such other means as may be permitted under the Listing Rules and these Articles of Association, or send notice to each shareholder by hand or by post at the registered address of each such shareholder.

Convening of General Meetings

Any shareholder entitled to attend the general meeting and vote has the right to appoint one or several persons (who is not necessary to be a shareholder) as his/her proxy to attend

and vote on his/her behalf. A proxy is entitled to exercise the following rights pursuant to the appointment made by the appointing shareholder:

(I) The same right as the shareholder to speak at the general meeting;

(I) Demand a poll individually or together with others;

(II) Exercise voting rights by show of hands or by poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by poll.

Subject to the requirements above, the power of attorney shall also specify the following:

(I) the name of the proxy;

(II) the number of shares represented by the proxy;

(III) whether the proxy has the right to vote or not;

(IV) instructions on voting in favor, against or abstaining from each item on the agenda of the general meeting;

(V) whether the proxy has the right to vote on the temporary proposal which might be included on the agenda of the general meeting, and, if so, instructions on how to exercise the right to vote;

(VI) the date of issuance and validity period of the power of attorney;

(VII) If several persons act as proxies, the power of attorney shall indicate the number of shares represented by each proxy;

(VIII) Signature (or seal) of the principal. If the principal is a legal person, the power of attorney shall be stamped with the seal of the legal person.

The power of attorney for proxy voting shall be deposited at the domicile of the Company or such other places designated in the notice of the meeting 24 hours before the meeting at which the proxy is authorized to vote or 24 hours before the specified voting time.

General meetings shall be presided over by the chairman of the Board. If the chairman of the Board is unable or fails to perform his/her duties, a director elected by more than half of all directors shall preside over the meeting. If no chairman of the meeting is elected,

shareholders attending the meeting may elect one person to serve as the chairman. If the shareholders fail to elect a chairman of the general meeting for any reason, the shareholder (including shareholder proxy) attending the meeting who holds the largest number of voting shares shall act as the chairman of the general meeting.

The chairman of the Supervisory Committee shall preside over the general meeting convened by the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to fulfill his/her duties, one supervisor jointly elected by more than half of the supervisors shall preside over the general meeting.

A representative elected by the convener(s) shall preside over the general meeting convened by the shareholders.

Voting and Resolutions of General Meetings

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions. Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting. Special resolutions of the general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

Shareholders (including proxies) shall exercise their voting rights by the number of voting shares they represent at the general meeting, and each share shall have one vote, but Company shares held by the Company have no voting right, and those shares are not included in the total number of voting shares present at the general meeting.

On a poll taken at a meeting, a shareholder (including his/her proxies) entitled to two or more votes does not need to cast all his/her votes for or against any proposed resolution.

In the event of a tie between for and against, either by show of hands or by poll, the chairman of the meeting is entitled to one additional vote.

The following matters shall be resolved by way of special resolution of the general meeting:

(I) increase or reduction in the share capital and issuance of any class of shares, warrants or other similar securities by the Company;

(II) amendment to the Articles of Association;

(III) issuance of corporate bonds or listing of securities by the Company;

(IV) division, merger, dissolution and liquidation (including voluntary liquidation) of the Company or change of its corporate form;

(V) any purchase, sale of material assets or provision of guarantees by the Company within one year with an amount exceeding 30% of the Company's total assets, other than those required in the Company's daily operation or provision of guarantees for the Company;

(VI) equity incentive plans of the Company;

(VII) other matters that are required by laws, regulations or these Articles of Association to be adopted by a special resolution and that, as resolved by the general meeting by an ordinary resolution, may have a material effect on the Company and should therefore be adopted by a special resolution.

When a connected transaction is considered at a general meeting, the connected shareholder(s) shall abstain from voting. The voting shares held by the connected shareholder(s) shall not be counted in the total number of shares with voting rights. The resolutions of the general meeting shall fully disclose the voting of the shareholders who are not connected.

Procedures for Voting by Class Shareholders

Shareholders who hold different classes of shares shall be class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and these Articles of Association.

If the Company intends to change or abrogate the rights of class shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution at the general meeting and by a separate class meeting convened by the affected shareholders of that class in accordance with these Articles of Association.

The rights of shareholders of a certain class shall be deemed to have been changed or abrogate in the following circumstances:

(I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(II) To effect an exchange of all or part of the shares of such class into shares of another class, or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(III) To remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;

(IV) To reduce or remove a dividend preference or property distribution preference during the liquidation of the Company attached to shares of such class;

(V) To add, remove or reduce share conversion rights, options, voting rights, transfer rights, preemptive rights and rights to acquire securities of the Company attached to shares of such class;

(VI) To remove or reduce rights to receive amounts payable by the Company in a particular currency attached to shares of such class;

(VII) To create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;

(VIII) To restrict or impose additional restrictions on the transfer of ownership of shares of such class;

(IX) To issue rights to subscribe for, or convert into, shares of such class or another class;

(X) To increase the rights and privileges of shares of another class;

(XI) To restructure the Company where the proposed restructuring will result in different classes of shareholders having to bear liability to different extents; and

(XII) To amend or abrogate the articles of this Chapter.

Shareholders of the affected class, whether or not originally having the right to vote at general meetings, shall have the right to vote at class meetings in respect of matters referred to in paragraphs (II) to (VIII) or (XI) to (XII) of Articles above, except that interested shareholders shall not have the right to vote at class meetings.

For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meanings:

(I) If the Company has made a repurchase offer to all shareholders in the same proportion or has repurchased its own shares through public trading on a stock exchange in accordance with Article 27 hereof, the controlling shareholders as defined in Article 58 hereof shall be the "interested shareholders";

(II) If the Company has repurchased its own shares by agreement outside a stock exchange in accordance with Article 27 hereof, shareholders in relation to such agreement shall be the "interested shareholders";

(III) Under a restructuring proposal of the Company, shareholders who will bear liability in a proportion smaller than that of the liability borne by other shareholders of the same class, or shareholders who have an interest in a restructuring proposal of the Company that is different from the interest in such restructuring proposal of other shareholders of the same class shall be the "interested shareholders".

Resolutions of class meeting may be passed only by more than two-thirds of the voting rights of that class represented at the meeting in accordance with these Articles of Association.

If a class meeting is to be held by sending notice of the meeting, it shall be given only to the shareholders entitled to vote at the meeting. Such class meeting shall be attended by holders of no less than one-third of the shares in that share class.

The procedures according to which a class meeting is held shall, to the extent possible, be identical to the procedures according to which a general meeting is held. Provisions of these Articles of Association relevant to procedures for the holding of a general meeting shall be applicable to class meetings.

In addition to shareholders of other classes of shares, shareholders of domestic shares and overseas listed foreign shares shall be deemed to be shareholders of different classes.

The special voting procedures for approval by a class of shareholders shall not apply:

(I) Where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or concurrently, domestic shares and overseas listed foreign shares every 12 months, and the number of the domestic shares and overseas listed foreign shares intended to be issued does not exceed 20% of the issued and outstanding shares of the respective class;

(II) Where the plan for issuance of domestic shares and overseas listed foreign shares upon the establishment of the Company is completed within 15 months after being approved by the securities regulatory authorities under the State Council;

(III) Where, with the approval of the securities regulatory authorities under the State Council, the shareholders of domestic shares of the Company transfer the shares held by them to overseas investors and list them in the overseas stock exchanges.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meeting, with a term of office of three years. Upon expiration of the term, the directors may be re-elected and serve consecutive terms.

A written notice of the intention of nominating a director candidate and the candidate's willingness to accept the nomination shall be sent to the Company seven days before the general meeting. The seven-day notice period shall commence no earlier than the day after the date of issuance of the notice of the general meeting and end no later than seven days before the date of the general meeting. The period for the Company to submit the aforementioned notices and documents to the relevant nominators and director candidates (the period shall be counted from the day after the date of issuance of the notice of the general meeting) shall be no less than seven days.

The general meeting may, subject to the provisions of the relevant laws and administrative regulations, remove by ordinary resolution any director whose term of office has not yet expired (provided that claims under any contract shall not be affected by this).

The term of office of a director shall commence from the date of him/her assuming office until expiry of the term of the prevailing session of the Board. If the term of office of a director expires but re-election is not made forthwith, before the re-elected director takes office, such retiring director shall continue to perform his/her duties as a director pursuant to the requirements of laws, regulations and these Articles of Association. Any person appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting after his/her appointment and that person shall then be eligible for re-election and re-appointment.

General manager or other members of senior management of the Company may concurrently serve as directors, but the total number of directors who concurrently serving as general manager or other members of senior management shall not be more than 1/2 of the total number of directors of the Company.

Directors are not required to hold shares of the Company.

Board of Directors

The Company has set up a board of directors (the "Board") consisting of 9 directors, of which 3 are independent non-executive directors.

The Board shall exercise the following functions and powers:

(I) to convene the general meetings and to propose the general meetings to approve the relevant matters as well as to report its performance at the general meetings;

(II) to implement resolutions adopted at the general meetings;

(III) to change the scope of business or change the name of the Company;

(IV) to decide on the Company's business plans and investment plans;

(V) to formulate the Company's annual financial budgets and final accounts;

(VI) to formulate the Company's profit distribution plans and loss recovery plans;

(VII) to formulate the proposals on the increase or reduction of the Company's registered capital;

(VIII) to formulate the proposals on the issuance of corporate bonds and securities listing plans for the Company;

(IX) to formulate the plans for merger, division, dissolution or other changes in corporate form of the Company;

(X) to formulate the Company's purchase and disposals of major assets exceeding 30% of the latest audited total assets of the Company;

(XI) to decide on the establishment of internal management organizations and the establishment of branches of the Company;

(XII) to appoint or dismiss the general manager and the secretary to the Board of the Company, to appoint or dismiss the deputy general manager, chief financial officer and other members of senior management as nominated by the general manager and to determine their remuneration, rewards and punishments;

(XIII) to formulate the basic management system of the Company;

(XIV) to formulate the remuneration and incentive system of the Company;

(XV) to formulate proposed amendments to these Articles of Association;

(XVI) to propose to the general meeting the appointment or replacement of accounting firm which carries out audit of the Company;

(XVII) to decide on the external guarantee matters of the Company other than those required to be considered at the general meeting;

(XVIII) to decide on the establishment of subsidiaries and branches of the Company and to formulate the reorganization proposals for the subsidiaries of the Company;

(XIX) to listen to the work report of the general manager of the Company and to examine the work of the general manager of the Company;

(XX) to consider and approve the connected transactions required to be considered and approved by the Board in accordance with the laws, regulations, the listing rules of the stock exchange on which the shares of the Company are listed and these Articles of Association;

(XXI) other duties and powers conferred by these Articles of Association or the general meeting;

(XXII) other matters as required in the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed.

Saved for items (VII), (VIII), (IX) and (XV), the aforesaid matters proposed by the Board shall be approved by consent of more than 2/3 of the directors, while the rest shall be approved by consent of more than half of the directors.

A Board meeting shall not be held unless more than half of the directors are present. Each director shall have one vote. A resolution made by the Board must be approved by more than half of all the directors. In the event of a tie between for and against, the chairman of the Board is entitled to one additional vote.

Except the exceptions specified by the Hong Kong Stock Exchange Listing Rules or permitted by the Stock Exchange of Hong Kong, if a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent executive directors who, and whose close associates (as defined in the Hong Kong Stock Exchange Listing Rules) have no material interest in the transaction should be present at that board meeting.

Notice of meeting shall be deemed to have been served to any director who attends the meeting without raising any objection before or during the meeting that he/ she has not received the notice of meeting.

SECRETARY TO THE BOARD

The Company shall have a Secretary to the Board. The Secretary to the Board shall be a member of senior management of the Company.

The Secretary to the Board shall be a natural person with the necessary professional knowledge and experience.

The accountants of the accounting' firm appointed by the Company shall not act concurrently as the Secretary to the Board.

SUPERVISORY COMMITTEE

The Supervisory Committee shall consist of three supervisors, which shall be shareholder representatives and employee representatives. Two supervisors shall be shareholder representatives, which shall be elected by the general meeting. One supervisor shall be employee representative, which shall be democratically elected or replaced by the employees of the Company. The Supervisory Committee shall have one chairman, which shall be elected or dismissed by two-thirds or more of supervisors.

The chairman of the Supervisory Committee shall convene and preside over the meetings of the supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor appointed by half or more of all supervisors shall convene and preside over the meetings of the Supervisory Committee.

Directors, general manager and other members of senior management shall not concurrently serve as supervisors.

The Supervisory Committee shall be accountable to the general meeting and exercise the following powers:

(I) to review the regular reports of the Company prepared by the Board and issue written review opinions;

(II) to examine the Company's financial position;

(III) to supervise the performance by the directors and members of senior management when discharging their duties to the Company, and to propose to remove the directors and members of senior management who have violated the laws, regulations, these Articles of Association or resolutions of general meetings;

(IV) to demand rectification from the directors or members of senior management when the acts of such persons are harmful to the interests of the Company;

(V) to propose to convene an extraordinary general meeting and to convene and preside over a general meeting when the Board fails to perform the duties of convening and presiding over the general meeting under the Company Law;

(VI) to submit proposals to the general meetings;

(VII) to bring legal actions against the directors and members of senior management in accordance with the relevant requirements of the Company Law;

(VIII) to verify the financial information such as financial reports, business reports and profit distribution plans to be submitted by the Board at the general meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors for a re-examination of the aforesaid information;

(IX) to conduct investigations upon discovery of abnormality in the business operation of the Company. If necessary, it may engage professional firms such as accounting firms and lawyers to assist its work at the expense of the Company.

(X) other duties and powers conferred by laws, regulations or these Articles of Association.

Supervisors may attend Board meetings.

GENERAL MANAGER AND OTHER MEMBERS OF THE SENIOR MANAGEMENT

The Company shall have one general manager, who shall be appointed and dismissed by the Board.

The Company shall have several deputy general managers, and the exact number shall be determined by the Board in light of the operation of the Company. Deputy general managers shall be appointed or dismissed by the Board.

The chief financial officer, secretary to the Board and other members of senior management shall be nominated by the general manager and appointed by the Board.

The general manager shall be accountable to the Board and exercise the following powers:

(I) to lead the management of production and operation of the Company, to organize the implementation of the resolutions of the Board, and to report to the Board;

(II) to draft the Company's annual business plan, investment plan, financial budget and final accounts and submit them to the Board for review and approval, and to organize the implementation of the Company's annual business plan, investment plan and budget plan;

(III) to convene and preside over the general manager office meetings;

(IV) to draft the plans for the establishment of internal management organizations of the Company;

(V) to draft the basic management system of the Company;

(VI) to formulate the specific rules of the Company;

(VII) to propose the Board to appoint or dismiss other member of senior management of the Company;

(VIII) to decide on the appointment or dismissal of managers other than those required to be appointed or dismissed by the Board;

(IX) to propose to convene extraordinary Board meetings;

(X) other duties and powers conferred by these Articles of Association or the Board;

LOANS TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The company shall not directly or indirectly provide loans or loan guarantees to the directors, supervisors, general managers and other senior management personnel of the company and its controlling shareholders; nor may it provide loans or loan guarantees to the related persons of the aforementioned persons.

The preceding provision shall not apply to the following circumstances:

(I) loans or loan guarantees provided by the Company to its subsidiaries;

(II) loans, loan guarantees or other funds provided by the Company to the Directors, Supervisors, senior management personnel of the Company pursuant to their employment contracts which were adopted by the Shareholders' general meeting, with which the foregoing persons can make payments in the interests of the Company or for the expenses incurred in performing their duties and responsibilities for the Company;

(III) where the normal scope of business of the Company includes the provisions of loans and loan guarantees, loans and loan guarantees can be provided by the Company to the relevant Directors, Supervisors, General Manager and other senior management personnel of the Company and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

EMOLUMENTS AND COMPENSATION FOR LOSS OF OFFICE

The Company shall enter into a contract in writing with a Director or Supervisor to determine his/her emoluments subject to prior approval of general meeting. The above emoluments include:

(I) emoluments in respect of his/her service as a Director, Supervisor or senior management of the Company;

(II) emoluments in respect of his/her service as a Director, Supervisor or senior management of a subsidiary of the Company;

(III) emoluments in respect of other services for the management of the Company and its subsidiary;

(IV) funds received by such Directors or Supervisors as compensation for their loss of office or for their retirement.

A Director or Supervisor may not sue the Company for such benefits due to him on the grounds of the foregoing matters, except for under such contract as mentioned above.

The contract regarding emoluments entered into by and between the Company and its Directors and Supervisors shall provide that in the event of a takeover of the Company, the Company's Directors and Supervisors shall, subject to the prior approval of the Shareholders' general meeting, have the rights to receive compensation or other payment for loss of their office or for their retirement. For the purposes of the preceding paragraph, the term "a takeover of the Company" shall refer to any of the following occasions:

(I) anyone makes a tender offer to all the shareholders;

(II) anyone making a tender offer aims at that the offeror becomes a controlling shareholder which has the same definition as that provided in Article 58 of the Articles of Association.

If the relevant Director or Supervisor fails to comply with this Article, any fund received by him/her shall belong to those persons that have sold their shares as a result of their acceptance of foregoing offer, and the expenses incurred from the distribution of such fund on a pro rata basis shall be borne by the relevant Director and Supervisor and may not be paid out of such fund.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its own financial and accounting systems in accordance with the laws, administrative regulations and the relevant rules enacted by the competent financial authority under the State Council.

The fiscal year of the Company shall be the calendar year, being from January 1 to December 31. The Company shall prepare an annual financial accounting report within 120 days from the end of each fiscal year.

The Company shall publish its financial report at least twice in a fiscal year, that is, its interim financial report shall be published within 60 days after the end of the first 6 months of the fiscal year and its annual financial report shall be published within 120 days after the end of the fiscal year.

The financial reports of the Company shall be made available for inspection at the Company by shareholders 20 days prior to an annual general meeting. Each shareholder of the Company shall have the right to obtain the financial reports referred to in this chapter.

Subject to the relevant laws, regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, the Company shall deliver the said financial reports or the Board's report together with its balance sheet (including such documents as may be appended as required by laws) and its profit and loss account or statement of income and expenditure, or a summary financial report to each shareholder of overseas listed foreign shares by hand or by prepaid mail at the recipient's address shown in the register of shareholders no later than 21 days prior to the date of annual general meeting. The Company can release said reports in the form of announcement (including through the website of the Company), subject to the compliance with the laws, regulations and the listing rules of the stock exchange where the Company's shares are listed.

PROFIT DISTRIBUTION

When the Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory reserve fund. If the accumulated amount of the statutory reserve fund reaches 50% of the registered capital, the Company is released from the obligation of withholding statutory reserve fund.

Where the Company's statutory reserve fund is insufficient to cover the previous year's losses, the Company shall first use the profits of the current year to cover the losses before withholding the statutory reserve fund according to the provisions of the preceding paragraph.

After the Company withholds the statutory reserve fund from the after-tax profit, it may also withhold optional reserve fund from the after-tax profit upon the resolution of the general meeting.

Except with respect to those distribution that are distributed according to the proportion of shares held as stipulated by the Articles of Associations, the remaining after-tax profits of the Company after making up the losses and withholding the reserve funds are profits available for distribution to shareholders, and may be distributed according to the proportion of shares held by the shareholders based on the resolution of the general meeting.

Where the general meeting, in violation of the provisions of the preceding paragraph, distributes the profits to the shareholders before the Company makes up the losses and withholds the statutory reserve fund, the shareholders must return the profits distributed in violation of the provisions to the Company.

The Company's shares held by the Company shall not participate in the distribution of profits.

The Company may distribute dividends in the form of the following:

(i) cash;

(ii) shares.

The Company shall appoint receiving agents for the holders of overseas listed foreign shares. The receiving agents shall receive the dividends and other amount payable by the Company for the overseas listed foreign shares and hold such monies in their custody pending payment to the shareholders concerned.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place(s), or the relevant regulations of the securities exchange(s), where the shares of the Company are listed.

The receiving agents appointed by the Company for shareholders of the overseas listed foreign shares listed on Hong Kong Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

On the premise of abiding by the relevant Laws and regulations of China, and the listing rules of the stock exchange where the Company's shares are listed the Company may exercise the right to confiscate the unclaimed dividends, but the right can only be exercised after the expiration of the applicable restriction period after the declaration of the relevant dividends.

The Company has the right to terminate the delivery of dividend warrants by post to a shareholder of the overseas listed foreign shares, subject to the provision that if the dividend warrants are not cashed, the right shall be exercised only after the dividend warrants have not been cashed for consecutively twice. Such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall have the right to sell the shares of the shareholders of the overseas listed foreign shares that cannot be contacted in such manner as the Board deems appropriate, subject to the following conditions:

(I) During a period of 12 years, at least three dividends in respect of the shares in question have become payable by the Company and no dividend has been claimed during that period; and

(II) On expiry of the 12 years, the Company gives notice of its intention to sell the shares by way of an announcement published in one or more the newspapers and notifies the stock exchange where such shares are listed of such intention.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved if:

(I) Business term specified in these Articles of Association expires or other dissolution reasons as stipulated in these Articles of Association arise;

(II) The general meeting resolves to dissolve the Company;

(III) Dissolution is required due to merger or division of the Company;

(IV) The Company is revoked of business license, ordered to close or canceled according to law;

(V) When the company has serious difficulties in its business management and its subsistence will have material prejudice to the interests of the shareholders, where the company is unable to resolve the difficulties through any other means, the shareholders who hold an aggregate of over 10% of the whole voting rights can make a petition to the People's Court to dissolve the Company; and the People's Court dissolves the company accordingly.

Where the Company is to be dissolved pursuant to items (I), (II), (IV) or (V) of the preceding Article, it shall establish a liquidation committee within 15 days from the date of occurrence of causes for dissolution. The members of such liquidation committee shall be determined by the Board or general meeting. If the liquidation committee is not established within the prescribed period, the creditors can submit application to the People's Court to appoint the relevant officers to establish the liquidation committee to carry out the liquidation.

The liquidation committee shall notify the creditors within a period of 10 days since the date of establishment, and publish announcements in newspaper within 60 days. Creditors shall, within 30 days since the date of receiving the notice, or for creditors who do not receive the notice, within 45 days since the date of the public announcement, report their creditors' rights to the liquidation committee. When reporting creditors' rights, the creditor shall provide an explanation of matters relevant to the creditor's rights and provide the supporting evidence. The liquidation committee shall register the creditors' rights.

After the liquidation committee has thoroughly examined the Company's assets and prepared the balance sheets and a schedule of assets, it shall formulate a liquidation plan and submit such plan to the general meeting or the People's Court for confirmation.

Payment of liabilities out of the Company's property shall be made in the following sequence: liquidation expenses; wages owed to employees of the Company, labor insurance fees and statutory compensation; outstanding taxes; debts of the Company.

The Company's assets remaining after full payment in accordance with the provisions of the preceding paragraph shall be distributed by the Company's shareholders according to the class and proportion of their shareholdings.

During the liquidation period, the Company shall not carry out any business activities not related to liquidation. The property of the Company shall not be distributed to the shareholders until all liabilities have been paid off in accordance with the provisions of preceding paragraph.

If the liquidation committee, having thoroughly examined the Company's assets and prepared the balance sheets and a schedule of assets, discovers that the Company's assets is insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of bankruptcy. After the People's Court has ruled for the Company to declare itself bankrupt, the Company's liquidation committee shall refer the liquidation matters to the People's Court.

Following the completion of liquidation, the liquidation committee shall formulate a liquidation report and submit to the general meeting or the People's Court for confirmation.

The liquidation committee shall deliver the same to the company registry within 30 days since the date of receiving confirmation of the liquidation report made by the general meeting or relevant competent authorities, apply for cancelation of the Company's registration and publicly announce the Company's termination.

Where a company is declared bankrupt according to law, it shall carry out a bankruptcy liquidation according to the legal provisions concerning bankruptcy liquidation.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Company may amend these Articles of Association in accordance with laws, administrative regulations and these Articles of Association.

Any amendment to the Articles of Association involving the contents of the Mandatory Provisions shall come into effect after being approved by the examination and approval department authorized by the and the securities regulatory authority (if applicable) of the State Council. Where the Company's registered items are involved, change registration shall be made according to law.

RESOLUTION OF DISPUTES

The Company shall abide by the following rules for dispute resolution:

(I) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under the Articles of Association of the Company, the Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, General Managers and other senior management personnel of the Company, or between the Company and its Directors or senior management personnel, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, General Managers and other senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(II) An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

(III) Unless otherwise provided by laws and administrative regulations, the laws of the People's Republic of China shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (I) above.

(IV) The award of the arbitration institution shall be final and binding upon all parties.

(V) Any submitted arbitration shall be deemed to authorize the arbitral tribunal to conduct public hearings and announce its award.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

Our Company was established as a limited liability company in the PRC on November 13, 2009 and was converted into a joint stock limited company on December 29, 2020 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB374,929,920.

Our Company has established a place of business in Hong Kong at 40th Floor, Dah Sing Financial Center, No. 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong July 16, 2021 under Part 16 of the Companies Ordinance. Ms. Au Wai Ching (區慧晶), one of our joint company secretaries, has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix VI – Summary of Articles of Association" in this Document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix V – Summary of Principal Legal and Regulatory Provisions" in this Document.

Changes in Share Capital

On November 13, 2009, our Company was incorporated with a registered capital of RMB1.00 million.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" in this Document, there were no change in the share or registered capital of our Company wihtin the two years immediately preceding the date of this Document.

For more details, see "History, Reorganization and Corporate Structure". Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Document.

Corporate Reorganization

Our Company has gone through corporate reorganization. For details, see the section headed "History, Reorganization and Corporate Structure" in this Document.

Resolutions of Our Shareholders

Pursuant to a general meeting held on July 5, 2021, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the **[REDACTED]**, and the grant to the **[REDACTED]** (or their representatives) of the **[REDACTED]** of not more than 15% of the number of H Shares issued pursuant to the **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the adoption of the Articles of Association which shall become effective on the **[REDACTED]**, and authorization to the Board to amend the Articles of Association for the purpose of the Company's **[REDACTED]**; and

(d) authorization of the Board to handle all matters relating to, among other things, the **[REDACTED]**, the **[REDACTED]** and **[REDACTED]** of the H Shares.

Changes in Share Capital of Our Subsidiaries

Our subsidiaries as of the Latest Practicable Date was set out in Note [1] to the Accountants' Report in Appendix I to this Document.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure", there were no change in the share or registered capital of our subsidiaries within the two years immediately preceding the date of this Document.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that are or may be material:

1. the capital increase agreement dated December 25, 2019 entered into among Eucure (Beijing) Biopharma Co., Ltd.* (祐和醫藥科技（北京）有限公司), Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀

成長柒號投資(深圳)合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)), Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)), Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）), State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited Partnership) (國投高新(深圳)創業投資基金(有限合夥)), and Youhoe Biopharma Limited, , in relation to the increase of registered capital of Eucure (Beijing) Biopharma Co., Ltd.* (祐和醫藥科技（北京）有限公司);

2. the capital increase agreement dated September 9, 2020 entered into among our Company, Dr. Shen Yuelei, Dr. Ni Jian, 百奧維達中國人民幣基金有限公司 BioVeda China Fund II RMB, Limited, State Development & Investment Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)), State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited Partnership) (國投高新(深圳)創業投資基金(有限合夥)), State Development & Investment Corporation (SDIC) VC Fund (Ningbo) of Technology Transfer and Commercialization (Limited Partnership) (國投（寧波）科技成果轉化創業投資基金合夥企業（有限合夥）), Astral Eminent Limited, Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)), COWIN CHINA GROWTH FUND I, L.P., Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長柒號投資(深圳)合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業(有限合夥)), Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (L.P.) (深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）), China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）), SIP ORIZA SEED FUND II VENTURE CAPITAL INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP) (蘇州工業園區原點正則貳號創業投資企業(有限合夥)), Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）), Zhu Mingchen (朱明臣), Beijing Eucure Evergreen Technology Development Center (Limited Partnership) (北京祐和常青科技發展中心（有限合夥）), Beijing Baiao Evergreen Technology Development Center (Limited Partnership) (北京百奧常青科技發展中心（有限合夥）), Beijing Baiao Changsheng Technology Development Center (Limited Partnership) (北京百奧常盛科技發展中心（有限合夥）), and Eucure (Beijing) Biopharma Co., Ltd.*(祐和醫藥科技（北京）有限公司), in relation to the increase of registered capital of our Company;

3. the capital increase and equity transfer agreement dated September 23, 2020 entered into among our Company, Dr. Shen Yuelei, Dr. Ni Jian, 百奧維達中國人民幣基金有限公司 BioVeda China Fund II RMB, Limited, State Development & Investment

Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)), State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited Partnership) (國投高新(深圳)創業投資基金(有限合夥)), State Development & Investment Corporation (SDIC) VC Fund (Ningbo) of Technology Transfer and Commercialization (Limited Partnership) (國投（寧波）科技成果轉化創業投資基金合夥企業（有限合夥）), Astral Eminent Limited, Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)), COWIN CHINA GROWTH FUND I, L.P., Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長柒號投資(深圳)合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業 (有限合夥)), Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (L.P.) (深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）), China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）) , SIP ORIZA SEED FUND II VENTURE CAPITAL INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP) (蘇州工業園區原點正則貳號創業投資企業(有限合夥)), Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）), Zhu Mingchen (朱明臣), Beijing Eucure Evergreen Technology Development Center (Limited Partnership) (北京祐和常青科技發展中心（有限合夥）) , Beijing Baiao Evergreen Technology Development Center (Limited Partnership) (北京百奧常青科技發展中心（有限合夥）), Beijing Baiao Changsheng Technology Development Center (Limited Partnership) (北京百奧常盛科技發展中心（有限合夥）), Shenzhen Zhaoyin Chengzhang Shijiuhao Equity Investment Fund Partnership (Limited Partnership) (深圳市招銀成長拾玖號股權投資基金合夥企業（有限合夥）), CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理（深圳）有限公司), Zhuhai Growth Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金（有限合夥）), Jiangsu China Life Jiequan Equity Investment Center (Limited Partnership) (江蘇國壽聿泉股權投資中心（有限合夥）), PICC Beijing Health Care Fund, L.P. (北京人保健康養老產業投資基金（有限合夥）), Xinyu Cowin Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新餘市同創國盛科創產業投資合夥企業（有限合夥）), Yiwu Shenyuan Investment Management Partnership (Limited Partnership) (義烏神元投資管理合夥企業（有限合夥）), and Beijing Eucure Changsheng Technology Development Center (Limited Partnership) (北京祐和常盛科技發展中心（有限合夥）), in relation to the increase of registered capital of our Company;

4. the capital increase agreement dated September 23, 2020 entered into among our Company, Dr. Shen Yuelei, Dr. Ni Jian, 百奧維達中國人民幣基金有限公司 BioVeda China Fund II RMB, Limited, State Development & Investment Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited

Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)), State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited Partnership) (國投高新(深圳)創業投資基金(有限合夥)), State Development & Investment Corporation (SDIC) VC Fund (Ningbo) of Technology Transfer and Commercialization (Limited Partnership) (國投（寧波）科技成果轉化創業投資基金合夥企業（有限合夥）), Astral Eminent Limited, Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)), COWIN CHINA GROWTH FUND I, L.P., Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長柒號投資(深圳)合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業 (有限合夥)), Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (L.P.) (深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）), China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）), SIP ORIZA SEED FUND II VENTURE CAPITAL INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP) (蘇州工業園區原點正則貳號創業投資企業(有限合夥)), Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）), Zhu Mingchen (朱明臣), Beijing Eucure Evergreen Technology Development Center (Limited Partnership) (北京祐和常青科技發展中心（有限合夥）), Beijing Baiao Evergreen Technology Development Center (Limited Partnership) (北京百奧常青科技發展中心（有限合夥）), Beijing Baiao Changsheng Technology Development Center (Limited Partnership) (北京百奧常盛科技發展中心（有限合夥）), Shenzhen Zhaoyin Chengzhang Shijiuhao Equity Investment Fund Partnership (Limited Partnership) (深圳市招銀成長拾玖號股權投資基金合夥企業（有限合夥）), CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理（深圳）有限公司), Zhuhai Growth Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金（有限合夥）), Jiangsu China Life Jiequan Equity Investment Center (Limited Partnership) (江蘇國壽聿泉股權投資中心（有限合夥）), PICC Beijing Health Care Fund, L.P. (北京人保健康養老產業投資基金（有限合夥）), Xinyu Cowin Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新餘市同創國盛科創產業投資合夥企業（有限合夥）), Yiwu Shenyuan Investment Management Partnership (Limited Partnership) (義烏神元投資管理合夥企業（有限合夥）), and Beijing Eucure Changsheng Technology Development Center (Limited Partnership) (北京祐和常盛科技發展中心（有限合夥）), in relation to the increase of registered capital of our Company;

5. the capital increase agreement entered into on January 18, 2021, entered into among our Company and Eucure (Beijing) Biopharma Co., Ltd.*(祐和醫藥科技（北京）有限公司) in relation to the increase of registered capital of Eucure (Beijing) Biopharma Co., Ltd.*(祐和醫藥科技（北京）有限公司); and

6. the capital increase agreement dated May 31, 2021 entered into among our Company, Dr. Shen Yuelei, Dr. Ni Jian, 百奧維達中國人民幣基金有限公司 BioVeda China Fund II RMB, Limited, State Development & Investment Corporation (SDIC) VC Fund (Shanghai) of Technology Transfer and Commercialization (Limited Partnership) (國投(上海)科技成果轉化創業投資基金企業(有限合夥)), State Development & Investment Corporation (SDIC) Gaoxin (Shenzhen) VC Fund (Limited Partnership) (國投高新(深圳)創業投資基金(有限合夥)), State Development & Investment Corporation (SDIC) VC Fund (Ningbo) of Technology Transfer and Commercialization (Limited Partnership) (國投（寧波）科技成果轉化創業投資基金合夥企業（有限合夥）), Astral Eminent Limited, Beijing Yuanqing Bencao Equity Investment Center (Limited Partnership) (北京元清本草股權投資中心(有限合夥)), COWIN CHINA GROWTH FUND I, L.P., Zhaoyin Chengzhang Qihao Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長柒號投資(深圳)合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Partnership (Limited Partnership) (深圳市招銀共贏股權投資合夥企業 (有限合夥)), Shenzhen Zhaoyin Langyao Growth Equity Investment Fund Partnership (L.P.) (深圳市招銀朗曜成長股權投資基金合夥企業（有限合夥）), China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (國壽成達（上海）健康產業股權投資中心（有限合夥）) , SIP ORIZA SEED FUND II VENTURE CAPITAL INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP) (蘇州工業園區原點正則貳號創業投資企業(有限合夥)), Shanghai Biofortune Medical Investment Partnership (Limited Partnership) (上海百奧財富醫療投資合夥企業（有限合夥）), Zhu Mingchen (朱明臣), Beijing Eucure Evergreen Technology Development Center (Limited Partnership) (北京祐和常青科技發展中心（有限合夥）) , Beijing Baiao Evergreen Technology Development Center (Limited Partnership) (北京百奧常青科技發展中心（有限合夥）), Beijing Baiao Changsheng Technology Development Center (Limited Partnership) (北京百奧常盛科技發展中心（有限合夥）), Shenzhen Zhaoyin Chengzhang Shijiuhao Equity Investment Fund Partnership (Limited Partnership) (深圳市招銀成長拾玖號股權投資基金合夥企業（有限合夥）), CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理（深圳）有限公司), Zhuhai Growth Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金（有限合夥）), Jiangsu China Life Jiequan Equity Investment Center (Limited Partnership) (江蘇國壽聿泉股權投資中心（有限合夥）), PICC Beijing Health Care Fund, L.P. (北京人保健康養老產業投資基金（有限合夥）), Xinyu Cowin Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新餘市同創國盛科創產業投資合夥企業（有限合夥）), Yiwu Shenyuan Investment Management Partnership (Limited Partnership) (義烏神元投資管理合夥企業（有限合夥）), Beijing Eucure Changsheng Technology Development Center (Limited Partnership) (北京祐和常盛科技發展中心（有限合夥）), Nanjing Wedo Alpha Venture Capital Partnership (Limited Partnership) (南京葦渡阿爾法創業投資合夥企業（有限合夥）), LBC Sunshine Healthcare Fund II L.P., CTW Finance Limited, ORBIMED NEW HORIZONS MASTER FUND, L.P., CbioMice Investment Limited,

and Octagon Investments Master Fund LP, in relation to the increase of registered capital of our Company.

7. the **[REDACTED]**.

Intellectual Property Rights

Trademarks

As of 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
1.		Our Company
2.	B-NDG	Our Company
3.	B-PDX	Our Company
4.	bcgen	Our Company
5.	bbctg	Our Company
6.	biocytogen	Our Company
7.	百奥赛图	Our Company
8.	RenMab	Our Company
9.	百奥赛图 BIOCYTOGEN	Our Company
10.	EGE	Our Company
11.	RenMab	Our Company
12.	RenMab Mouse	Our Company
13.	RenNano	Our Company
14.	RenLite	Our Company
15.		Our Company
16.	枫叶宠物	Our Company
17.	祐和	Eucure (Beijing)
18.	Eucure	Eucure (Beijing)
19.		Eucure (Beijing)

No.	Trademark	Registered Owner
20.		Our Company
21.	BIOMICE	Our Company
22.	(A)  (B)  (as a series of marks)	Our Company
23.	(A) 百奥赛图 BIOCYTOGEN (B) 百奥赛图 BIOCYTOGEN (as a series of marks)	Our Company

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain name which we consider to be or may be material to our business:

No.	Domain Name	Owner	Expiry Date
1	bbctg.com.cn	Our Company	April 13, 2027
2	bbctgyw.com	Our Company	August 26, 2023
3	biocytogen.com.cn	Our Company	December 14, 2030
4	eucure.com	Eucure (Beijing)	July 27, 2022
5	biomice.com.cn	Biocytogen Jiangsu	February 9, 2031

Patents

For a discussion of the details of the material granted patents and filed patent applications by the Company in connection with our clinical and pre-clinical products, please refer to the section headed "Business – INTELLECTUAL PROPERTY" in this document.

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, domain names, patents or other intellectual property rights that has been applied for or registered, which were material in relation to our Group's business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in Our Company

Name	Position	Nature of Interest	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares immediately after the [REDACTED] (%)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED] (%)
Dr. Shen (1)	Executive Director	Beneficial owner	26,394,840	**[REDACTED]**	**[REDACTED]**
		Interest of spouse	29,004,840	**[REDACTED]**	**[REDACTED]**
		Interest in controlled corporations	54,695,160	**[REDACTED]**	**[REDACTED]**
Dr. Ni (1)	Executive Director	Beneficial owner	29,004,840	**[REDACTED]**	**[REDACTED]**
		Interest of spouse	81,090,000	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Dr. Shen and Dr. Ni are spouses. Each of Baiao Evergreen, Baiao Changsheng, Eucure Evergreen and Eucure Changsheng are employee shareholding platforms established in the form of domestic limited liability partnerships in the PRC with Dr. Shen acting as the sole general partner and sole managing partner.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this Document.

So far as set out below, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the **[REDACTED]**, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group other than our Company:

Our subsidiary	Registered capital	Party with 10% or more equity interest	Approximate percentage of shareholding (%)
Haimen Hechuang Animal Experiment Technology Co., Ltd.* (海門合創動物實驗科技有限公司)	RMB10,000,000	Jiangsu Dongbuzhou Science and Technology Park Group Co., Ltd.* (江蘇東布州科技園集團有限公司), an independent third party	49%

3. Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Our Directors entered into service contracts with our Company in [●]. The principal particulars of these service contracts comprise (a) a term of [three] years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors entered into a contract with our Company in [●]. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as

Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix I – Accountants' Report – Notes to the historical financial information – 9. Directors' and supervisors' emoluments" for the two financial years ended December 31, 2020 and 2021, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Employee Incentive Schemes

The following is a summary of the principal terms of the Employee Incentive Schemes, all of which are not subject to the provisions of Chapter 17 of the Listing Rules as the Schemes does not involve the grant of options by our Company after the **[REDACTED]**. Given the underlying Shares under the Employee Incentive Schemes had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the Employee Incentive Schemes. No further awards will be granted pursuant to the Employee Incentive Schemes after **[REDACTED]**.

As of the Latest Practicable Date, the Company had adopted four Employee Incentive Schemes, namely the Baiao Evergreen Scheme that was adopted on December 26, 2017, the Baiao Changsheng Scheme that was adopted on July 29, 2019, the Eucure Evergreen Scheme that was adopted on September 10, 2020, and the Eucure Changsheng Scheme that was adopted on September 23, 2020, in relation to the four respective Employee Incentive Platforms, namely Baiao Evergreen, Baiao Changsheng, Eucure Evergreen, and Eucure Changsheng. The four Employee Incentive Platforms, in aggregate, held 54,695,160 Domestic Shares, representing approximately 14.59% of the existing issued share capital. The Company currently has no plan to make further grant of share awards or otherwise effect any dealings in share awards pursuant to the Employee Incentive Schemes that will be subject to the requirements under Chapter 14A of the Listing Rules. Where applicable, the Company will comply with the relevant Listing Rules in relation to subsequent dealings of share awards under any Employee Incentive Scheme.

The following table sets out the aggregate effective interests in each of the Employee Incentive Platforms and the equivalent aggregate number of underlying Shares held by our Directors, senior management (other than the executive Directors) and other employees who are Independent Third Parties, respectively.

Employee Incentive Platform	Effective interests in the Employee Incentive Platform	Number of underlying Shares
Baiao Evergreen	Directors: 18.65% Other senior management: 30.00% Supervisors: 8.69% Other employees: 42.66%	Directors: 3,489,480 Other senior management: 5,606,640 Supervisors: 1,619,280 Other employees: 7,973,280
Baiao Changsheng	Director: 54.97% Other senior management: 8.13% Other employees: 36.90%	Director: 10,249,560 Other senior management: 1,516,680 Other employees: 6,881,400
Eucure Evergreen	Directors: 0.37% Other senior management: 76.32% Other employees: 23.31%	Directors: 17,280 Other senior management: 3,632,400 Other employees: 1,109,160
Eucure Changsheng	Director: 99.20% Other senior management: 0.75% Supervisors: 0.05%	Director: 12,499,200 Other senior management: 93,600 Supervisors: 7,200

Objectives

The purpose of the Employee Incentive Schemes is to establish and improve the Company's long-term incentive mechanism to promote retention and maintainlong-term stability for the mutual long term benefit our Group as well as our employees.

Eligibility

Pursuant to the scheme documents (the "**Scheme Documents**") and the award agreements (the "**Award Agreements**"), participants of the Schemes include our Company's core employees and senior management members. The Award Agreements further provided that the following individuals may not be selected as participants to the Schemes (as applicable):

- Individuals who have not entered into an employment contract with our Company or any of our subsidiaries, or there is no actual labor relations between such individuals and our Company or any of our subsidiaries;

- Individuals who are forbidden to hold the position of director, supervisor or senior management pursuant to the PRC Company Law;

- Employees who have been convicted of crime or in violation of administrative law in the last three years prior to the adoption of the Schemes; and

- Individuals who are not suitable to hold Shares or the continuing holding of Shares of such individuals may affect the completion of the **[REDACTED]** pursuant to the specifications of the relevant regulators.

Grant of Awards

The sole general partner of each Employee Incentive Platform is Dr. Shen. Thus, in effect, all management powers and voting rights of the Employee Incentive Platforms reside with Dr. Shen.

All selected participants do not have any voting rights in our Company. The selected participants will be granted awards in the form of economic interest in the Employee Incentive Platforms as a limited partner of the relevant Employee Incentive Platform. Upon becoming the limited partner of the Employee Incentive Platforms, the selected participants indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

Receipt of Economic Interests

Economic interests will be paid by the Company by way of cash dividends to the relevant selected participants through the relevant Employee Incentive Platform proportionate to such selected participant's subscription of amount of equity interests in that specific Employee Incentive Platform with reference to such Employee Incentive Platform's relative holding of Shares in the Company.

Restrictions on Disposals

Pursuant to the terms of the Employee Incentive Schemes, the selected participants may not dispose of, transfer, pledge or otherwise encumber his or her interest in the limited partnership for the repayment of debt without the written consent of the our Board.

Exit Events

The Company may require selected participants to transfer their partnership interests held by any of the Employee Incentive Scheme to the sole general partner upon occurrence of the certain events in respect of such selected participant, primarily including the following:

i. death or declaration of his/her death or disappearance by a people's court;

ii. the termination of labor contract or employment due to retirement, resignation with Company's consent, incapacity resulting from work injury, redundancy, dissatisfactory performance;

iii. unable to perform original duties after a certain period of medical treatment of illness or not-job-related injury and no alternative arrangement can be offered by the Company;

iv. completion and non-renewal of labor contract;

v. the Company has decided that it is not advisable for the selected participant to hold such partnership interests in the Employee Incentive Platforms;

vi. other exit events which are considered having no adverse effects on the Company.

((i) to (vi) together, the "**Positive Exit Events"**)

vii. violation of rules and regulation of the Company causing a loss of not less than RMB200,000;

viii. conviction of criminal offense;

ix. neglection of duties, misconduct, corruption of the selected participant causing significant damages to the Company;

x. the acceptance or solicitation of bribes, misappropriation and steal of properties, disclosure of business and technical secrets by the selected participants causing significant damages to the Company or its reputation;

xi. unapproved resignation;

xii. the selected participant participated in unauthorized competitive businesses;

xiii. the dismissal of the selected participant due to his/her misconduct; and

xiv. other exit events which are considered having adverse effects on the Company.

((vii) to (xiv) together, the "**Negative Exit Events**")

Subject to any lock up requirements under applicable laws and regulations, the selected participants involved in either Positive Exit Events or Negative Exit events may (as the case

may be) (i) retain his/her entitlement; or (ii) dispose of his relevant entitlement to economic interests pursuant to the rules of the relevant Employment Incentive Platform. An exception to such entitlement is that in the event of death or declared death or disappearance by a people's court during any applicable lock-up period after **[REDACTED]** or in the case of incapability for civil conduct, the relevant selected participant's partnership interest held in the respective the Employee Incentive Platforms shall be purchased by the general partner or a third party designated by the general partner at a price that is equivalent to 80% of the average price of the Shares in five trading days prior to the purchase, and the proceeds thereof be allocated to the successor of the participant within 30 days after the exit is known. If such purchase is impracticable, the corresponding number of Shares held by the relevant Employee Incentive Platform that correspond to the interest of such selected participants shall be disposed of by the relevant Employee Incentive Platform within three months after the expiry of the lock-up period and the proceeds of the disposal shall be paid to the successors of the participant and the relevant selected participant shall be removed from the partnership. However in the event of Negative Exit Events, the Company may demand that the relevant selected participant pay compensation for damages (if any) of the Company caused by the Negative Exit Event.

Details of the Awards Granted Under the Schemes

As of the Latest Practicable Date, the aggregate number of Shares underlying the awards granted to the Directors, Supervisors and senior management members was 38,731,320 Shares representing 10.33% of our Company's total issued share capital, respectively.

6. Disclaimers

Saved as disclosed in this Document:

(a) none of our Directors, Supervisors or any of the parties listed in "Qualification of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business;

(b) save in connection with the **[REDACTED]** and the **[REDACTED]**, none of the parties listed in "Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are **[REDACTED]** on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into **[REDACTED]**.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as a sponsor for the **[REDACTED]**.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Document are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct 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) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct 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
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Zhong Lun Law Firm	PRC legal advisers to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Asia-Pacific Consulting and Appraisal Limited	Independent property valuer and biological assets appraiser

Consents of Experts

Each of the experts referred to in "Qualification of Experts" in this Appendix has given and has not withdrawn its respective written consents to the issue of this Document with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests or rights (whether legally enforceable or not) or any of our members to subscribe for or to nominate persons to subscribe for our securities or any of our member.

Compliance Advisor

We have appointed Guotai Junan Capital Limited as our Compliance Advisor upon the **[REDACTED]** in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV – Taxation and Foreign Exchange – Taxation in Hong Kong".

No Material Adverse Change

Save as disclosed in the "Summary – Recent Development and No Material Adverse Change" and "Financial Information – No Material Adverse Change" to this Document, after all due diligence was performed as appropriate as the Directors believe, our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial position or prospects since December 31, 2021 and there has been no event that materially and adversely affected the data set out in the Accountants' Report in Appendix I to this Document since December 31, 2021.

Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, 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.

Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such **[REDACTED]** or permission to **[REDACTED]** on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

For details, see the sections headed "Appendix V – Summary of Principal Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" in this Document.

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).

Promoters

The promoters of our Company are all of the 28 then shareholders of our Company as at December 29, 2020 before our conversion into a joint stock limited liability company. Save as disclosed in this Document, within the two years immediately preceding the date of this Document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the **[REDACTED]** or the related transactions described in this Document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **[REDACTED]**;

(b) the written consents referred to in "Appendix VII – Statutory and General Information – Other Information – Consents of Experts"; and

(c) a copy of each of the material contracts referred to in "Appendix VII – Statutory and General Information – Further Information about our Business – Summary of Material Contracts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **https://www.biocytogen.com.cn/** during a period of 14 days from the date of this Document:

1. the Articles of Association;

2. the Accountants' Report from KPMG, the text of which is set forth in Appendix I to this Document;

3. the audited consolidated financial statements of our Company for the two financial years ended December 31, 2020 and 2021.

4. the report on the **[REDACTED]** of our Group from KPMG, the text of which is set forth in Appendix II to this Document;

5. the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Asia-Pacific Consulting and Appraisal Limited, the text of which is set out in Appendix III to this Document;

6. the material contracts in "Appendix VII – Statutory and General Information – Further Information about our Business – Summary of Material Contracts";

7. the written consents referred to in "Appendix VII – Statutory and General Information – Other Information – Consents of Experts";

8. the service contracts referred to in "Appendix VII – Statutory and General Information – Further Information about our Directors, Supervisors, Management and Substantial Shareholders – Service Contracts" in this document;

9. the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under PRC law;

10. the industry report issued by Frost & Sullivan; and

11. a copy of the following PRC laws, together with unofficial English translations:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law;

    (iii) the Mandatory Provisions; and

    (iv) the Special Regulations.