# 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 biotechnology 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.*

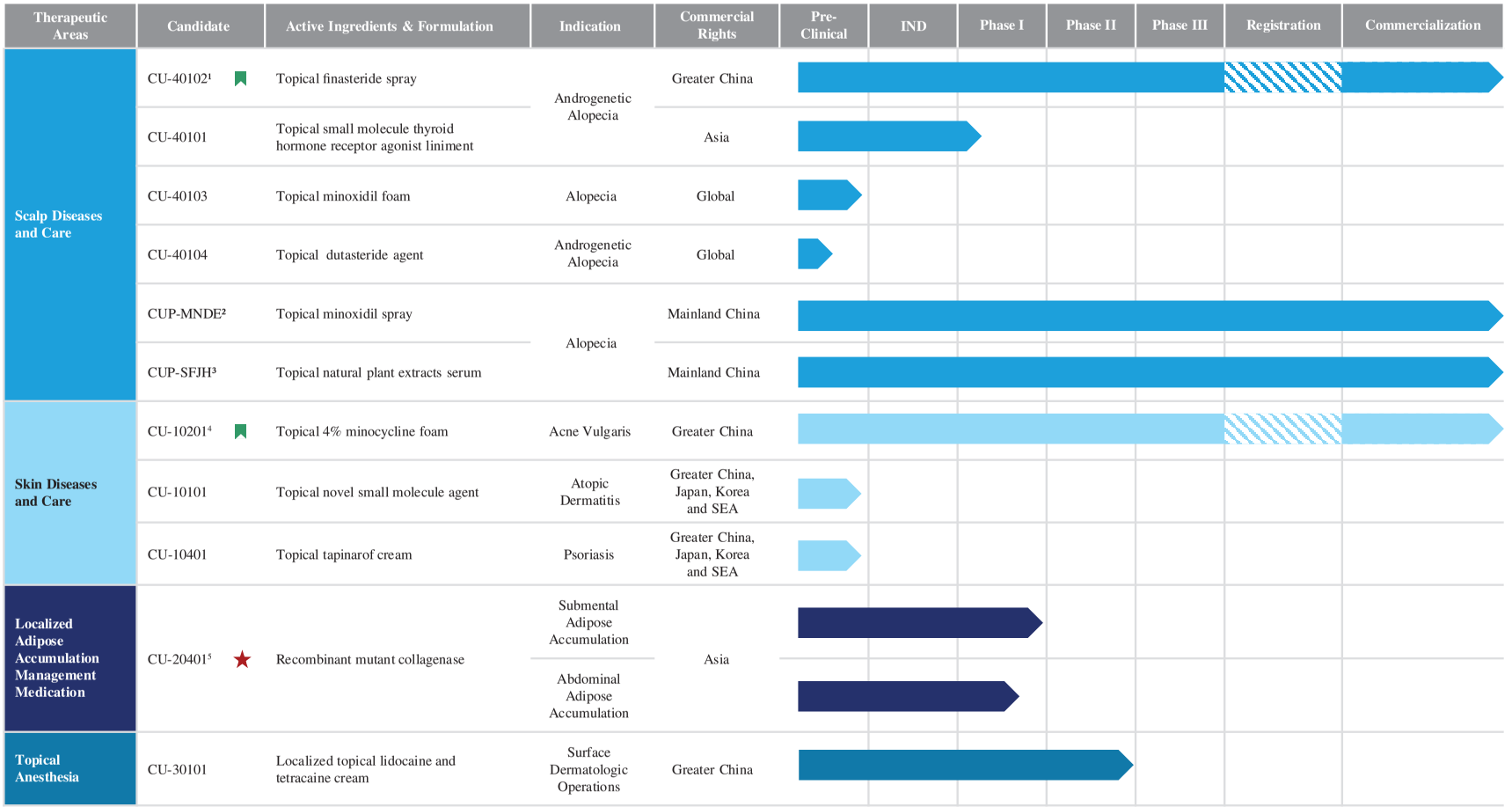
## OVERVIEW

Founded in 2019, we are an R&D-driven, dermatology-focused biopharmaceutical company dedicated to developing innovative and comprehensive solutions that are tailored to meet the diverse and evolving needs of patients and consumers in the broader dermatology treatment and care market. As of the Latest Practicable Date, we had built a broad portfolio of 11 products and product candidates with significant market potential, targeting the four main sectors of the broader dermatology treatment and care market, namely scalp diseases and care, skin diseases and care, localized adipose accumulation management medication and topical anesthesia. We have successfully marketed two products and are developing five clinical-stage and four pre-clinical stage drug candidates. Among the five clinical-stage drug candidates, two products have commenced pilot commercialization in Lecheng, Hainan. Our Core Product, CU-20401, is an investigational recombinant mutant collagenase that targets reduction in excessive local adipose accumulation after subcutaneous treatment. As of the Latest Practicable Date, we held 18 patents and patent applications (including in-licensed patents and patent applications) in Mainland China, Hong Kong and Japan.

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

### Our Pipeline

The following chart summarizes the development stage of our major marketed products and product candidates as of the Latest Practicable Date.




★ *Denotes Core Product* *Denotes Key Products* *Denotes products in registrational trials in China with pilot commercialization in Lecheng, Hainan*

1. CU-40102 is currently in a registrational Phase III clinical trial in China and has commenced pilot commercialization in Lecheng, Hainan.
2. CUP-MNDE has been commercialized by its original developer, Laboratoires Bailleul, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-MNDE in Mainland China.
3. CUP-SFJH has been commercialized by its original developer, VML, and we entered into an agreement to obtain the exclusive rights for the distribution and marketing of CUP-SFJH in Mainland China.
4. CU-10201 is currently in a registrational Phase III clinical trial in China and has commenced pilot commercialization in Lecheng, Hainan.
5. We have completed Phase I clinical trial for CU-20401 for submental adipose accumulation and expect to initiate a Phase II clinical trial of CU-20401 for submental adipose accumulation in the third quarter of 2023.

***Scalp Diseases and Care***

- *Key Product CU-40102*. CU-40102 is the first and only topical finasteride product approved for androgenetic alopecia treatment globally and the only topical finasteride under clinical development in China. Finasteride is effective in treating androgenetic alopecia in male patients by acting as a competitive and specific inhibitor of Type II 5-alpha reductase to inhibit the conversion of testosterone to DHT in the scalp. Growing prevalence of androgenetic alopecia in China presents enormous market potential for scalp disease treatment and subsequent scalp care maintenance. CU-40102's topical finasteride formulation is applied by spraying onto the scalp. CU-40102 is expected to demonstrate superior safety and tolerability by topical application compared to oral form due to lower systemic exposure to finasteride. We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for CU-40102 for androgenetic alopecia in Mainland China, and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the fourth quarter of 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.

- *CU-40101*. CU-40101 is an investigational topical liniment to treat androgenetic alopecia. It contains a potent small molecule hormone receptor agonist that binds to thyroid receptor in hair follicle cells and induces hair growth. CU-40101 is to be applied to the scalp directly, reducing systemic exposure to the drug and the associated adverse effects. CU-40101 is differentiated from current androgenetic alopecia treatment in its innovative mechanism of action and the potential to be used in both male and female patients. We are currently running a Phase I dose escalation trial in China to evaluate the safety and tolerability of CU-40101 as an innovative therapeutic agent effective in promoting hair growth in patients with androgenetic alopecia. We enrolled the first patient in the Phase I clinical trial to treat androgenetic alopecia in September 2022 in China, and we expect to complete the Phase I clinical trial in the second quarter of 2024.

- *CU-40103*. CU-40103 is an investigational topical minoxidil foam for the treatment of alopecia. The active ingredient, minoxidil, is widely used and proven efficacious in clinical practice for both male and female hair regrowth. According to Frost & Sullivan, the global annual sales of topical minoxidil for the treatment of alopecia reached US$1,001.7 million in 2021. CU-40103 is expected to adopt a differentiated elegant foam formulation and become an innovative addition to the existing minoxidil tinctures and liniments in the market. It features a much less greasy texture that enables better user experience. We are currently conducting the pre-clinical study of CU-40103. We plan to submit an ANDA for alopecia to the NMPA in the third quarter of 2024.

- *CU-40104*. CU-40104 is an investigational topical dutasteride to treat androgenetic alopecia. Although dutasteride has not been approved for androgenetic alopecia in China, it has demonstrated efficacy in treating androgenetic alopecia in multiple randomized, double-blind clinical trials. CU-40104's innovative topical formulation is being developed for direct dutasteride application to the site of action on the scalp. The topical formulation is expected to reduce systemic exposure and side effects as compared with oral dutasteride. We are currently conducting the pre-clinical study of CU-40104. We plan to submit an IND application to the NMPA in the fourth quarter of 2024.

- *CUP-MNDE*. CUP-MNDE is a commercialized, over-the-counter minoxidil spray indicated for alopecia, including male patients with progressive thinning or losing hair on the apical area and female patients with overall fragile thinning hair. CUP-MNDE is refreshing to be applied to the scalp by its low concentration propylene glycol formulation technology, proven to have much fewer side effects associated with propylene glycol than the competitor minoxidil liquid. The key ingredient of CUP-MNDE is minoxidil, which is effective in promoting hair growth by relaxing the muscular walls of blood vessels, allowing blood, nutrients and oxygen to flow more easily to the scalp and hair follicles. CUP-MNDE has been commercialized by its original developer Laboratoires Bailleul in Europe and is the best-selling minoxidil brand in terms of volume sold in Italy, Portugal and Belgium in 2021, according to Frost & Sullivan.

- *CUP-SFJH*. CUP-SFJH is a commercialized hair growth serum featuring a non-hormonal formula of efficacious and pure natural plant extracts. CUP-SFJH is used for hair loss prevention and hair quality improvement. With its unique liposome technology, CUP-SFJH can effectively transport nutrients to the root of the hair follicles through the double-layer phospholipid membrane wrapping. CUP-SFJH demonstrated efficacy to improve hair volume and advance hairline after six months of use in a small-scale clinical observation in Europe. CUP-SFJH can also be used in combination with our scalp disease drug products to maintain desired results.

***Skin Diseases and Care***

- *Key Product CU-10201*. CU-10201 is the first and only topical minocycline approved for acne vulgaris treatment globally and the only topical minocycline under clinical development in China. The FDA approved CU-10201 for the treatment of moderate to severe acne vulgaris in the U.S. in 2019. Minocycline exhibits broad-spectrum antibacterial activity. The currently available minocycline products are mostly oral medications. With a topical formulation, CU-10201 is more effective in delivering the drug to the acne lesions, thereby significantly reducing systemic exposure and incidence of associated adverse events. We are currently evaluating the therapeutic potential of CU-10201 for the treatment of moderate to severe acne vulgaris in a Phase III clinical trial in China. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the first quarter of 2023. We plan to submit the NDA to the NMPA in the fourth quarter of 2023, and we expect to obtain regulatory approval for commercialization in China in the fourth quarter of 2024.

- *CU-10101*. CU-10101 is a non-hormonal, small molecule innovative drug targeting atopic dermatitis. For atopic dermatitis, the therapeutic options are limited and mainly include corticosteroids, calcineurin inhibitors, systemic immunosuppressants, and targeted biologics and small-molecule drugs. Topical steroids are the most commonly prescribed therapies for atopic dermatitis. Most targeted biologics and small molecule drugs for atopic dermatitis require subcutaneous or oral administration, where systemic exposure causes a higher risk of side effects and lower patient compliance than topical treatments. The first FDA-approved topical JAK inhibitor for the treatment of atopic dermatitis, opzelura (ruxolitinib) cream, developed by Incyte, can only be used for short-term and non-continuous chronic treatment of patients with mild to moderate atopic dermatitis. The non-hormonal properties of CU-10101 avoid the side effects and restrictions associated with corticosteroids and it features a topical formulation that can reach the affected areas directly. We are currently conducting the pre-clinical study of CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024.

- *CU-10401*. CU-10401, an aryl hydrocarbon receptor (AhR) targeted non-steroidal small molecule chemical drug in topical form, is a generic tapinarof cream targeting psoriasis currently being developed in pre-clinical stage. Current treatments for psoriasis include topical therapy, phototherapy and systemic therapies. Topical treatments are usually the first-line treatments used for mild to moderate psoriasis, but it may take up to six weeks before there is a noticeable effect. Phototherapy requires routine visits to hospitals with phototherapy equipment and can bring significant inconvenience to patients' daily life, and it may also result in skin cancer if not properly administered. Systemic therapies are not able to induce effective clinical responses in all patients and may cause serious side effects including higher risk of severe infection. As a result, there has been significant unmet needs for safer and more effective treatments. The active ingredient of CU-10401, tapinarof, is reported to bind and activate AhR, decrease pro-inflammatory cytokines, and regulate skin barrier protein expression to promote skin barrier normalization. Compared with another commonly used topical drug, calcipotriol, tapinarof has a lower recurrence rate without risks of elevated serum calcium which can be caused by calcipotriol. CU-10401 has the potential to become the first generic tapinarof cream approved in China. We are currently conducting the pre-clinical study of CU-10401. We plan to submit an ANDA to the NMPA in 2026.

***Localized Adipose Accumulation Management Medication***

- *Core Product CU-20401*. CU-20401 is a potential first-in-class investigational recombinant mutant collagenase that targets reduction in excessive local adipose accumulation after subcutaneous treatment. Fat cells are normally attached to the extracellular matrix composed of collagen network. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. CU-20401 is modified with reduced rate to catalyze the collagen degradation and is effective to reduce adipose accumulation with mild catalytic activity, thus reducing the adverse effects of wild-type collagenase such as

bruising and pain. We have completed Phase I clinical trial on human subjects for CU-20401 for submental adipose accumulation and are conducting another Phase I clinical trial for abdominal adipose accumulation. The clinical results showed its favorable efficacy and safety profiles. As we completed the Phase I clinical trial with no objection of entering a Phase II clinical trial, based on the NMPA's IND approval, we expect to initiate the Phase II clinical trial of CU-20401 for submental adipose accumulation in the third quarter of 2023. CU-20401 has the potential to become the first-in-class localized adipose accumulation management medication launched in China.

***Topical Anesthesia***

- *CU-30101*. CU-30101 is a localized lidocaine and tetracaine compound topical anesthesia cream. Compounded lidocaine and prilocaine formula is currently the only marketed topical compounded anesthesia cream in China but has shortcomings such as slow onset and unsatisfactory anesthetic strength. According to Frost & Sullivan, CU-30101 has the equivalent or even higher concentration of lidocaine and tetracaine active ingredients than all FDA approved topical anesthetics. CU-30101's lidocaine and tetracaine combination formulations produce rapid and long-lasting anesthetic effects due to its ingredients' unique pharmacokinetic properties. Lidocaine diffuses more rapidly, and more extensively than tetracaine, whereas tetracaine, a long-acting amino acid ester, is more lipophilic than lidocaine and can be concentrated in the topical stratum corneum. Systemic absorption of the anesthetic component ingredients is also limited from the topical cream formulation. We received the NMPA's IND approval for CU-30101 in November 2022. We plan to commence the Phase III clinical trial in the second quarter of 2023 and submit an NDA for topical anesthesia to the NMPA in 2025.

## ADDRESSABLE MARKETS AND COMPETITIVE LANDSCAPE

We are committed to providing comprehensive solutions across different therapeutic areas within the rapidly growing broader dermatology treatment and care market in China. China's broader dermatology treatment and care market grew from RMB300.4 billion in 2017 to RMB471.8 billion in 2021, representing a CAGR of 11.9%, and is expected to grow to RMB670.5 billion in 2025 and RMB1,039.0 billion in 2030, representing a CAGR of 9.2% from 2025 to 2030, according to Frost & Sullivan. Despite the rapid growth, the per capita annual spending on broader dermatology treatment and care in China remains low due to the lack of comprehensive, effective and innovative solutions. In 2021, the per capita expenditure on broader dermatology treatment and care in the U.S., Japan and South Korea reached RMB1,828.0, RMB1,417.3 and RMB1,406.9, respectively. By comparison, the per capita expenditure of broader dermatology treatment and care in China in 2021 was RMB334.0, according to Frost & Sullivan.

According to Frost & Sullivan, China's broader dermatology treatment and care market is distinguished by a unique set of consumer behaviors, including higher willingness to pay, more frequent repurchase pattern and higher yet unsatisfied demand for comprehensive, effective and innovative product offerings. For example, patients in China with greater

attention to quality of life tend to spend more on alopecia and skin treatments, and such treatments usually require continuous application to achieve and maintain desired outcomes. Due to the nature of dermatology conditions, patients experiencing different stages of the disease will also require differentiated medications, sometimes in combination, to realize optimal results. Furthermore, there has been a misalignment between product offerings and medical needs in China's broader dermatology treatment and care market. Current imported products are unable to either effectively address dermatological problems specific to the Chinese population or provide distinctive and comprehensive solutions specific to each treatment stage. In addition, a large number of dermatology companies in China do not possess full platform capabilities from early drug discovery to commercialization, so it has been challenging for them to quickly respond to shifts in market demand and deliver comprehensive solutions to customers efficiently. This ultimately leads to unmet customer demand and a proliferating market with a fragmented group of products with little or no apparent clinical benefit. Innovative and effective products are urgently needed for the growing Chinese population with increasing per capita disposable income.

We are one of the few players in the broader dermatology treatment and care market in China equipped with fully integrated capabilities, according to Frost & Sullivan. We have a comprehensive product pipeline of 11 products and product candidates, including two marketed products, five clinical-stage and four pre-clinical stage drug candidates. We are also commercializing dermatoses pharmaceutical products in China through online channels to fulfill market demands. Our success is attributable to our R&D capability, science-based product portfolio, omni-channel commercial capabilities for customer acquisition and retention, and seasoned branding expertise. We believe that we are well-positioned to capitalize on the projected growth of China's broader dermatology treatment and care market and continue to scale our business and expand our market share.

China's localized adipose accumulation management medication market is still at an early stage of growth with no approved products. The market size of localized adipose accumulation management medications is expected to grow from RMB134.5 million in 2023 to RMB805.1 million in 2025, representing a CAGR of 144.7% from 2023 to 2025. The market in 2030 is expected to reach RMB3,927.1 million, representing a CAGR of 37.3% from 2025 to 2030.

The table below sets forth the competitive landscape of our Core Product CU-20401 in China.

| Drug | Registration Classification[1] | Applicant | Indication | Stage | First Posted Date[2] |
|---|---|---|---|---|---|
| Deoxycholic Acid | 3 | Nanjing Noratech | Moderate to severe contour bulging/excessive facial fullness due to the accumulation of submental fat | Phase III | 2021/09 |
| CU-20401 | 1 | Cutia | Submental adipose accumulation | Phase I completed | 2021/08 |
| | | | Abdominal adipose accumulation | Phase I (ongoing) | |
| Deoxycholic Acid | 3 | Nanjing Minova | Submental fat | IND Approval | 2021/07 |

*Notes:*

1. Registration Classification:

Class 3: Drugs manufactured by domestic applicants by imitating the original drugs that have been marketed overseas but not yet in China

Class 1: Innovative drugs that have not been marketed in China or overseas

2. First posted date denotes the date when the trial is first publicly announced on the CDE website. Information as of November 4, 2022. Phase I trial of CU-20401 in submental adipose accumulation has been completed.

*Source: CDE, Frost & Sullivan analysis*

## OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

- Well-positioned in the broader dermatology treatment and care industry to capture market potential
- Fully-integrated capabilities covering the entire broader dermatology treatment and care industry value chain
- Continuous innovation driven by our customer-centric philosophy, proprietary CATAME™ technology platform
- Comprehensive, synergistic, and highly differentiated innovative pipeline captures large market potential and unmet needs
- Experienced management team with global vision and domestic experiences

## OUR STRATEGIES

We plan to pursue the following significant opportunities and execute our key strategies accordingly:

- Focus on customer needs and utilize integrated industrial capabilities to provide innovative dermatology management solutions
- Continue to advance the clinical development of our product portfolio
- Expand our multi-layered ecosystem coverage and build our commercialization team
- Expand our global presence

## RESEARCH AND DEVELOPMENT

We have developed our clinical and pre-clinical pipeline through a combination of self-development and licensing arrangements. Leveraging our rich R&D experience in the broader dermatology treatment and care fields, including scalp diseases and care, skin diseases and care, localized adipose accumulation management medication and topical anesthesia, we have developed our proprietary and industry-leading CATAME™ technology platform, which is rare on the market and will continue to drive the development and innovations of distinct products.

- Our CATAME™ technology platform is an industry-leading, fully integrated R&D platform with high entry barriers. According to Frost & Sullivan, our CATAME™ technology platform, which includes Colloidal-Emulsification-Active Encapsulation (CEAE) platform, Aerosol (ARS) platform, Transdermal Delivery (TDD) platform, Actives & Formulation Evaluation (AFE) platform, Micro/Nano-Particulates & Self-Assembly (MiSA) platform and Ex vivo & Efficacy Evaluation (EVEE) platform, is one of the only few platforms in China that facilitate development of products covering a variety types of dermatological diseases. Our CATAME™ technology platform integrates capabilities to customize transdermal delivery characteristics of drugs, develop micron and nano-sized particulates, evaluate formulation quality and stability and perform cutaneous pharmacokinetic analysis during the development process. The CATAME™ technology platform enables the development of a wide range of product dosage forms and the relevant formulation technology. Through the platform, we have built a competitive and highly differentiated product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

- Leveraging on the CATAME$^{TM}$ technology platform, we could provide customers a comprehensive, competitive and highly differentiated product pipeline consisting of multiple candidates in various dosage forms. Our platform also helps design the most suitable product formats that are key to specific and successful drug delivery.

- During the drug discovery stage, our R&D team explores new chemical entities, structure-activity-relationship analysis based on a thorough biological understanding of the disease. Our R&D team also coordinates and accomplishes pre-clinical R&D activities on the product candidates' pharmacology, pharmacokinetics and toxicology during the drug evaluation stage. Our drug discovery capabilities comprise (i) a targeted screening and validation approach that screens, validates and develops specific biological targets based on unmet medical needs; (ii) multi-functional technology platforms including synthetic chemistry, analytical chemistry, biology, formulation, and toxicology; and (iii) supporting systems including intellectual properties and quality assurance.

As of the Latest Practicable Date, our R&D team consisted of approximately 32 employees. Our experienced in-house R&D team comes from a variety of medical backgrounds and have diverse and in-depth knowledge that is critical to strengthening our R&D capabilities in dermatology, topical and transdermal drug formulation and delivery, and synthesis of novel molecules and assemblies. Our medical team covers clinical operations, clinical quality control, pharmacovigilance, and designing, planning and management of multiple clinical trials across China. Our integrated team spans market intelligence, drug discovery, clinical development, business development and regulatory affairs. We benefit from their deep insights into the sciences and the market in developing products that strive to meet our customers' unmet needs. In 2020, 2021 and the six months ended June 30, 2022, our R&D costs of RMB161.9 million, RMB110.6 million and RMB83.5 million, respectively.

## INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we held 18 patents and patent applications (including in-licensed patents and patent applications) in Mainland China, Hong Kong and Japan. The following table sets forth an overview of our material granted patent for our Core Product as of the Latest Practicable Date:

| Product Candidate | Name of Patent | Jurisdiction | Status | Patent Expiration[(1)] | Market Commercial Rights of the Company |
|---|---|---|---|---|---|
| CU-20401 | A recombinant variant collagenase preparation method and its application | Mainland China | Granted | 2038-07-30 | Exclusive |

*Note:*

(1) The patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.

We conduct our business under the brand name "Cutia". As of the Latest Practicable Date, we had 99 registered trademarks and filed 50 trademark applications in Mainland China and Hong Kong. We are also the registered owner of one domain name.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

## COLLABORATION AND LICENSING ARRANGEMENTS

### CU-20401 Agreement

On August 28, 2020, we entered into an asset transfer agreement (the "**CU-20401 Agreement**") with Rejuven Dermaceutical Co., Ltd., ("**Rejuven**"), an Independent Third Party.

Pursuant to the CU-20401 Agreement, Rejuven has exclusively transferred to us all of the intellectual property and development results related to CU-20401 in Asia and we have exclusive rights to develop, manufacture and commercialize CU-20401 in Asia for potential indications, including but not limited to adipose accumulation management, cellulite repair, scar modification and other clinical and non-clinical applications. We will be the sole owner

of any improvements to the transferred patents and data and IP rights that are discovered, generated, developed, invented or created by us in Asia. We will develop and commercialize CU-20401 at our own costs and expenses in Asia.

In consideration of the rights transferred to us, we are required to pay an aggregate of RMB60.0 million in non-refundable upfront fees and development milestone payments. We are also required to make payments when commercial milestones are met, which relate to the amount of aggregate net sales, such as tiered royalty payments calculated as a low single digit percentage of net sales of CU-20401 in Asia. As of June 30, 2022, we had paid RMB20.0 million under the CU-20401 Agreement. As of the Latest Practicable Date, we had no intention to out-license CU-20401 in Asia.

The term of the CU-20401 Agreement is 20 years from product launch, but we are entitled to continue all development and commercialization activities related to CU-20401 in Asia upon the expiration. An early termination of the CU-20401 Agreement can result from (i) a change in control of a party that materially affects or impedes that party's performance under the CU-20401 Agreement and the other party gives such party 60 days written notice to terminate the CU-20401 Agreement, (ii) insolvency events, namely a party loses the ability to pay its debts or files for bankruptcy and has appointed an administrator of the bankruptcy estate to administer all or a portion of its assets, and (iii) either party breaches the CU-20401 Agreement and the breaching party fails to make restitution or cure within 10 days of receipt of such written notice or within a mutually agreed upon period of time.

**CU-40102 Agreement**

On November 2, 2020, we entered into a licensing agreement (the "**CU-40102 Agreement**") with Polichem S.A. ("**Polichem**"), a subsidiary of Almirall, S.A. (BME: ALM) ("**Almirall**"), an Independent Third Party.

Pursuant to the CU-40102 Agreement, Polichem granted to us an exclusive, royalty-bearing, non-assignable and non-sublicensable license regarding the licensed patents know-how and trademarks and the rights to perform those activities necessary for obtaining the marketing authorization on behalf of Polichem, develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-40102 in any uses in androgenetic alopecia in Greater China.

In consideration of the licenses and rights granted to us, the down payments and the maximum milestone payments payable by us amount to €13.8 million in the aggregate, which includes €5.3 million down payments and €8.5 million milestone payments consisting of commercial milestone payments. We are also obligated to pay tiered royalties of single digit percentage of annual net sales of CU-40102. As of the Latest Practicable Date, we had paid €4 million under the CU-40102 Agreement.

Unless otherwise terminated, the term for the CU-40102 Agreement is 15 years with automatic renewals.

**CU-40101 Agreement**

On April 17, 2020, we entered into a licensing agreement (the "**CU-40101 Agreement**") with TechnoDerma Medicines Inc. ("**TechnoDerma**"), an Independent Third Party.

Pursuant to the CU-40101 Agreement, TechnoDerma grants to us an exclusive, royalty-bearing, and assignable license to develop, manufacture and commercialize CU-40101 in Asia for dermatology indications, including but not limited to scalp disease treatment (the "**CU-40101 Field**"). We will develop, obtain marketing authorization and commercialize CU-40101 at our own costs and expenses and conduct commercialized activities in the CU-40101 Field in Asia.

In consideration of the licenses and rights transferred to us, we are required to pay an aggregate of RMB60.0 million in non-refundable upfront fees and development milestone payments. We are also required to make payments when commercial milestones are met, which relate to the amount of aggregate net sales, such as tiered royalty payments calculated as a low single digit percentage of net sales of CU-40101 in Asia. As of the Latest Practicable Date, we had paid RMB20.0 million under the CU-40101 Agreement.

The term for the CU-40101 Agreement is 20 years from launch of CU-40101. Unless terminated earlier, the CU-40101 Agreement will continue in full force and effect.

**CU-10201 Agreement**

On April 21, 2020, we entered into a licensing agreement (the "**CU-10201 Agreement**") with Foamix, an Independent Third Party. Pursuant to the CU-10201 Agreement, Foamix grants to us an exclusive, royalty-bearing license, under the patents, know-how and trademarks, with the right to sublicense to develop, use, have used, distribute, market, promote, sell, have sold, offer for sale, import, label, package and otherwise commercialize CU-10201 in any uses in moderate to severe acne vulgaris in Greater China. Foamix later merged into VYNE Therapeutics Inc. in later 2021. VYNE Therapeutics Inc. had assigned rights and obligations of Foamix under CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022.

In consideration of the licenses and rights granted to us, the upfront payments and the maximum milestone payments payable by us amount to US$11.0 million in the aggregate, which includes US$10.0 million upfront payments and US$1.0 million milestone payment within 30 business days after the first regulatory approval of the CU-10201 by the NMPA. We are also obligated to pay tiered royalties of single digit percentage of annual net sales of CU-10201. As of the Latest Practicable Date, we had paid US$10.0 million under the CU-10201 Agreement.

Unless terminated earlier, the CU-10201 Agreement will continue in full force and effect.

**CUP-MNDE Agreement**

On June 1, 2021, we entered into a distribution agreement (the "**CUP-MNDE Agreement**") with Laboratoires Bailleul International S.A. ("**Laboratoires Bailleul**"), an Independent Third Party. Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of the CUP-MNDE in Mainland China. Laboratoires Bailleul also authorizes us to use the logos and commercial brands of CUP-MNDE in Mainland China. We shall obtain all necessary marketing authorization and/or registration of the products from the relevant authorities in Mainland China either alone, or with the assistance of Laboratoires Bailleul or a local independent third party chosen by Laboratoires Bailleul. Unless terminated earlier, the CUP-MNDE Agreement will continue in full force and effect in perpetuity.

**CUP-SFJH Agreement**

On September 1, 2021, we entered into a distribution agreement (the "**CUP-SFJH Agreement**") with Van Montfort Laboratories B.V. ("**VML**"), an Independent Third Party. Pursuant to the CUP-SFJH Agreement, VML grants to us the individual, direct and exclusive distribution rights within the Mainland China for CUP-SFJH. VML also authorizes us to use the logos and commercial brands of CUP-SFJH in the Mainland China during the term and in pursuit of the CUP-SFJH Agreement. The CUP-SFJH Agreement has an initial term beginning on September 1, 2021, and ending on December 31, 2024 with automatic renewal thereafter annually unless it is terminated by written notice at least three months before the expiration date.

**CUSTOMERS**

During the Track Record Period, apart from our two largest customers who are our distributors, our customers are all individual customers. We did not generate any revenue in 2020. The total revenue generated from our two largest customers amounted to RMB381,000 and RMB176,700 in 2021 and the six months ended June 30, 2022, respectively. In 2021 and the six months ended June 30, 2022, our two largest customers together accounted for 18.7% and 26.9%, respectively, of our total revenues during those periods, and our largest customer accounted for 18.7% and 21.1%, respectively, of our total revenues during those periods. None of our two largest customers is our supplier.

To the best of our knowledge, both of our two largest customers during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our two largest customers during the Track Record Period.

## SUPPLIERS

During the Track Record Period, we primarily procured raw materials and equipment to develop and manufacture our product candidates from industry-leading and highly reputable manufacturers and suppliers. Our purchases mainly include third-party contracting services for pre-clinical evaluation and clinical trials of our product candidates and raw materials, and equipment. In 2020, 2021 and the six months ended June 30, 2022, our purchases from our five largest suppliers in the aggregate accounted for 83.7%, 59.4% and 63.7% of our total purchases (including value-added tax), respectively, and our purchases from the largest supplier accounted for 38.6%, 28.2% and 25.3% of our total purchases (including value-added tax), respectively.

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 any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

## OUR SALES, DISTRIBUTION AND MARKETING

We implement our marketing strategy primarily through online and offline channels. We have established a duo-channel distribution network to effectively reach our customers. Our distribution network includes direct sales and sales to distributors. As our reputation and capacity in developing and manufacturing high quality product candidates for broader dermatology treatment and care continues to grow, we plan to expand our sales network to mass market.

### Product Pricing

We formulate, and implement, a reasonable pricing strategy for our marketed products to stay competitive and profitable. We take into account a number of factors in determining our prices, which primarily include our R&D, production and marketing costs and expenses, the perceived value of products, our market share and the competitive landscape.

Currently, none of our commercialized products have been included into the National Reimbursement Drug List ("**NRDL**") or National Essential Drug List ("**NEDL**"). In order to gain market share against existing and future branded and generic competitors, we will also consider seeking inclusion of our products into the NRDL or NEDL and other reimbursement programs.

## OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan), the 6 Dimensions Entities will be in aggregate interested in approximately [**REDACTED**]% of the total issued share capital of our Company and will be our Controlling Shareholders as defined under the Listing Rules upon [**REDACTED**]. For more details, see "Relationship with Controlling Shareholders" in this Document.

## OUR [REDACTED] INVESTORS

The [**REDACTED**] Investments included Series A-1 and Series A-2 Financing, Series B Financing and Series C Financing. The total funds raised by the Company from the [**REDACTED**] Investments were approximately US$275 million. Our [**REDACTED**] Investors include professional investors principally engaged in equity investments in the healthcare sector. The Sophisticated Investors of the Company include but are not limited to Sequoia Capital China Growth, which will be interested in approximately [**REDACTED**]% of the total issued share capital of our Company upon [**REDACTED**]. For more details, see "History, Development and Corporate Structure – [**REDACTED**] Investments".

## SUMMARY OF KEY FINANCIAL INFORMATION

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

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

| | Year ended December 31, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2020** | **2021** | **2021** | **2022** |
| | *(RMB in thousands)* | | | |
| | | | *(unaudited)* | |
| Revenue | – | 2,038 | 159 | 658 |
| Cost of sales | – | (428) | (93) | (205) |
| Gross profit | – | 1,610 | 66 | 453 |
| Other income and gains | 613 | 9,517 | 3,194 | 58,446 |
| Selling and distribution expenses | – | (6,292) | (1,061) | (5,976) |
| Research and development costs | (161,925) | (110,558) | (50,140) | (83,464) |
| Administrative expenses | (27,912) | (64,745) | (31,548) | (41,147) |
| Fair value gains/(losses) on convertible redeemable preferred shares | 46,529 | (120,330) | (35,089) | (174,652) |
| Other expenses | (56,634) | (28,224) | (10,669) | – |
| Finance costs | (599) | (559) | (168) | (608) |
| [**REDACTED**] expenses | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Loss before tax** | (199,928) | (319,581) | (125,415) | (251,613) |
| Income tax expense | – | – | – | – |
| **Loss and total comprehensive loss for the year/period** | (199,928) | (319,581) | (125,415) | (251,613) |

| | Year ended December 31, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2021 | 2021 | 2022 |
| | *(RMB in thousands)* | | | |
| | | | *(unaudited)* | |
| Attributable to: | | | | |
| Owners of the parent: | | | | |
| Ordinary shares holders of the parent | (105,134) | (319,581) | (125,415) | (251,613) |
| Preferred shares holders of the parent | (64,977) | – | – | – |
| Non-controlling interests | (29,817) | – | – | – |
| | (199,928) | (319,581) | (125,415) | (251,613) |

During the Track Record Period, substantially all of our revenue was generated from the sale of our scalp diseases and care products, skin diseases and care products, and certain skin care products for daily care and post-treatment maintenance. We expect to continue to generate most of our revenue from such source and expand our revenue sources upon the commercialization of our product candidates. During the Track Record Period, all of our revenue was derived from customers located in Greater China.

Gross profit represents our revenue less our cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. We did not generate any revenue or record any cost of sales in 2020. Our gross profit amounted to RMB1.6 million and RMB0.5 million in 2021 and the six months ended June 30, 2022, respectively. Our gross profit margin reached 79.0% and 68.8% during the same periods, respectively.

During the Track Record Period, our R&D costs consisted of staff costs, share-based payment expenses, licensing-in expenses, third-party contracting costs, depreciation and amortization and others. In 2020, 2021 and the six months ended June 30, 2022, we recorded R&D costs of RMB161.9 million, RMB110.6 million and RMB83.5 million, respectively.

Our fair value gains or losses on convertible redeemable preferred shares represented the changes in fair value of the convertible redeemable preferred shares in relation to our [**REDACTED**] investments. In 2020, we recorded fair value gains on convertible redeemable preferred shares of RMB46.5 million. In 2021 and the six months ended June 30, 2022, we recorded fair value losses on convertible redeemable preferred shares of RMB120.3 million and RMB174.7 million, respectively. For more details regarding preferred shares, see the paragraph headed "History, Development and Corporate Structure – [**REDACTED**] Investments" in this Document. The fair value changes of convertible redeemable preferred shares adversely affected our financial performance in 2021 and will continue to affect our financial performance during and subsequent to the Track Record Period until the conversion of preferred shares into ordinary shares upon [**REDACTED**].

For more details, see "Financial Information – Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income."

**Summary of Consolidated Statements of Financial Position**

The following table sets forth certain selected items from our consolidated statements of financial position as of the dates indicated:

| | As of December 31, | | As of June 30, |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| | *(RMB in thousands)* | | |
| Total non-current assets | 32,826 | 93,156 | 173,973 |
| Total current assets | 1,118,476 | 1,401,725 | 1,301,312 |
| **Total assets** | 1,151,302 | 1,494,881 | 1,475,285 |
| Total current liabilities | 18,955 | 19,250 | 38,118 |
| Total non-current liabilities | 1,644,385 | 2,266,140 | 2,440,697 |
| **Total liabilities** | 1,663,340 | 2,285,390 | 2,478,815 |
| Net current assets | 1,099,521 | 1,382,475 | 1,263,194 |
| Share capital | 11 | 11 | 11 |
| Deficits | (512,049) | (790,520) | (1,003,541) |

The following table sets forth our current assets and current liabilities as of the dates indicated:

| | As of December 31, | | As of June 30, | As of October 31, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *(RMB in thousands)* | | | |
| | | | | *(Unaudited)* |
| **CURRENT ASSETS** | | | | |
| Inventories | – | 1,804 | 11,985 | 14,928 |
| Trade receivables | – | – | 104 | 2,834 |
| Prepayments, other receivables and other assets | 1,829 | 21,153 | 22,111 | 43,423 |
| Amounts due from related parties | – | 498 | 827 | 839 |
| Financial assets at FVTPL | 138,635 | 405,492 | 220,196 | 113,854 |

| | As of December 31, | | As of June 30, | As of October 31, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *(RMB in thousands)* | | | |
| | | | | *(Unaudited)* |
| Time deposits over three months | 677,842 | 769,648 | 470,392 | 580,589 |
| Cash and cash equivalents | 300,170 | 203,130 | 575,697 | 482,327 |
| **Total current assets** | 1,118,476 | 1,401,725 | 1,301,312 | 1,238,794 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 15,188 | 15,535 | 34,767 | 45,803 |
| Lease liabilities | 3,767 | 3,715 | 3,351 | 7,927 |
| **Total current liabilities** | 18,955 | 19,250 | 38,118 | 53,730 |
| **NET CURRENT ASSETS** | 1,099,521 | 1,382,475 | 1,263,194 | 1,185,064 |

We had net current assets of RMB1,099.5 million as of December 31, 2020, as compared to net current assets of RMB1,382.5 million as of December 31, 2021. This increase was primarily due to an increase in prepayments, other receivables and other assets and financial assets at FVTPL mainly due to the purchased financial products issued by banks in 2021.

We had net current assets of RMB1,382.5 million as of December 31, 2021, as compared to net current assets of RMB1,263.2 million as of June 30, 2022. This decrease was primarily due to a decrease of financial assets at FVTPL and an increase in trade and other payables, primarily in relation to our expanded R&D activities.

For more details, see "Financial Information – Discussion of Certain Selected Items From The Consolidated Statements of Financial Position."

**Summary of Consolidated Statements of Cash Flows**

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

| | Year ended December 31, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2021 | 2021 | 2022 |
| | *(RMB in thousands)* | | | |
| | | | *(unaudited)* | |
| **Net cash flows used in operating activities** | (172,659) | (159,877) | (67,863) | (97,542) |
| **Net cash flows (used in)/from investing activities** | (742,952) | (410,653) | 16,971 | 431,457 |
| **Net cash flows from/(used in) financing activities** | 1,231,978 | 480,761 | (810) | (3,710) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 316,367 | (89,769) | (51,702) | 330,205 |
| Cash and cash equivalents at beginning of year/period | 33,856 | 300,170 | 300,170 | 203,130 |
| Effect of foreign exchange rate changes, net | (50,053) | (7,271) | (2,816) | 42,362 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD** | 300,170 | 203,130 | 245,652 | 575,697 |

Our net cash used in operation activities was RMB172.7 million, RMB159.9 million and RMB97.5 million for 2020, 2021 and the six months ended June 30, 2022, respectively. During the Track Record Period, we incurred negative cash flows from our operations, and substantially most of our operating cash outflows have resulted from our research and development costs. As our business develops and expands, we expect to generate more cash flow from our operating activities. In particular, we plan to:

- Further increase the sales of our approved products. We expect our revenue from product sales will continue to achieve robust growth going forward;
- Optimizing our production plan based on our sales volumes to shorten our inventory turnover days in order to keep a stable cash flow;
- Rapidly advancing our pipeline products towards commercialization to generate revenue from product sales.

During the Track Record Period, we derived our cash inflows from financing activities primarily from issue of convertible redeemable preferred shares. 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.

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$[**REDACTED**] million in the [**REDACTED**], assuming no [**REDACTED**] is exercised and at an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]. Assuming an average cash burn rate going forward of 4.0 times the level in 2021, we estimate that our cash at bank and on hand as of October 31, 2022 will be able to maintain our financial viability for 41 months taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and for 19 months without taking into account the estimated net [**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 Ratio**

The table below sets forth our key financial ratio as of the dates indicated:

| | As of December 31, | | As of June 30, |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| Current ratio[(1)] | 59.0 | 72.8 | 34.1 |

*Note:*

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

The increase in current ratio from 59.0 as of December 31, 2020 to 72.8 as of December 31, 2021 was primarily due to an increase in prepayments, other receivables and other assets and financial assets at FVTPL mainly due to the purchased financial products issued by banks in 2021.

The decrease in current ratio from 72.8 as of December 31, 2021 to 34.1 as of June 30, 2022 was primarily due to a decrease in financial assets at FVTPL and an increase in trade and other payables, primarily in relation to our expanded R&D activities.

[**REDACTED**]

## DIVIDEND

After completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends we declare. Our dividend policy will become effective upon [**REDACTED**]. Under the dividend policy, we intend to provide our Shareholders with interim or annual dividends as appropriate. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of Shareholders.

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. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and the Cayman Companies Act. The declaration and payment of dividends in the future will be determined by our Board of Directors, in its discretion, or the Shareholders in general meeting, and will depend on a number of factors, including our earnings, capital requirements, and overall financial condition. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend by paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For more details, see "Risk Factors – Risks Relating to Doing Business in China" in this Document.

**USE OF [REDACTED]**

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no exercise of the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this Document. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes:

- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used for our Core Product CU-20401;
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to fund the continuing R&D activities of our Key Products, CU-40102 and CU-10201, including the planned clinical trials and the preparation of registration filings;
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to fund the continuing R&D activities of the other candidates in our pipeline, including the planned clinical trials and the preparation of registration filings;
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for the continued expansion of our commercial and manufacturing capabilities in preparation for potential launches of our products;
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for technology development and business development for pipeline expansion;
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used for working capital and other general corporate purposes.

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

## RISK FACTORS

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

- Our business and financial prospects depend substantially on the success of our clinical stage and pre-clinical stage drug candidates. If we are unable to successfully complete clinical development, obtain relevant regulatory approvals or achieve commercialization of our product candidates, or if we experience significant delays in any of the foregoing, our business, results of operations and financial condition may be adversely affected.

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

- We are largely dependent on the sales of our commercialized products. If we fail to achieve or further promote the widespread market acceptance of our products, or if we fail to grow or retain our customers or consumer base, our business, results of operations and financial condition may be materially and adversely affected.

- We have entered into collaborations or licensing arrangements or may seek collaborations or enter into licensing arrangements in the future, we may not realize the benefits of such collaborations or licensing arrangements, and disputes may arise between us and our collaboration partners which could harm our business.

- Our rights to develop and commercialize some of our product candidates are subject to the terms and conditions of licenses granted to us by others. If we fail to comply with our obligations in the agreements or otherwise experience disruptions to our business relationships with our licensors, we could be required to pay monetary damages or could lose license rights that are important to our business.

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

- Our success depends on our ability to maintain and expand our third-party e-commerce platforms and sales network. Future changes in the e-commerce industry and consumer behavioral pattern may adversely affect our sales through online channels.

- Adverse events or undesirable side effects caused by our product 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 or cause product liability claims, which could expose us to costs and liabilities and adversely affect our operations and reputation.

- Claims that our product candidates or the sale, distribution or use of our future products infringes, misappropriates or otherwise violates the patent or other intellectual rights of third parties could result in costly litigation, the outcome of which would be uncertain, or could require substantial time and money to resolve, even if litigation is avoided.

- We depend on our distributors and sub-distributor to sell products and product candidates. Our limited control over the distributors and sub-distributor and our relationship may expose us to significant risks.

- We rely on third parties to conduct a certain number of our pre-clinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates, or experience delay in doing any of the foregoing, and our business could be substantially harmed.

- Our business operations may in the future be affected by COVID-19 pandemic, and may be affected by other health epidemics or outbreaks of contagious diseases.

## [**REDACTED**] EXPENSES

[**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$[**REDACTED**] (including (i) [**REDACTED**] commission, incentive fees and sponsor fees of approximately HK$[**REDACTED**] and (ii) non-[**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$[**REDACTED**], at an [**REDACTED**] of HK$[**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**]. RMB[**REDACTED**] (HK$[**REDACTED**]) was recognized and charged to our consolidated statements of profit or loss and other comprehensive income for the six months ended June 30, 2022. After June 30, 2022, approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$[**REDACTED**] 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.

## RECENT DEVELOPMENTS

### 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 material patient enrollment delay in our clinical trials. Our Directors believe that, based on information available as of the date of this Document, the outbreak of COVID-19, including the emergence of its various variants such as Omicron that has been prevalent since early 2022 in China, 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.* Due to the outbreak of the Omicron variant of COVID-19 in China since March 2022, as of the Latest Practicable Date, we experienced a slight delay in the patient enrollment, data collection and data analysis for certain of our clinical trials. However, the outbreak of COVID-19 did not cause any termination of our clinical trials or necessitate the removal of any patients enrolled in our clinical trials or any material delay in registration progress. For example, since March 2022, some hospitals in Shanghai have allocated their resources to the prevention and treatment of COVID-19, thus our ongoing clinical trials of products, including the Core Product, in a minority of hospital sites were temporarily delayed. Nevertheless, the entire patient enrollment for such clinical trials has been completed or is expected to be completed as originally scheduled. We have been closely monitoring the progress of our on-going clinical trials throughout China by maintaining frequent communication with the medical institutions that cooperate with us, and as of the Latest Practicable Date, we had not experienced and did not anticipate that there will be any material delay or suspension to our on-going clinical trials.

- *Our daily operation*. 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. Our employees have been working remotely during the periods of city lock-downs and travel restrictions, and we did not experience any material disruption to our daily operation.

- *Supply chain and cooperation with third parties*. Due to the quarantine measures of certain major cities in China, we had difficulties in delivering products to major cities in China from March to July 2022. Even though logistics fee rate increased in certain situations, there had not been material adverse impact on our results of operations and financial condition. In addition, we were unable to organize offline

marketing in cities with restrictive measures at the relevant time. Save for the aforementioned, our supply chain and cooperation with third parties remained largely unaffected by the resurgence as of the Latest Practicable Date.

- *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 most foreign competent government authorities relevant to our clinical trials, particularly the FDA, are currently in normal operations, we do not expect that our communications and filings with these authorities will be significantly affected by the outbreak of COVID-19.

**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 June 30, 2022, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.