Application Proof of

Cutia Therapeutics
科笛集團*

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Cutia Therapeutics
科笛集團*

(Incorporated in the Cayman Islands with limited liability)

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Number of [REDACTED] Shares	**:**	**[REDACTED] Shares (subject to reallocation)**
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IMPORTANT

[**REDACTED**]

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[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

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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 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.

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

"6 Dimensions Affiliates"	6 Dimensions Affiliates Fund, L.P., a limited partnership incorporated in the Cayman Islands on October 25, 2017 and one of our Controlling Shareholders
"6 Dimensions Entities"	6 Dimensions LP, 6 Dimensions Affiliates, Suzhou Frontline II and Suzhou 6 Dimensions, the Controlling Shareholders of our Company
"6 Dimensions LP"	6 Dimensions Capital, L.P., a limited partnership incorporated in the Cayman Islands on August 16, 2017 and one of our Controlling Shareholders
"Accountants' Report"	the accountants' report prepared by Ernst & Young, details of which are set out in Appendix I to this Document
"affiliate(s)"	With respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles of Association" or "Articles"	articles of association of our Company adopted on [**REDACTED**], as amended from time to time, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this Document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Aurora Cutis"	Aurora Cutis Medical Technology (Shanghai) Co., Ltd. (晨笛醫藥科技(上海)有限公司), a limited liability company established in the PRC on November 11, 2020 and a wholly-owned subsidiary of our Company

"Board", "Board of Directors" or "our Board"	the board of Directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

"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 the operation 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
"CEO"	chief executive officer of our Company
"CFO"	chief financial officer of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires, excluding Taiwan, the Macau Special Administrative Region and Hong Kong
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act (2021 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"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"	Cutia Therapeutics (科笛集團), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 15, 2019
"Compliance Advisor"	Somerley Capital Limited
"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 Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to 6 Dimensions Entities, as further detailed in the section headed "Relationship with the Controlling Shareholders"
"Core Product"	CU-20401, the designated "core product" as defined under Chapter 18A of the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Cutia HK"	Cutia Therapeutics (HK) Limited, a limited company incorporated in Hong Kong on May 30, 2019 and wholly-owned subsidiary of our Company
"Cutia Shanghai"	Cutia Therapeutics (Shanghai) Co., Ltd. (科笛生物醫藥(上海)有限公司), a limited liability company established in the PRC on July 3, 2019 and wholly-owned subsidiary of our Company
"Cutia Wuxi"	Cutia Therapeutics (Wuxi) Co., Ltd. (科笛生物醫藥(無錫)有限公司), a limited liability company established in the PRC on December 4, 2020 and wholly-owned subsidiary of our Company
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive Directors
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	the Food and Drug Administration of the U.S.
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party

"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document

[**REDACTED**]

"Greater China"	the People's Republic of China, together with the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan Province
"Group", "our Group", "our", "we" or "us"	our Company and our subsidiaries
"HK$" or "Hong Kong Dollars" or "HK Dollars" and "HK cents"	Hong Kong dollars, the lawful currency of Hong Kong

[**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**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Independent Third Party(ies)"	any entity or person, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

"Joint Sponsors"	the joint sponsors of the [**REDACTED**] as named in "Directors and Parties Involved in the [**REDACTED**]"
"Key Product"	the key drug candidates in our pipeline, including CU-40102 and CU-10201
"Latest Practicable Date"	November 30, 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"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mainland China"	the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan Province
"MCN(s)"	multi-channel networks, which refer to the agencies that represent content creators, such as KOLs, and assist them in areas such as audience development, content programming, content creator collaborations, digital rights management, monetization and sales

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on [**REDACTED**], with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix III to this Document
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"[**REDACTED**] Equity Incentive Plan"	the equity incentive plan adopted by the Company on [**REDACTED**], the principal terms of which are set out in the section headed "Statutory and General Information – Equity Incentive Plans – [**REDACTED**] Equity Incentive Plan" in Appendix IV
"PR-SMFRS"	Patient-Reported SMF Rating Scale
"PRC Legal Advisor"	Zhong Lun Law Firm, our legal advisor on PRC laws in connection with the [**REDACTED**]
"[**REDACTED**] Equity Incentive Plan"	the equity incentive plan adopted by the Company and took effect on August 23, 2019, the principal terms of which are set out in the section headed "Statutory and General Information – Equity Incentive Plans – [**REDACTED**] Equity Incentive Plan" in Appendix IV
"[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the [**REDACTED**] Investors prior to this [**REDACTED**], the details of which are set out in "History, Development, and Corporate Structure"
"[**REDACTED**] Investor(s)"	the Series A-1 Investors, Series A-2 Investors, the Series B Investors and the Series C Investors
"Preferred Shares"	preferred shares(s) in the share capital of the Company, including the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares

[**REDACTED**]

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"RSU"	restricted stock unit
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"SEA"	South-East Asia consists of Vietnam, Laos, Cambodia, Thailand, Myanmar, Malaysia, Singapore, Indonesia, Brunei, Philippines, Timor-Leste

"Series A-1 Investors"	the holders of the Series A-1 Preferred Shares
"Series A-1 Preferred Shares"	the series A-1 preferred shares of the Company with a par value of US$0.0001 per Share
"Series A-2 Investors"	the holders of the Series A-2 Preferred Shares
"Series A-2 Preferred Shares"	the series A-2 preferred shares of the Company with a par value of US$0.0001 per Share
"Series B Investors"	the holders of the Series B Preferred Shares
"Series B Preferred Shares"	the series B preferred shares of the Company with a par value of US$0.0001 per Share
"Series C Investors"	the holders of the Series C Preferred Shares
"Series C Preferred Shares"	the series C preferred shares of the Company with a par value of US$0.0001 per Share
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company of US$0.0001 each prior to the [**REDACTED**] and US$[**REDACTED**] each upon the completion of the [**REDACTED**]
	[**REDACTED**]
"Shareholder(s)"	holder(s) of our Share(s)
"Sophisticated Investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange

[**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 to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou 6 Dimensions"	Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 4, 2017 and one of our Controlling Shareholders
"Suzhou Frontline II"	Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 8, 2016 and one of our Controlling Shareholders
"Track Record Period"	the period comprising two financial years ended December 31, 2020 and 2021 and the six months ended June 30, 2022
"U.S. Government"	the federal government of the United States, including its executive, legislative and judicial branches
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	the lawful currency of the U.S
"VAT"	value-added tax

"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"AEs"	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"ANDA"	abbreviated new drug application
"AhR"	aryl hydrocarbon receptor, a transcription factor that is encoded by the AHR gene in humans and regulates gene expression
"androgen"	a steroid hormone that promotes male secondary sex characters
"androgenetic alopecia"	a common form of hair loss in both men and women
"antibody"	also known as an immunoglobulin (Ig), a protein used by the immune system to recognize and bind an antigen
"API"	active pharmaceutical ingredients, any substance or mixture of substances intended to be used in the manufacture of a drug (medicinal) product in order to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure or function of the body
"apoptosis"	a form of programmed cell death in which a programmed sequence of events leads to the elimination of cells
"AR"	androgen receptor
"ARNT"	aryl hydrocarbon receptor nuclear translocator, a protein that forms a complex with ligand-bound AhR and regulates gene expression
"AUC"	area under curve, a parameter of systemic exposure

"CAGR"	compound annual growth rate
"CDMO"	contract development and manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"cGMP"	current good manufacturing practice; the provisions of GMP for drugs were enacted in accordance with the Drug Administration Law of the PRC and the Regulations for Implementation of the Drug Administration Law of the PRC to regulate the manufacturing and quality management of Drugs; the purpose is to ensure that the drug products are consistently manufactured in accordance with the registration requirements and are suitable for their intended use
"clinical trial/study"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"C_{max}"	the maximum or peak serum concentration of a drug after administration
"CMC"	chemistry, manufacturing, and controls
"CMO"	contract manufacturing organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services for drug manufacturing
"cohort"	a group of patients as part of a clinical trial who share a common characteristic or experience within a defined period and who are monitored over time
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"cosmeceutical"	a portmanteau of "cosmetics" and "pharmaceuticals", referring to a cosmetic product with bioactive ingredients purported to have or drug-like or medical benefits.
"CR-SMFRS"	clinician-reported submental fat rating scale

GLOSSARY OF TECHNICAL TERMS

"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"dermatology"	the branch of medicine that deals with the diagnosis and treatment of skin related disorders
"dermis"	the layer of the skin between the epidermis and subcutaneous tissue
"DHT"	dihydrotestosterone, a male sex hormone which is the active form of testosterone, formed from testosterone in bodily tissue
"DLQI"	dermatology life quality index, a questionnaire with 10 questions used to measure the impact of skin disease on the quality of life of an affected person, including symptoms and feelings, daily activities, leisure, work and school, personal relationships, and treatment
"ECM"	extracellular matrix, a three-dimensional network consisting of extracellular macromolecules and minerals, such as collagen, enzymes, glycoproteins and hydroxyapatite that provide structural and biochemical support to surrounding cells
"EGFR"	epidermal growth factor receptor, a transmembrane protein that is activated by binding of its specific ligands
"epidermis"	the outermost layer of the skin
"*ex vivo*"	Latin for "out of the living", referring to studies in which the effects of various biological or chemical substances are tested in or on tissue from an organism in an external environment with minimal alteration of natural conditions
"5α-R2"	5 alpha-reductase, also known as 3-oxo-5α-steroid 4-dehydrogenases, referring to an enzyme involved in steroid metabolism
"first-in-class"	a drug that uses a new and unique mechanism of action for treating a medical condition

"FLG"	filaggrin, a protein essential for the correct formation and function of the skin barrier
"GCP"	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GMP"	good manufacturing practice, the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of products
"Grade – in relation to AE"	term used to refer to the severity of adverse events according to Common Terminology Criteria for Adverse Events (CTCAE) v4.03, using Grade 1, Grade 2, Grade 3, etc.
"hirsutism"	a condition in women that results in excessive growth of dark or coarse hair in a male-like pattern in face, chest and back
"hypertrichosis"	a condition with excessive hair growth anywhere on the body in either males or females
"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal
"immunosuppressant"	drugs or medicines that depress or prevent activity of the immune system
"indication"	a valid reason to use a specific test, drug, device, procedure or surgery
"*in vitro*"	Latin for "within the glass", referring to studies that are performed with microorganisms, cells, or biological molecules outside their normal biological context
"*in vivo*"	Latin for "within the living", referring to studies 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

GLOSSARY OF TECHNICAL TERMS

"IND"	investigational new drug, an application in the drug review process required by an regulatory authority to decide whether a new drug is permitted to initiate clinical trials; also known as clinical trial application, or CTA, in China
"INF-γ"	interferon gamma, a type II interferon that is a cytokine critical for innate and adaptive immunity against viral, some bacterial infections and protozoal infections (infections caused by parasites)
"IV"	intravenous, a route of a medication or another substance into a vein and directly into the bloodstream
"JAK"	Janus kinase, a family of intracellular, non-receptor tyrosine kinases that transduce cytokine-mediated signals via the JAK-STAT pathway
"LOR"	loricrin, a major protein component of the cornified cell envelope found in terminally differentiated epidermal cells
"MIC_{90}"	maximum inhibitory concentration of an antibiotic, at which 90% of strains are inhibited
"mechanism of action"	the specific biochemical interaction through which a drug substance produces its pharmacological effect
"monoclonal antibody"	an antibody generated by identical immune cells that are all clones of the same parent cell
"monotherapy"	a therapy that uses a single drug to treat a disease or condition
"multi-regional clinical trial"	a clinical trial that is conducted in different regions under a common trial design for simultaneous global new drug development
"NDA"	new drug application, a process required by an regulatory authority to approve a new drug for sale and marketing

"ODM"	original design manufacturer, a company that designs and manufactures products or parts of a product as specified that are rebranded and sold by another company
"OEM"	original equipment manufacturer, a company that manufactures products or parts of a product as specified that are rebranded and sold by another company
"OTC drug"	over-the-counter drug, a drug that may be sold over the counter in China upon receiving the NMPA's approval at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
"OX40"	a member of the TNFR superfamily expressed on activated T cells that gives costimulatory signals to promote T cell division and survival
"OX40L"	a ligand for OX40, belonging to a member of the TNF superfamily
"PASI"	psoriasis area severity index, a tool combining assessment of the severity of lesions and the area affected into a single score in the range 0 (no disease) to 72 (maximal disease) for measurement of severity of psoriasis
"PDE4"	phosphodiesterase 4, an intracellular non-receptor enzyme that modulates inflammation and epithelial integrity
"PGE2"	prostaglandin E2, a naturally occurring prostaglandin with oxytocic properties
"Phase I clinical trial"	a study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its efficacy
"Phase II clinical trial"	a study in which a drug is administered to a limited patient population to preliminarily evaluate the efficacy of the product for specific targeted diseases, to identify possible adverse effects and safety risks, and to determine optimal dosage

"Phase III clinical trial"	a study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"phototherapy"	also known as light therapy or heliotherapy, a medical treatment in which natural or artificial light is used to improve a health condition
"PK"	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
"placebo"	a medical treatment or preparation with no specific pharmacological activity
"PR-SMFRS"	patient-reported submental fat rating scale
"pre-clinical study"	a study testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"prescription drug"	a drug which may only be prescribed by qualified medical practitioners
"primary endpoint"	a main or most important outcome at the end of a study to determine whether a new drug or treatment worked
"psoriasis"	a skin disease that causes red, itchy scaly patches, most commonly on the knees, elbows, trunk or scalp
"registrational clinical trial"	a clinical trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
"SC"	subcutaneous, referring to a route of drug administration under the skin
"SLRS"	submental skin relaxation scale

"SMF"	submental fat
"SMO"	site management organization, an organization that has adequate infrastructure and staff to meet the requirements of the clinical trial protocol and provides clinical trial related services to a CRO, a pharmaceutical company, a biotechnology company, or a clinical site
"SSRS"	subject self-rating scale
"$T_{1/2}$"	elimination half-life time
"TEAEs"	treatment-emergent adverse events
"T_{max}"	the time to reach the maximum concentration of a drug
"TNFα"	tumor necrosis factor alpha, a cell signaling protein (cytokine) that is involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction
"TSLP"	thymic stromal lymphopoietin, a protein belonging to the cytokine family and playing a role in the maturation of T cell populations through activation of antigen presenting cells
"TYK"	tyrosine kinase, an enzyme that can transfer a phosphate group from ATP to tyrosine residues of a protein in a cell
"RXR"	retinoid X receptor, a type of nuclear receptor that regulates gene expression in cell proliferation and cell death, development, metabolism, and cell differentiation
"TR"	thyroid hormone receptor, a type of nuclear receptor that is activated by binding thyroid hormone and regulates gene expression
"TRPV1"	transient receptor potential cation channel subfamily V member 1, also known as capsaicin receptor and vanilloid receptor 1, a receptor that is an element of or mechanism used by the mammalian somatosensory system
"USP"	United States Pharmacopeia, a pharmacopeia for the United States published annually by the United States Pharmacopeial Convention
"VEGF"	vascular endothelial growth factor, a family of cytokines critical for the formation of blood vessels

FORWARD-LOOKING STATEMENTS

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

This Document contains certain forward-looking statements and information relating to our Company, our subsidiaries and consolidated affiliated entities 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" and the negative of these words and other similar expressions, as they relate to our Group 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 other risk factors as described in this Document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- the timing and outcome of the applications for registration of our products with the NMPA and other regulators;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- future developments of the COVID-19 outbreak in the PRC and globally;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- the amount and nature of, and potential for, future development of our business.

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.

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. Particularly, we are a biopharmaceutical company seeking to* [**REDACTED**] *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. Our operations and the broader dermatology treatment and care industry involve certain risks and uncertainties, some of which are beyond our control and may cause you to lose all your* [**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* [**REDACTED**] *of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *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 of 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 product candidates; (ii) risks relating to our reliance on third parties; (iii) risks relating to manufacturing and commercialization of our product candidates; (iv) risks relating to extensive government regulation; (v) risks relating to our intellectual property rights; (vi) risks relating to our operations; (vii) risks relating to our financial position and need for additional capital; (viii) risks relating to doing business in China; and (ix) risks relating to the [**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 have a material adverse effect on our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR PRODUCT CANDIDATES

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.

Our business will depend on the successful completion of the development of our product candidates, obtaining necessary regulatory approvals, and manufacturing and commercializing our product candidates. We have invested a significant portion of our efforts and financial resources in the development of our existing product candidates, and we expect to continue to incur substantial and increasing expenditures for the development and commercialization of our product candidates.

The success of our product candidates will depend on several factors, including but not limited to:

- successful enrollment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- obtaining sufficient supplies of any qualified products that are used in combination with competitor products or comparison products that may be necessary for use in clinical trials for evaluation of our product candidates;
- receipt of regulatory approvals;
- establishing sufficient commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by CROs or other third parties we may retain to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining, maintaining and enforcing patent, trademark, trade secret and other intellectual property protection and regulatory exclusivity for our product candidates;
- avoiding infringement, misappropriation or violation of the patents, trademarks, trade secrets or other intellectual property rights of third parties, and successfully defending against any claims by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party;
- successfully launching commercial sales of our product candidates, if and when approved;
- obtaining and maintaining favorable reimbursement from third-party payers for products, if and when approved;
- competition with other product candidates; and
- continued acceptable safety profile of our product candidates following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in obtaining approval for and/or successfully commercializing our product candidates, which would materially and adversely affect our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

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

Research programs to discover new product candidates and new formulations or pursue the development of our product candidates for additional indications require substantial technical, financial and human resources. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early clinical trials of our product candidates may not be predictive for the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive for the final results. Product 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 some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial participants. Moreover, a number of factors could affect the relevant clinical results and could render cross-trial comparison results less meaningful, including the different patient enrollment standards adopted in different trials (e.g., disease severity and status, prior treatment history, age group), dose regimen, and the other aspects of clinical trial design. In the case of any trials we conduct, results may differ from earlier trials due to larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the dermatology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding positive results in earlier trials. Our future clinical trial results may thus not be favorable, which may materially and adversely affect our business, results of operations and prospects.

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.

Before obtaining regulatory approval for the commercialization of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We may experience numerous unexpected adverse events during, or as a result of, clinical trials that could delay or prevent our ability to obtain regulatory approvals or commercialize our product candidates, including but not limited to:

- regulators, institutional review boards or ethics committees not authorizing 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 CDMOs or after we establish our own facilities, including problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a product candidate for use in a clinical trial;

- clinical trials of our product candidates producing negative or inconclusive results, and additional clinical trials or abandoning product development programs being required;

- the number of patients required for clinical trials of our product candidates being larger than we anticipate, enrollment being insufficient or slower than we anticipate, or patients dropping out at a higher rate than we anticipate;

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

- suspension or termination of clinical trials of our product 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; and

- the cost of clinical trials of our product candidates being greater than we anticipate; and the supply or quality of our product candidates, companion diagnostics or other materials necessary to conduct clinical trials of our product candidates being insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, or if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our product candidates; (ii) not obtain regulatory approval at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the products removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the product is distributed or used; or (vii) be unable to obtain reimbursement for the use of the products.

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

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.

As of the Latest Practicable Date, we had two commercialized products, CUP-MNDE and CUP-SFJH. Our two clinical-stage products CU-40102 and CU-10201 also had commenced pilot commercialization in Lecheng, Hainan. Our business success depends significantly on the level of acceptance and satisfaction of our products in China's broader dermatology treatment and care market. A number of factors could affect the market acceptance of our products, including but not limited to the following:

- our ability to penetrate China's broader dermatology treatment and care market;
- our ability to address the evolving needs and preferences of our customers and consumers in China's broader dermatology treatment and care market;
- timing of market introduction, brand recognition, sales channel and research and development progress of our products and competing products;
- safety and efficacy of our products and product candidates and the prevalence and severity of side effects, if any;
- pricing and cost effectiveness of our products;
- the number and quality of competing products that are specialized in certain areas and are highly similar or unable to be differentiated from our products;
- recognition and acceptance of our products from consumers;
- perceived advantages and publicity of our products over competing products or treatments and the availability and success of competing products or treatments; and
- effectiveness of our sales and marketing efforts and distribution network, as well as the general availability of our products to meet demand from consumers.

If our products fail to achieve or maintain widespread market acceptance, particularly among medical institutions, practitioners, consumers and distributors, or if we fail to maintain good relationships with them, our future prospects may be affected. In addition, if new products introduced by our competitors are perceived more favorably by our customers and consumers, or are more cost-effective, or otherwise render our products obsolete, the market demand for our products may decline, and our business, results of operations and financial condition may be materially and adversely affected.

Interim and/or preliminary data derived from our pre-clinical and/or clinical trials that we announce or publish from time to time may change as more valid data becomes available and are subject to verification procedures that could result in material changes in the final results.

From time to time, we may publish interim and/or preliminary data from our clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Preliminary data also remain subject to verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim and preliminary data should be viewed with caution until the final data are available. Differences between preliminary or interim data and final data could significantly harm our business prospects and may cause the trading price of Shares to fluctuate significantly after the [**REDACTED**].

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, 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.

Undesirable adverse events caused by our product candidates 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 product candidates;
- regulatory authorities may order us to cease further development of, or deny approval of, our product 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 product candidates;
- regulatory authorities may withdraw approvals or revoke licenses of an approved product candidate, or we may determine to do so even if not required;
- regulatory authorities may require additional warnings on the label of an approved product candidate or impose other limitations on an approved product candidate;
- we may be required to develop a risk evaluation mitigation strategy for the product candidate, or, if one is already in place, to incorporate additional requirements under the risk evaluation mitigation strategy, or to develop a similar strategy as required by a comparable regulatory authority;
- we may be required to conduct post-market studies;

- we could be subject to litigation proceedings or product liability claims for harms or adverse events that caused to patients due to exposure or administration of our product candidates;

- 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 product candidates may be substantially higher than anticipated.

The NMPA could order us to suspend or terminate our studies or to cease further development of or deny approval of our product candidates. Any side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims, which could prevent us from obtaining regulatory approvals or achieving or maintaining market acceptance of a particular product candidate, and could materially and adversely affect our business, results of operations and prospects.

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

The timely completion of clinical trials 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. For example, patient eligibility criteria defined in the protocols could be strict and it might increase the chances that we are not able to recruit and retain suitable patients for our clinical trials. Our clinical trials may compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

Our pre-clinical studies may experience delays or may never advance to clinical trials, which would adversely affect our ability to obtain regulatory approvals or commercialize these product candidates on a timely basis or at all, which in turn would have an adverse effect on our business.

Some of our product candidates are still in the pre-clinical development stage, and the risk of failure of pre-clinical studies is high. Before we can commence clinical trials for a product candidate, we must complete extensive pre-clinical testing and studies to obtain regulatory clearance to initiate human clinical trials, including IND applications in China. We cannot be certain of the timely completion or outcome of our pre-clinical testing and studies and cannot

predict (i) if the NMPA will accept our proposed clinical programs or (ii) if the outcome of our pre-clinical testing and studies will ultimately support the further development of our products. As a result, we cannot be sure that we will be able to submit IND applications or similar applications for our pre-clinical programs on the timelines that we expect, if at all, and we cannot be sure that the submission of IND applications will be approved by the NMPA, leading to the initiation of clinical trials.

We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

We must keep pace with new technologies and methodologies to maintain our competitive position. In 2020, 2021 and the six months ended June 30, 2022, we recorded research and development costs of RMB161.9 million, RMB110.6 million and RMB83.5 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We intend to continue to enhance our technical capabilities in drug discovery, development and manufacturing, which are capital-and-time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, and that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could materially and adversely affect our business and prospects.

In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits that could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical trials and any existed or future commercialization of our product candidates inside and outside China. Liability claims may result in: decreased demand for our product candidates, injury to our reputation, withdrawal of clinical trial participants and inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients, product recalls, withdrawals, or labeling, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources, the inability to commercialize any approved product candidate, and a decline in the [**REDACTED**] of our Shares.

We face substantial competition and our competitors may discover, develop or commercialize competing products earlier or more successfully than we do.

China's broader dermatology treatment and care market is highly competitive. There are a number of large companies that currently market and sell, or are pursuing the development of the same or similar products as we do, namely, products for scalp diseases and care, skin

diseases and care, localized adipose accumulation management medication and topical anesthesia. Some of these competitors may 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. Their success depends on their sharp market insights to find needs from consumers, ability to develop new products that address consumers' demands, and produce and commercialize such products. We anticipate that we will face intense and increasing competition as new products enter the market and advanced technologies become available.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are highly similar or unable to be differentiated from our products or even more effective, have fewer severe side effects, are more convenient, or are less expensive than any products that we may develop or commercialize. Our competitors also may obtain approval from the NMPA or other comparable regulatory authorities for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a stronger market position before we enter the market. As a result, consumers or patients may prefer purchasing or using products from our competitors. Our competitors may render our product candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our product candidates.

The broader dermatology treatment and care market may not grow as rapidly as anticipated, which would materially and adversely affect our business, results of operations and financial condition.

China's broader dermatology treatment and care market have been developing rapidly. However, the future demand is difficult to anticipate since it depends on a number of factors, many of which are beyond our controls. A general slowdown in China's economy or an uncertain economic outlook would adversely affect consumer spending habits which may, among other things, result in an overall decrease in the consumers' willingness to spend on broader dermatology treatment and care products, or a reduction in spending on higher-priced broader dermatology treatment and care products, each of which would have a material adverse effect on our results of operations.

The prospects of China's broader dermatology treatment and care market are also uncertain, and the market may develop at a slower pace than we expect. If the demand for broader dermatology treatment and care products fails to increase as rapidly as we anticipate, our business and future prospects could be adversely affected. The market prospect depends on a number of factors, including, among others, the degree of acceptance, recognition and penetration of broader dermatology treatment and care among the population, the development and relative advantages of alternative solutions, and changes in the industry landscape, such as the advancement of new technologies and competing or substitute products. Moreover, if any market participants in the industry are involved in disputes or negative publicity that have an adverse impact on the industry, our business, results of operations and reputation could also be negatively affected.

Failure to execute effective pricing strategy due to the government guidance or fiercer market competition could harm our ability to increase sales and erode our financial profits.

Our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our products, which may affect our ability to capture market demand and generate revenue. Additionally, if the PRC government issues pricing guidance for our products, it may negatively affect the price at which we can sell our products and have a material adverse effect on our business and results of operations. We may also face downward pricing pressure if our products are included in the National Reimbursement Drug List ("**NRDL**") (《國家醫保藥品目錄》) or other similar catalogues, even if the inclusion of such or other similar catalogues is expected to increase the sales volume of our products. While none of our marketed products was subject to such pricing guidance or reimbursement list as of the Latest Practicable Date, we cannot assure you that we will not be subject to such or other pricing restrictions as a result of any potential tightening regulations. Our customers may gain more bargaining power depending on the availability of alternative products, demands of consumers and the preferences of medical practitioners, and they may demand a lower price from us, which reduces our profitability. In addition, if the profitability of our distributors is reduced due to competition, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

Furthermore, with the introduction of our new products or competing products, or with voluntary price lowering by our competitors, we may be forced to lower the prices for our products. If the prices of our products decline due to government pricing regulation, emergence of competing and substitute products or other factors, and if we are unable to mitigate the adverse effects of such price reduction without incurring substantial expenses to improve our products, our products, business, financial condition, results of operations and market acceptance of our products could be materially and adversely affected.

We have limited control over the end-users that use our products, and depend in part on whether they will utilize and promote our products in a compliant, safe and effective manner.

We sell our products to individual consumers through direct sales and distributors. Our products may be adopted or administered to consumers by third parties beyond our control. We cannot assure you that the broader dermatology treatment and care procedures using our products conducted by third parties would always be compliant with our operational standards and regulatory requirements. For instance, if our products are administered to the incorrect or inappropriate sites or depths by third-party medical practitioners, consumers might experience adverse results, side effects or bodily injury. As a result, even if our products are successfully commercialized, any improper adoption or administration of our products could potentially harm our reputation, expose us to disputes and litigations, and adversely affect our business and results of operations.

RISKS RELATING TO OUR RELIANCE ON THIRD PARTIES

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.

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

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 timeframe. 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 maintain or establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a product candidate, we may be required to relinquish some or all of the control over the future success of that product candidate to the third party. For any product candidates that we may seek to in-license from third parties, we may face significant competition from other companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

Disputes may arise between us and our collaboration partners. Such disputes may cause delay or termination of the research, development or commercialization of our product 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 our third-party collaborator is not successful, our revenue-generating growth potential will be adversely affected. Moreover, international business relationships subject us to additional risks that may materially and 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 efforts may increase our expenses or divert our management's attention from the acquisition or development of product candidates;

- decisions of our collaborators to delay any clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new formulation of a product candidate for clinical testing, not to pursue development and commercialization of our product candidates, or not to continue or renew development or commercialization programs based on clinical trial results or other external factors;

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

- third parties obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our product candidates;

- difficulty of ensuring that third-party partners do not infringe, misappropriate, or otherwise violate the patent, trade secret, or other intellectual property 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 United States Department of the Treasury's Office of Foreign Assets Control rules and regulations and the United States 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.

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.

We rely on licenses to certain patent rights and other intellectual property from third parties that are important or necessary to the development, manufacture or commercialization of our product candidates. Part of these licenses may not provide exclusive rights to use such intellectual property in all relevant fields of use. As a result, we may not be able to develop, export or sell our product candidates outside of the fields as stipulated by the license agreements or prevent competitors from developing and commercializing competitive product products in territories included in all of our licenses.

In addition, we may not have the right to control the preparation, filing, prosecution, maintenance, enforcement or defense of patents and patent applications covering the product candidates that we license from third parties. Therefore, we cannot be certain that these patents and patent applications will be prepared, filed, prosecuted, maintained, enforced and defended in a manner consistent with the best interests of our business. If our licensing partners fail to prosecute, maintain, enforce or defend such patents or patent applications, or lose rights to those patents or patent applications, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our product candidates that are subject of such licensed rights could be adversely affected.

Our licensing partners may have relied on third-party consultants or collaborators or on funds from third parties, or on upstream licenses from third parties, such that our licensing partners are not the sole and exclusive owners of the intellectual property rights we in-license. This could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Despite our best efforts, our licensing partners might conclude that we have materially breached our license agreements or otherwise experienced disruptions to our business relationships and might therefore terminate the license agreements, thereby terminating our ability to develop and commercialize product candidates covered by these license agreements. If any of our licensing partners go bankrupt, some or all of our rights under the licensing agreements may be terminated during the bankruptcy proceeding. In such scenario, or if these licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products identical to ours. In addition, we may seek to obtain additional licenses from our licensing partners in a manner that may be more favorable to the licensing partners, including by agreeing to terms that could enable third parties (potentially including our competitors) to receive licenses to a portion of the intellectual property that is subject to our existing licenses.

Any of these events could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects. For more details, see "Business – Collaboration and Licensing Arrangements."

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.

We directly sell products, including CUP-MNDE and CUP-SFJH, to individual customers through Tmall e-commerce platform. We also sell another portion of CUP-MDNE through a distributor in Hong Kong, which sells our products to JD Health (京東健康) e-commerce platform. Because we have relied on third-party e-commerce platforms for online sales of our products, the future growth of our operations depends on our ability to continue attracting online customers and generating new purchases from various online channels, as well as our ability to retain visitors to our websites and e-commerce platforms. We believe that maintaining a strong online presence helps improve our brand visibility and awareness, especially in regions where we have yet to establish a physical presence. However, if such platforms fail to provide satisfactory customer experience or fail to retain existing users and attract new users, or if our cooperation with such third-party e-commerce and social media platforms terminates, deteriorates or becomes more costly, our business and results of operations may be materially and adversely affected.

We anticipate that our online marketing expenses will increase in the foreseeable future as we continue to grow our online sales channels and, as a result, our net profit margin may continue to decrease. Furthermore, we may fail to incentivize such platforms to drive traffic to our stores or promote our products, which may also materially and adversely affect our business and results of operations. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially given their leading position and significant influence in China's e-commerce and social media industry. In addition, any negative publicities about such third-party platforms, and any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, proven or otherwise, may deter visits to the platforms and result in reduced customer traffics to our stores or a decline in sales of our products, which may negatively impact our business and results of operations.

In addition to our ability to maintain relationships across various online channels, the success of these channels also depends on a number of factors relating to the e-commerce industry and consumer behavioral patterns, including, without limitation:

- consumer traffic on e-commerce platforms and our ability to increase consumer traffic on our online stores and the e-commerce platforms we engage;
- our ability to respond to the changes in the online marketing and e-commerce industry in China;
- influence of online influencers on consumer preferences and our cooperation with such influencers;
- the reliability of the e-commerce and social media platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

We cannot assure you that we can stay abreast of constantly changing consumer behavioral patterns and preferences and anticipate product trends that will appeal to existing and potential online customers. Accordingly, negative publicities about such third-party e-commerce and social media platforms, a decline in the popularity of online shopping in general or our failure to identify and respond to market trends and consumer requirements in the online channels could result in decreased number of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

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.

Our sales of our product candidates depend on successful distribution arrangement with the distributors and sub-distributor. The performance of our distributors and sub-distributor, which includes, but is not limited to, their ability to sell our products, uphold our brand, expand their sales network, is crucial to the future growth of our business and may directly affect our sales volume and profitability. We cannot assure you that we will be able to build, maintain or strengthen our relationships with our key distribution partners and relationship between the distributor and sub-distributor in the future. Should any of the distributors reduce substantially their demands for our products or terminate the business relationship with us, we may not be able to secure replacements for the lost customers or purchase orders in a timely fashion or at all and may experience a decline in our sales performance. Any unexpected cessation of, or substantial reduction in, the volume of orders from any of our major customers may have a material and adverse impact on our business, financial condition and results of operations.

In addition, it is difficult to monitor their compliance with regulatory requirements and business practices. Non-compliance by any of our distributors or sub-distributor under applicable regulations may adversely affect the sales and distribution of our products. Further, as we rely on our distributors and sub-distributor to manage their sales practices, we have limited control over the ultimate sales by these distributors and sub-distributor. We cannot assure you that they will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of our distributors or sub-distributor fails to distribute our products to their customers in a timely manner, overstock, or carries out actions which are inconsistent with our business strategy, it may adversely affect our future sales. There may be instances when these distributors or sub-distributor take actions which are not consistent with our business strategies, such as failure to follow our pricing and marketing policies and participate in our marketing and promotional activities. Any occurrence of aforementioned non-compliance may in turn materially and adversely affect our business, financial condition, and results of operations and prospects.

We prevent the occurrence of channel stuffing, cannibalization and competition within our distribution network through various measures. For more details, see "Business – Our Sales, Distribution and Marketing – Our Distribution Network – Prevention of Cannibalization." However, we cannot assure you that the measures would be effective in preventing channel stuffing, cannibalization and competition within our distribution network. The failure in avoiding such occurrences may adversely affect our business, financial condition and results of operations.

We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flows and operations could be adversely affected.

We from time to time grant credit term to certain customers and may be exposed to credit risk. Although we have adopted a series of strict management measures, we may not be able to collect all trade and bills receivables due to a variety of factors that are outside of our control. If we experience delays in collecting or if we are unable to collect payments from customers, if the relationship between us and any of our customers or distributors is terminated or deteriorated, or if our customers and distributors experience financial difficulties, we may not have enough cash flows and it may adversely affect our operations.

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 product candidates, or experience delay in doing any of the foregoing, and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third-party CROs and SMOs to generate, monitor or manage data for our ongoing pre-clinical and clinical programs. We rely on these parties for execution of our pre-clinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs and SMOs does not relieve us of our regulatory responsibilities. We, our CROs and SMOs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities in Mainland China for all of our products in clinical development. If we or any of our CROs and SMOs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our registrational clinical trials must be conducted with product produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our relationships with these third-party CROs and SMOs terminate, we may not be able to enter into arrangements with alternative CROs and SMOs on commercially reasonable terms, or at all. In addition, our CROs and SMOs are not our employees. Except for remedies available to us under our agreements with such CROs and SMOs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and non-clinical programs. If CROs and SMOs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they or our clinical 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 not be able to obtain

regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding CROs and SMOs 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 are dependent on our ability to work effectively with collaborators to develop our product candidates, including obtaining regulatory approval. Our arrangements with collaborators will be critical to successfully bringing products to market and commercializing them. We rely on collaborators in various respects, including to undertake research and development programs and conduct clinical trials. We do not control our collaborators. Therefore, we cannot ensure that these third parties will adequately and timely perform all of their obligations to us. If third parties fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We cannot guarantee the satisfactory performance of any of our collaborators and if any of our collaborators 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.

Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors, distributors, CROs, SMOs, CMOs and CDMOs may engage in misconduct or other improper activities, and we may be unable to detect, deter and prevent all instances of misconduct.

We are exposed to the risk that our employees, collaborators, independent contractors, principal investigators, consultants, vendors, distributors, CROs, SMOs, CMOs and CDMOs may engage in fraudulent or other illegal activity with respect to our business. Misconduct by these employees could include intentional, reckless and/or negligent conduct or unauthorized activity that violates:

- regulations of the NMPA or other regulatory authorities, including those laws requiring the reporting of true, complete and accurate information;
- manufacturing standards; or
- laws that require the true, complete and accurate reporting of financial information or data.

In particular, sales, distributions, marketing and business arrangements in the broader dermatology treatment and care industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and

promotion, sales commission, customer incentive programs and other business arrangements. Misconduct by these parties could also involve individually identifiable information, including, without limitation, the improper use of information obtained in the course of clinical trials, or illegal misappropriation of product candidates, which could result in regulatory sanctions and serious harm to our reputation. We may not be able to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from the NRDL, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations.

RISKS RELATING TO MANUFACTURING AND COMMERCIALIZATION OF OUR PRODUCT CANDIDATES

Manufacturing dermatology products is a highly exacting and complex process, and our business could be materially and adversely affected if we encounter problems in manufacturing our future product candidates.

Manufacturing of dermatology products is highly complex. Problems may arise during manufacturing for a variety of reasons, including but not limited to:

- equipment malfunction;
- failure to follow specific protocols and procedures;
- changes in product specification;
- low quality or insufficient supply of active pharmaceutical ingredients ("**APIs**");
- delays in the construction of new facilities as a result of changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements;
- changes in the types of products produced;
- advances in manufacturing techniques;
- physical limitations that could inhibit continuous supply; and
- man-made or natural disasters and other environmental factors.

Products with quality issues may have to be discarded, resulting in product shortages or additional expenses. This could lead to, among other things, increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. We face additional manufacturing risks in relation to the CDMOs that we may engage from time to time.

Manufacturing methods and formulations are sometimes altered through the development of product candidates from clinical trials to approval, and further to commercialization, in an effort to optimize manufacturing processes and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause the product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the altered materials. This could delay the commercialization of product candidates and require bridging studies or the repetition of one or more clinical trials, which may result in increases in clinical trial costs, delays in product approvals and jeopardize our ability to commence product sales and generate revenue.

We may also encounter problems with achieving adequate or clinical-grade products that meet the NMPA or other comparable regulatory agency standards or specifications, maintaining consistent and acceptable production costs. We may also experience shortages of qualified personnel, raw materials or key contractors, and experience unexpected damage to our facilities or equipment. In these cases, we may be required to delay or suspend our manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our products with the terms, quality and costs acceptable to us, or at all. Such an event could delay our clinical trials and/or the availability of our products for commercial sale. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

In addition, the quality of our products, including product candidates manufactured by us for research and development purposes and, in the future, products manufactured by us for commercial use, depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in our manufacturing facilities, the quality and reliability of equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. We are, however, working on improving our documentation procedures for quality control and quality assurance activities. Any significant failure or deterioration of our quality control and quality assurance protocol could render our products unsuitable for use, or not in compliance with the relevant requirements of the GMP and/or harm our market reputation and relationship with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

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

We are building manufacturing facilities in Jiangsu, China. These facilities may encounter unanticipated delays and expenses due to a number of factors, including regulatory requirements. If construction, regulatory evaluation and/or approval of our new facility is delayed, we may not be able to manufacture sufficient quantities of our product candidates, if approved, which would limit our development and commercialization activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our facilities could require us to raise additional funds from other sources.

In addition to the similar manufacturing risks described in "– Risks Relating to Our Reliance on Third Parties," our manufacturing facilities may be subject to ongoing, periodic inspection by the NMPA or other comparable regulatory agencies to ensure compliance with cGMP. Our failure to follow and document our adherence to such cGMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or, in the future, commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our product candidates or the commercialization of our products, if approved. We also may encounter problems with the following:

- achieving adequate or clinical-grade materials that meet NMPA or other comparable regulatory agency standards or specifications with consistent and acceptable production yield and costs;

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

- ongoing compliance with cGMP regulations and other requirements of the NMPA or other comparable regulatory agencies.

Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could materially and adversely our business.

To produce our candidates in the quantities that we believe will be required to meet anticipated market demand of our product candidates if approved, we will need to increase, or "scale up," the production process by a significant factor over the initial level of production. If we are unable to do so, are delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to produce our candidates in a sufficient quantity to meet future demand.

In addition to the similar manufacturing risks described in "– Risks Relating to Our Reliance on Third Parties," if our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any product candidates manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales if and when we are able to successfully commercialize one or more of our product candidates. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our product candidates in a timely manner could materially and adversely our business, financial condition and operating results.

We rely on third parties to manufacture our clinical product candidate supplies and expect to rely on third parties to supply raw materials for manufacturing and/or manufacture our product candidates when approved, and our business could be harmed if those third parties fail to provide us with sufficient quantities of the raw materials or the product or fail to do so at acceptable quality levels or prices.

We currently use third parties for our manufacturing process and for the clinical supply of our product candidates. We expect to continue to rely on third-parties to supply raw materials for us to manufacture or manufacture the approved products in the future. Reliance on third-party manufacturers would expose us to the following risks:

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

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

- manufacturers are subject to ongoing periodic unannounced inspection by the regulatory authorities to ensure strict compliance with cGMP and other government regulations. We do not have control over third-party manufacturers' compliance with these regulations and requirements;

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

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

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

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

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

Each of these risks could delay or prevent R&D activities, result in higher costs, or adversely impact commercialization of our future approved product candidates. In addition, we will rely on third parties to perform certain specification tests on our product 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.

Manufacturers of product candidates often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced regulations. Furthermore, if contaminants are discovered in our supply of our product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our product candidates will not occur in the future, either relating to our third-party CDMOs or on our manufacturing facilities we plan to build in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any future approved product candidates for commercial sale and our product candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the provision of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs, and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

We rely on sales and marketing team and third parties to promote our products. Failure to execute an effective sales and marketing strategy may make us unable to maintain sufficient marketing and sales capabilities, or to effectively build and manage our sales network, and we may not be able to generate product sales revenue as planned.

We rely on sales and marketing team and third parties to increase the sales of our products, achieve broader market acceptance, and maintain sustainable relationships with existing and potential distributors and customers, which will depend to a significant extent on the successful execution of effective sales and marketing strategy. However, we cannot assure you that we will be able to attract, motivate and retain qualified and professional employees with requisite expertise and communicate with them effectively. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals.

In addition, our relationships with medical institutions, practitioners and distributors play an important role in our sales and marketing activities. We cannot assure you that we will be able to maintain or strengthen our relationships with these industry players, or that our efforts to maintain or strengthen such relationships will yield the successful promotion of our products. These industry players may leave the market, change their business or practice focus, cease to collaborate with us, or collaborate with our competitors for any reason. As a result, our marketing strategy may no longer be able to yield greater market penetration, broader customer coverage, or increased product sales commensurate with our efforts spent. In addition, these industry players may not continue to have a significant demand for our products. If we are unable to develop new products or generate returns from our relationships with these industry players as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Guidelines, recommendations and studies published by various organizations could disfavor our product candidates.

Government agencies, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' product candidates. Any such guidelines, recommendations or studies that reflect negatively on our product candidates, either directly or relative to our competitive product candidates, could result in current or potential decreased use, sales of, and revenues from one or more of our product candidates. Furthermore, our success depends in part on our and our partners' ability to educate healthcare providers and patients about our product candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

RISKS RELATING TO EXTENSIVE GOVERNMENT REGULATION

Any failure to comply with existing or future regulations and industry standards or any adverse actions by the approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

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 product candidates, and affect the prices we may obtain. Changes in government regulations or in practices relating to the broader dermatology treatment and care industry such as a relaxation in regulatory requirements or the introduction of simplified approval procedures which would lower the entry barriers 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 product candidate 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 sales, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any occurrence of the foregoing could therefore materially and adversely affect our business, financial condition, results of operations and prospects. The regulatory approval processes of the NMPA and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our product candidates in our targeted markets, our business will be substantially harmed.

The time required to obtain approval by the NMPA and other comparable regulatory authorities is unpredictable, but it typically takes 10 to 15 years following the commencement of pre-clinical studies and clinical trials and depends on numerous factors, including the substantial discretion of the regulatory authorities.

Our product candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe and effective;
- 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;
- failure to obtain an approval for expedited review process for our product candidates or for the use of data from registrational trials through accelerated development pathways, 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 pre-clinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. Additionally, clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking regulatory approvals in various jurisdictions could result in significant delays, difficulties and costs for us and may require additional pre-clinical studies or clinical trials which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We cannot assure you that we can also satisfy all regulatory requirements. If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed, and our ability to generate product sales revenues from any of those product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that product candidate. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates. Any of these occurrences may materially and adversely impact our business, financial condition 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.

We routinely receive, collect, generate, store, process, transmit and maintain medical data treatment records and other personal details of subjects enrolled in our clinical trials, along with other personal or sensitive information. 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. 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. Failure to comply with any of these laws 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.

Such data protection and privacy laws and regulations generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. If such institutions or personnel divulge the subjects' private or medical records without their consent, they will be held liable for damage caused thereby. We have taken measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials we collected, including encrypting such information in our information technology systems so that it cannot be viewed without proper authorization, and setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records. However, these measures may not be always effective. For example, our information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence. In addition, our clinical trials frequently 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 patients' medical records and personal data, or any restriction on or liability as a result of, our use of medical data, could have a material adverse effect on our business, financial condition 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 the other 12 governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**MCR**"), which becomes effective from February 15, 2022. Pursuant to Article 2 of the MCR, besides the procurement of network products and services by critical information infrastructure operators, any data processing activity by network platform operators that affects or may affect national security shall be subject to the cybersecurity review. In accordance with Article 7 of the MCR, network platform operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市).

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**"). For more details relating to the Draft Cyber Data Security Regulations, see "Regulatory Overview – Other Significant PRC Regulations Affecting Our Business in the PRC – Regulations on Cybersecurity". Given that the Draft Cyber Data Security Regulation 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.

Our PRC Legal Advisor and the Joint Sponsors' PRC Legal Advisor consulted the China Cybersecurity Review Technology and Certification Center (the "**Center**"), which is authorized by the Cybersecurity Review Office of the CAC to accept public consultation and cybersecurity review submissions and is the competent authority to provide views and interpretation relating to the MCR. According to the Center, (i) the [**REDACTED**] in Hong Kong does not fall within the scope of "listing abroad"; (ii) critical information infrastructure operators are identified by the governmental authorities of corresponding industry; (iii) Draft Cyber Data Security Regulation 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 applicable implementation rules.

As of the Latest Practicable Date, (i) we have not been notified of the results of any determination that we have been identified as a critical information infrastructure operator or that any of our systems have been identified as critical information infrastructure by the relevant governmental authorities; (ii) 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 [**REDACTED**] 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 foreign country or region 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; (iii) the data processed by us has not been included in the effective core data and important data catalogs by any authentic authority; (iv) the MCR provides no further

explanation or interpretation for "affect or may affect national security", which remains to be clarified and elaborated by the CAC, and as of the Latest Practicable Date, we have not received any notification of cybersecurity review from relevant governmental authorities due to our impact or potential impact on national security; (v) we have taken reasonable and adequate technical and management measures to ensure data security, we are of the view that the likelihood that our business operation or [**REDACTED**] might give rise to national security risks is relatively low; and (vi) we believe that our collection and handling of the personal information do not constitute "data processing activities" or any other activities that may affect national security under the Draft Cyber Data Security Regulation.

Therefore, as advised by our PRC Legal Advisor, our Directors believe that as long as there is no material change to our current business and if no further rules are introduced and no significant changes to the enforcement of the MCR by governmental authorities, cybersecurity review under the article 2 and article 7 of the MCR shall not be applicable to us. Based on the above, with the support of our PRC Legal Advisor, we do not foresee any material obstacles to comply with the MCR in all material aspects and we believe the MCR would not have a material adverse impact on our business operations or our [**REDACTED**].

However, the MCR and the Draft Cyber Data Security Regulation were both released recently, certain provisions of which are still unclear and are subject to the finalization or clarifications by relevant authorities. As such, the PRC regulatory authorities may have broad discretion in the interpretation of "affect or may affect national security". Moreover, 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 thereunder is still subject to further official guidance and applicable implementation rules. If we were deemed as a data processor that "affects or may affect national security" by the PRC regulatory authorities under their 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 authorities.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires the data processor providing data overseas and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where the data processor intends to provide important data overseas; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 people intend to provide personal information overseas; (iii) where any data processor who has provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the last year intends to provide personal information overseas; and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. As advised by our PRC Legal Advisor, our business does not involve the aforesaid cross-border transfer of personal information and important data, the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) is not applicable to us currently.

The approval and/or other requirements of the China Securities Regulatory Commission (CSRC) or other PRC governmental authorities may be required in connection with the [REDACTED] under PRC rules, regulations or policies.

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the "**Draft Overseas Listing Administration Provisions**") and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Draft Overseas Listing Filing Measures**") for public comments, which require, among others, that PRC domestic enterprises that seek to list securities in overseas markets, either directly or indirectly, to file the required documents with the CSRC within three business days after its application for overseas listing is submitted. As of the Latest Practicable Date, the Draft Overseas Listing Administration Provisions and the Draft Overseas Listing Filing Measures had been released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainty. To the best knowledge of us, we do not expect any legal impediment in complete the filing procedures if the Draft Overseas Listing Administration Provisions and the Draft Overseas Listing Filing Measures become effective in their current form.

Even after we obtain regulatory approval for the marketing of our product candidates, our products will continue to remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expenses, and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our future approved products.

Our commercialized products 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 and other jurisdictions.

Any approvals that we receive for our product candidates may be subject to limitations on the approved indicated uses for which the products may be marketed or to the conditions of approval, which could adversely affect the product's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product candidates. The NMPA or a comparable regulatory authority may also require a risk evaluation mitigation strategy program as a condition of approval of our product candidates or following approval. In addition, if the NMPA or a comparable regulatory authority approves our product 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 continued compliance with cGMP and GCP, for any clinical trials that we conduct subsequent to the approval.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Even if we are able to commercialize any approved product candidates, the products may become subject to national and provincial or other third-party reimbursement practices or unfavorable pricing regulations, which could materially and adversely our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely in different jurisdictions. In China and some markets outside China, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product or negatively impact our revenues.

Our ability to commercialize any approved product candidates successfully will also depend in part on the extent to which reimbursement for these products 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 payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any approved product candidate 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 product candidate that we commercialize. Obtaining or maintaining reimbursement for approved product candidates may be particularly difficult because of the higher prices often associated with products 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 product candidate that we in-license or successfully develop.

Our and/or others' failure to make filings or obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to the relevant laws, regulations and relevant regulatory practice by governmental, we and/or other parties related to our operations, such as landlords or managers of premises on or local science parks in which we operate, are required to make various filings with, or obtain and maintain various approvals, licenses, permits and certificates from, relevant authorities to operate our business. Some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the

standards of such renewal and/or reassessment may change from time to time. Any failure to make filings or obtain or renew any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including fines or orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new regulations come into effect requiring us and/or other such related parties to make any additional filings or obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we and/or other such related parties will successfully make such filings on time or obtain such approvals, permits, licenses or certificates. Our or these parties' failure to make the additional filings or obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

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 has advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. These concerns and threats to impose new tariffs or sanction on China, have resulted in increased tensions in China's international relations. Moreover, the bilateral relationship is an ongoing matter, evolving sometimes from day to day, and we cannot predict how the relationship will further evolve or what impact any subsequent developments in the relationship may have on our business.

Furthermore, during the Track Record Period, we formed licensing agreements with entities in foreign countries and regions. There can be no assurance that such licensing partners in the future will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

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

We and our CROs, SMOs, CMOs or CDMOs 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 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 or our CROs, SMOs, CMOs or CDMOs 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 or our CROs, SMOs, CMOs or CDMOs 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 and our CROs, SMOs, CMOs or CDMOs cannot fully eliminate the risk of accidental contamination, chemical hazards or personal injury at facilities during the process of research, testing, development and manufacturing of product candidates. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could materially and adversely affect our business. Other adverse effects could result from such liability, including reputational damage. 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 or chemical hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

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

We seek to protect the product candidates and technology that we consider commercially important by filing patent applications in China and other jurisdictions, relying on trade secrets or dermatological or pharmaceutical regulatory protection or employing a combination of these methods. For more details on our patent portfolio, see "Business – Intellectual Property." If we or our licensors are unable to obtain and maintain patent and other intellectual property protection with respect to our product candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable jurisdictions. As a result, we may not be able to prevent competitors or other third parties from developing and commercializing competitive products in all such fields and jurisdictions. Furthermore, the patent position is 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 patent applications may not result in patents being issued which protect our technology or product candidates or which effectively prevent others from commercializing competitive technologies and product candidates.

It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators and contract manufacturers, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Furthermore, China has adopted the "first-to-file" system under which the first inventor to file a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

In addition, under the 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 file in advance to China National Intellectual Property Administration (CNIPA), for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we hold or in-license may be challenged, narrowed, circumvented, or invalidated by third parties. In addition, the patent position of dermatological and pharmaceutical companies generally is 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. Consequently, we do not know whether any of our platform advances and product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords are limited. Even if we successfully obtain patent protection for an approved product candidate, it may face competition from generic or biosimilar medications once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. The applied and issued patents of our licensing partners for our product candidates are expected to expire on various dates as described in "Business – Intellectual Property" in this Document. Upon the expiration of these and our future applied and issued patents, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, which could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects. Additionally, patent rights we own or in-license currently or in the future may be subject to a reservation of rights by one or more third parties.

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

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

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.

Our pending and future owned and in-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 will provide 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 reduced before the patent is issued, its scope can be reinterpreted after issuance and changes in either the patent laws or interpretation of the patent laws in China and other jurisdictions may diminish the value of our patent rights or narrow the scope of our patent protection. 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 or our

licensing partners 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 patent rights may be challenged in the courts or patent offices in China. Despite measures we or our licensing partners take to obtain patent protection with respect to our major product candidates and technologies, any of such issued patents could be challenged or invalidated. For example, if we or one of our licensors were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of written description or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld material information from the relevant patent office, or made a misleading statement, during prosecution. Third parties may also raise similar patent invalidity claims before administrative bodies in China or in other jurisdictions, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter parties review, post-grant review, interference proceedings, derivation, invalidation, revocation and equivalent proceedings in non-U.S. jurisdictions, such as opposition proceedings. The outcome following legal assertions of invalidity and unenforceability is unpredictable. Such proceedings could result in revocation of or amendment to our patents in such a way that they no longer adequately cover and protect our product candidates. Even if a third party does not prevail on a legal assertion of invalidity or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against such third party.

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

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 and other governmental patent agencies in several stages over the lifetime of a patent. The CNIPA and various other governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application and maintenance process. We are also dependent on our licensors to take the necessary action to comply with these requirements with respect to our licensed intellectual property. 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 non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly 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.

Changes in patent laws of China or other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other pharmaceutical or dermatological companies, our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the broader dermatology treatment and care industry involves technological and legal complexity, and obtaining and enforcing pharmaceutical patents is costly, time-consuming and inherently uncertain. Changes in either the patent laws or their interpretation in China or other jurisdictions may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, affect the value of our intellectual properties or narrow the scope of our patent rights.

In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, the Standing Committee of the National People's Congress (SCNPC) promulgated the Amendment to the PRC Patent Law (effective from June 1, 2021), which introduces patent term extensions to eligible patents relating to new drugs and patent term adjustment. According to the PRC Patent Law, in order to compensate for the time used for review and approval of new drugs for commercial launch, the CNIPA shall, at the request of the patent owner, provide patent term extension for invention

patents of new drugs approved for commercialization in China. The patent term extension may not exceed five years, and the total effective term of the patent after the new drug approval for commercialization shall not exceed 14 years. Patent term adjustment is available to all invention patents, to compensate unreasonable delays caused by the CNIPA during the patent examination procedures. This may enable the patent owner to submit applications for a patent term extension or patent term adjustment. Patents owned by third parties may also be extended, which may in turn affect our ability to commercialize our products without facing infringement risks. 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.

We may face intense competition from manufacturers of generic or biosimilar drugs after the expiration of patent protection periods.

Although various extensions may be available, the life of a patent and the protection it affords is limited. Even if we successfully obtain patent protection for an approved product candidate, it may face competition from generic or biosimilar drugs once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Our issued patents for our product candidates are expected to expire on various dates as described in "Business – Intellectual Property" of this Document. Upon the expiration of these patents, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

If we are unable to protect the confidentiality of our trade secrets and other confidential information, including unpatented know-how upon which we rely, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants or advisers 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 patents and pending patent applications, we rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our product candidates. We seek to protect our trade secrets and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to trade secrets or confidential information, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisers and other third parties. However, we may not be able to prevent the unauthorized disclosure or use of our trade secrets and confidential information by the parties to these

agreements. Monitoring unauthorized uses and disclosures is difficult and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Any of the parties with whom we enter into confidentiality agreements may breach or violate the terms of any such agreements and may disclose our proprietary information, and we may not be able to obtain adequate remedies for any such breach or violation. As a result, we could lose our trade secrets and third parties could use our trade secrets to compete with our product candidates and technology. Additionally, we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology and processes. 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. In addition, some courts in China and other jurisdictions are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by competitors or other third parties, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, many of our employees, consultants, and advisers, including our senior management, may currently be, or were previously employed at other companies, including our competitors or potential competitors. Some of these employees, consultants, and advisers, including each member of our senior management, may have executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees, consultants and advisors 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 individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or be required to obtain licenses to such intellectual property rights, which may not be available on commercially reasonable terms or at all. An inability to incorporate such intellectual property rights would materially and adversely affect our business and may prevent us from successfully commercializing our product candidates. In addition, we may lose personnel as a result of such claims and any such litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent contractors. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our product candidates and technology, which would have a material adverse effect on our business, results of operations, financial condition and prospects. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our employees and management. In addition, while we typically require our employees, consultants and contractors who may be involved in the conception or 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. Furthermore, even when we obtain agreements assigning intellectual property to us, the assignment of intellectual property rights may not be self-executing, or the

assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property to determine the ownership of what we regard as our intellectual property. Furthermore, individuals executing agreements with us may have pre-existing or competing obligations to a third party, such as an academic institution, and thus an agreement with us may be ineffective in perfecting ownership of inventions developed by that individual. 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 any of the foregoing claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

In addition, we may in the future be subject to claims by former employees, consultants or other third parties asserting an ownership right in our owned or licensed patents or patent applications. An adverse determination in any such submission or proceeding may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar product candidates or technology, without payment to us, or could limit the duration of the patent protection covering our product candidates and technology. Such challenges may also result in our inability to develop, manufacture or commercialize our product candidates without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our owned or licensed patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

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

The registered or unregistered trademarks or trade names that we own or license may be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. If third parties succeed in registering or developing common law rights in trademarks similar or identical to our trademarks, and if we are not successful in challenging such rights, we may not be able to use these trademarks to develop brand recognition of our products. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. 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.

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.

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates without infringing, misappropriating or otherwise violating the intellectual property rights of others. The broader dermatology treatment and care industry is characterized by extensive litigation regarding patents and other intellectual property rights. We cannot guarantee that our product candidates or any sales, distributions or uses of our product candidates do not and will not in the future infringe or otherwise violate third-party patents or other intellectual property rights. It is also possible that we failed to identify, or may in the future fail to identify, relevant patents or patent applications held by third parties that cover our product candidates. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our products or their use.

Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, use or manufacture of the product candidates 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.

Parties making infringement, misappropriation, or other intellectual property claims against us may obtain injunctive or other equitable relief, which could block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. In addition, even if we believe any third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of validity, enforceability, priority, or non-infringement. A court of competent jurisdiction could hold that such third party patents are valid, enforceable, and infringed, which could materially and adversely affect our ability to commercialize any of our products or technologies covered by the asserted third-party patents.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could result in our competitors gaining access to the same intellectual property, and it could require us to make substantial licensing and royalty payments. Ultimately, we could be prevented from commercializing future approved products, or be forced, by court order or otherwise, to cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we

are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement, including treble damages and attorneys' fees if we are found to willfully infringe a third party's patent.

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.

Intellectual property rights do not necessarily address all potential threats.

As is the case with other pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents and trademarks of our trade name. 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 that are similar to any product candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or in-license now or in the future;

- we or any future collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or may in-license in the future;

- we or any future collaborators might not have been the first to file patent applications covering certain of our or their inventions;

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

- it is possible that the pending patent applications we own or have in-licensed or those that we may own in the future will not lead to issued patents;

- patents that may be issued from the pending patent applications we own or have in-licensed may be held invalid or unenforceable, including as a result of legal challenges by our competitors;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale or distribution in our major commercial markets;

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

- the patents of others may materially and adversely affect our business; and

- we may choose not to apply for a patent for certain trade secrets or know-how, and a third party may subsequently apply for 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 OPERATIONS

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

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak is expected to have an unprecedented impact on the global economy as it has significantly reduced market liquidity and depressed economic activities.

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an adverse impact on our industry and cause temporary suspension of projects and shortage of labor and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees, distributors, customers, suppliers and other business partners were suspected of contracting or contracted COVID-19, since this could require us and our suppliers, distributors, customers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations. In addition, the commencement of new clinical trials for other product candidates in our development pipeline could also be delayed or prevented by any delay or failure in subject recruitment or enrollment. Our commercialization plan for our approved products could also be disrupted.

Since the start of 2022, there have been re-occurrence of COVID-19 cases in certain cities of China, in response to which, the government has taken further measures and actions in such areas. The extent to which COVID-19 will impact our operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. If the COVID-19 situation deteriorates, it may affect our clinical development, the sales and distributions of our future approved products and the supply of raw materials and production equipment. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 pandemic continues, our business, results of operations and financial condition will continue to be adversely affected.

In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters or outbreaks of epidemics and contagious diseases in China or globally, or the measures taken by the Chinese government or other countries in response to such contagious diseases, may cause failure to develop and commercialize our product candidates or sell and distribute our products as planned, and thus may materially and adversely affect their economy and our business.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

We will become a [**REDACTED**] upon completion of the [**REDACTED**], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. In order to address our internal controls issues and to generally enhance our internal controls and compliance environment, we have taken various measures to improve our internal controls and procedures including establishing a compliance program, adopting new policies, and providing extensive and ongoing training on our controls, procedures and policies to our employees. In addition, in preparation for the [**REDACTED**], we have implemented other measures to further enhance our internal controls, and plan to take steps to further improve our internal controls. If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our internal controls will be effective. If we fail to maintain effective internal controls in the future, our business, financial condition, results of operation and reputation may be materially and adversely affected.

Our future success depends on our ability to retain key senior management members and to attract, train, retain and motivate qualified and highly skilled personnel, especially R&D and clinical related staff.

We depend on principal members of our management and scientific teams. Our employment agreements with our executive officers do not prevent our executives from terminating their employment with us at any time. We do not maintain key-person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To incentivize valuable employees, especially R&D and clinical related staff that are key to our R&D efforts, to remain at our Group, in addition to salary and cash incentives, we have provided share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the [**REDACTED**] of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

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

Furthermore, replacing executive officers, key employees, experienced R&D staff or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, obtain regulatory approval of and commercialize products like those we develop. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical companies for similar personnel. 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, we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists, physicians or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, distribution, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;

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

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

Our future financial performance and our ability to commercialize our product candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

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

Increased labor costs could result in exceeding expenses, slow our growth and adversely affect our results of operations.

Since our operations are labor-intensive and our operations, to a certain extent, require the use of technical skills and know-how of our employees, our success depends in part on our ability to attract, retain and motivate a sufficient number of qualified employees. We have implemented a number of initiatives in an effort to attract, retain and motivate our qualified and competent staff. There is no assurance that these measures will be effective or that supply of skilled labor in local markets will be sufficient to fulfill our needs. Competition for competent and skilled labor is intensive in the industry. Our failure to hire and retain enough skilled employees could delay the anticipated pre-clinical studies or clinical trials timeframe or receipt of regulatory approvals to commercialize our product candidates, or result in our expenses exceeding our initial budget. Any of the foregoing changes could have a material adverse effect on our business, profitability and prospects.

Further, most of our workforce is employed in China where the average labor cost has been steadily increasing over the past years as a result of inflation, government-mandated wage increases and other changes in labor laws and local economics. In particular, further changes in the labor laws, rules and regulations may be promulgated by the PRC government in the future and our operations may be materially and adversely affected if such laws, rules or regulations impose additional burden on the employers. The labor cost will continue to increase in the future which is in line with the economic growth in China. Competition for employees would require us to pay higher wages, which would result in higher labor costs.

We may be involved in lawsuits, claims, administrative proceedings or other legal proceedings against us, which could adversely affect our business, financial conditions, results of operations and reputation.

We may be involved in lawsuits, claims, administrative proceedings or other legal proceedings arising in the ordinary course of business or pursuant to governmental or regulatory enforcement activity from time to time. Litigation and governmental proceedings can be expensive, lengthy and disruptive to normal business operations, and can require extensive management attention and resources, regardless of their merit. Furthermore, any litigations, legal disputes, claims or administrative proceedings 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.

Additionally, our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with third parties, they do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. While we intend to defend the aforementioned matters vigorously, we cannot predict the results of complex legal proceedings and an unfavorable resolution of a lawsuit or proceeding could materially adversely affect our business, results of operations, financial conditions and reputation.

If we engage in acquisitions, joint ventures or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, may have a material adverse effect on our ability to manage our business and may not be successful.

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

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

We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending a significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales, distribution and other personnel, integrate the acquired technologies or services from both an engineering and a sales and marketing perspective, integrate and support preexisting distributor, supplier and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions. The geographic distance between companies, the complexity of the technologies and operations being integrated, and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses, and acquire intangible assets that could result in significant future amortization expense.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the "Prior Notification Rules" issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly enforcement agency of the State Council when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors, or the "Security Review Rules," issued by the Ministry of Commerce, or the MOFCOM, specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval and filing processes, including obtaining approval or filings from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Our internal information technology and other infrastructure, or those used by our CROs, SMOs, CMOs, CDMOs or other contractors or consultants, may fail or suffer security breaches.

Despite the implementation of security measures, our information technology systems and those of our current or future CROs, SMOs, CMOs, CDMOs, consultants and other service providers are vulnerable to damage from cyberattacks, computer viruses, malicious codes, unauthorized access, employee theft or misuse, natural disasters, fire, power loss, terrorism, war, and telecommunication and electrical failures, among other things. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our research and development programs. For example, our data may not be backed up in a timely manner and the loss of clinical trial data from ongoing or future clinical trials for any of our product candidates could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property and proprietary business information. Disruptions in our on-site systems and by our outsourced vendors could have a material adverse impact on us and our business, including loss of data and damage to equipment, among other things.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including but not limited to personal information of our employees and patients, and company, vendor and the other users of our vendors' confidential data.

If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be subject to regulatory actions or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations. As we engage in more electronic transactions with payers and patients, and collect and store an increasing volume of data, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

We are subject to the risks of doing business globally, including risks relating to political and economic instability and changes in diplomatic and trade relationships, which may materially and adversely affect our business and results of operations.

Because we operate in China and cooperate with partners operating in other jurisdictions, our business is subject to risks associated with doing business globally. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in laws and regulatory requirements in local jurisdictions;
- efforts to develop an international sale, distribution, marketing organization may increase our expenses, divert our management's attention from the acquisition or development of product candidates or cause us to forgo profitable licensing opportunities in these geographies;
- the occurrence of economic weakness, including inflation or political instability;
- the burden of complying with a variety of foreign laws including difficulties in effective enforcement of contractual provisions in local jurisdictions;
- inadequate intellectual property protection in certain jurisdictions;
- enforcement of anti-corruption and anti-bribery laws;
- trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges;
- delays resulting from difficulty in obtaining export licenses, tariffs and other barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- the effects of applicable local tax regimes and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

Furthermore, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships, which could cause our results to fluctuate and our revenue to decline. The occurrence of any one or more of these risks of doing business internationally, individually or in the aggregate, could materially and adversely affect our business and results of operations.

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

We maintain insurance policies that are required under the PRC laws and regulations as well as based on our assessment of our operational needs and industry practice, including insurance for our new facilities. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance. Our insurance coverage may be insufficient to cover any claims that we may have. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources and may negatively impact our product development and overall operations.

We may be subject to risks relating to leased properties.

As of the Latest Practicable Date, we leased eight properties with an aggregate area of approximately 21,100.7 sq.m. in Mainland China and Hong Kong. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all. If we fail to renew any of our leases or if any of our leases are terminated or if we cannot continue to use any of our leased property, we may need to seek an alternative location and incur expenses related to such relocation, and our operation and businesses may also be disrupted or even suspended if we are not able to complete the relocation, including the reconstruction of relevant facilities in the new location, in a timely manner.

We leased one property for office use from an Independent Third Party. As advised by our PRC Legal Advisors, such parcel of land was obtained by the landlord by way of government allocation (劃撥地). In order to lease allocated land, one must obtain necessary approval from relevant government authorities and comply with legal procedures to convert allocated land into assigned land (出讓地). Therefore, the lease entered into by us may be deemed invalid and unenforceable under the applicable PRC laws. The premises is used for general office space and a comparable replacement site is readily available in the vicinity. As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of our leased properties that might affect our current occupation. As of the Latest Practicable Date, one of our leased property failed to complete the fire safety filing. As advised by our PRC Legal Adviser, the maximum penalty that we could incur in connection with such non-compliance incidents shall be (i) a fine of RMB5,000 for failure to complete the fire safety filing; and (ii) closure of such leased property which have not rectified such non-compliance incidents. As of the Latest Practicable Date, we had not been subject to any actual administrative penalties due to our failure to complete in time the necessary fire safety procedures, and we plan to relocate to another property in 2023. Given the reasons above, our Directors believe that such title defects do not and will not have any material financial or operational impact on us. However, we may not be able to rectify such defect or take other remedial actions in time. Relevant government authorities could impose penalties on the owners of the leased properties and we could be required to vacate such properties. If this occurs, our business operations and financial condition could be adversely affected.

In addition, pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, the lease agreements shall be filed for registration and property leasing filing certificates shall be obtained. As of the Latest Practicable Date, certain of our lease agreements for properties in China have not been registered with relevant authorities in China. The registration of these relevant lease agreements requires additional steps to be taken by the lessors which are beyond our control. We cannot assure you that the lessors will be cooperative and that we can complete the registration of these lease agreements. We also maintain a pool of site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so. As advised by our PRC Legal Advisor, if we cannot complete the registration of lease agreement, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of the lease agreements. Such noncompliance does not affect the validity of the property lease agreement, and we believe such non-compliance is unlikely to have a material adverse effect on our business operations and financial performance.

If we fail to comply with applicable anti-bribery laws for commercialization, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

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

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

If our brands fail to maintain a positive reputation, many aspects of our business and our business prospects could be adversely affected. We, our Shareholders, Directors, officers, employees, collaboration partners, distributors, customers, suppliers, or other third parties we cooperate with or rely on may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our Shareholders, Directors, officers, employees, collaboration partners, distributors, customers, suppliers or other third parties we work with or rely on were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Any negative publicity regarding our industry could also affect our reputation and commercialization. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity that may or may not directly related to us, and may not be able to diffuse them to the satisfaction of our current or future [**REDACTED**], distributors, customers, patients and business partners.

If our employees, distributors, customers, suppliers or other business partners engage in illegal, fraudulent or unethical conduct, we may be subject to liability and our reputation and business could be harmed.

We are exposed to the risk that our employees, distributors, customers, suppliers, contracted manufacturers or other third parties that we have contracted may engage in illegal, fraudulent or unethical conduct with respect to our business. Misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations, including those requiring the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality and manufacturing standards, and other relevant laws and regulations in China. Such misconduct could also involve individually identifiable information, including the improper use of information obtained in the course of clinical trials or illegal misappropriation of drug products.

In particular, sales, distribution, marketing and other business arrangements in our industry are subject to extensive laws and regulations intended to prevent fraud, bribery, misconduct, kickbacks, self-dealing and other abusive practices. We could be liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries, over which we may not have full control. The government authorities may seize the products involved in any illegal or improper conduct by our employees and other third parties, and we may be subject to claims, fines or suspension of our operations. Our brand and reputation, our sales and distribution activities, or the price of our Shares could be adversely affected if we are associated with any negative publicity as a result of illegal, improper or unethical conduct, or allegations of such, by our employees and other third parties.

We may not be able to identify and deter any misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could severely disrupt our business operations or delay our R&D programs, or result in failure to continue the marketing, sales and distribution of our products and obtain regulatory approval for our product candidates. Regulatory authorities may also impose civil, criminal and administrative penalties, damages and monetary fines on us, which could materially and adversely affect our reputation, business, results of operations and financial condition.

Illegal and parallel imports and counterfeits of our products may reduce demand for our products and harm our reputation and business.

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

Certain products sold in the market may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit products. The counterfeit product control and enforcement system, particularly in emerging markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit products imitating our products. Since counterfeit products in many cases have very similar appearances compared with the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved product candidates. Our reputation and business could suffer harm as a result of counterfeit products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

If we fail to effectively manage our inventory, our results of operations and financial condition may be adversely affected.

We must maintain a reasonable level of inventory to effectively meet the market demand of our products, ensure timely delivery and manage our business growth. We had inventories of RMB1.8 million as of December 31, 2021 and RMB12.0 million as of June 30, 2022. For more details, see "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Net Current Assets/Liabilities – Inventories." We have implemented an efficient supply chain management system to ensure the timely supply of our products. We determine our inventory level by holistically considering the then-current inventory storage level, manufacturing plan, and market demand, and we also closely monitor outgoing inventory to ensure sufficient supply of our products. However, such internal forecasts are inherently uncertain, and the demand for our products may fluctuate. If

our forecast is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales, distribution and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our finished products or raw materials, which may increase our inventory holding costs, risk of inventory obsolescence or write-offs. In addition, if the inventory information we collect is incomplete or inaccurate, we may fail to maintain a reasonable level of inventory, and our business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

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

Our operations to date have focused on commercialization of our product candidates, conducting pre-clinical studies and clinical trials of our product candidates, establishing our intellectual property portfolio, organizing and staffing, business planning, and raising capital. Our limited operating history, particularly in light of the rapidly evolving broader dermatology treatment and care industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other business uncertainties. If we do not address these business uncertainties and difficulties successfully, our business will suffer. These risks may cause potential [**REDACTED**] to lose substantially all or part of their [**REDACTED**].

Our ability to generate revenue from future sales of our product candidates and become profitable depends significantly on our success in a number of factors, including the success of our product candidates.

As of the Latest Practicable Date, we had two commercialized products and another two clinical-stage products have commenced pilot commercialization in Hainan. We had made sales of products RMB2.0 million and RMB0.7 million in 2021 and the six months ended June 30, 2022, respectively. We expect that sales of the commercialized products will continue to comprise a substantial portion of our total revenue in the near future. Any reduction in sales or profit margins of the commercialized products will thus have a direct negative impact on our business, financial condition and results of operations in the future.

Our ability to generate revenue from future sales and achieve profitability depends significantly on our success in many factors, including:

- completing non-clinical and clinical research and development of our product candidates;
- obtaining regulatory approvals and marketing authorizations for product candidates for which we have completed clinical trials for;
- developing a sustainable and scalable manufacturing process for our product candidates, including establishing and maintaining commercially viable supply relationships with third parties and establishing our own manufacturing capabilities and infrastructure;
- controlling the cost of production of our product candidates;
- launching and commercializing product candidates for which we obtain regulatory approvals and marketing authorizations;
- obtaining market acceptance of our product candidates as viable treatment options to be paid as an out-of-pocket expense, and availability of adequate coverage, reimbursement, pricing by third-party payors and integrated delivery networks;
- addressing any competing technological and market developments;
- maintaining, protecting, expanding and enforcing our portfolio of intellectual property rights, including patents, trademarks, trade secrets, and know-how;
- identifying, assessing, acquiring and/or developing new product candidates, intellectual properties and technologies;
- negotiating favorable terms in any collaboration, licensing, or other arrangements into which we may enter;
- maintaining and managing a sales network that communicate effectively with the local medical institutions, practitioners and distributors and timely delivers our products to our current and potential markets; and
- attracting, hiring, and retaining qualified personnel.

Even if one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved product candidate. Our expenses could increase beyond expectations if we are required by the NMPA or other relevant regulatory authorities to modify our manufacturing processes or assays, or to perform clinical, nonclinical, or other types of studies in addition to those we

currently anticipate. Even if we are successful in obtaining regulatory approvals to market one or more of our product candidates, our revenue will be dependent, in part, upon the size of the market and competitive landscape for the relevant product in China, the U.S. or other relevant jurisdictions, the accepted price for the product to be paid with out-of-pocket expenses and the ability to get reimbursement for any amount. If the number of patients with our addressable disease is not as significant as we estimate, the indication approved by regulatory authorities is narrower than we expect, or the reasonably accepted population for treatment is narrowed by competition, physician choice or treatment guidelines, we may not generate significant revenue from sales of such products, even if approved. If we are not able to generate revenue from the sale of any approved products, we may never become profitable.

Our results of operations, financial condition, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss and related valuation uncertainty.

During the Track Record Period, we had certain financial assets at fair value through profit or loss. For the years ended December 31, 2020 and 2021, we recorded fair value losses on financial assets at FVTPL of RMB4.6 million and RMB5.2 million, respectively. For the six months ended June 30, 2022, we recorded fair value gains on financial assets at FVTPL of RMB1.7 million. We are exposed to risks in relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or other expenses, and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We had net operating cash outflow during the Track Record Period and may continue to have net operating cash outflow going forward.

We had net cash used in operating activities of RMB172.7 million, RMB159.9 million and RMB97.5 million in 2020, 2021 and the six months ended June 30, 2022, respectively. While we believe we have sufficient working capital to fund our current operations for the next 12 months, we expect that we may continue to experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations such the milestone payments under our licensing agreements, be unable to meet our capital expenditure requirements, be forced to scale back our operations, and/or experience other negative impacts on our operations, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We incurred deficit and recorded net liabilities during the Track Record Period and may continue to have deficit going forward, which can expose us to liquidity risk.

We had a total deficit of RMB512.0 million, RMB790.5 million and RMB1,003.5 million as of December 31, 2020 and 2021 and June 30, 2022, respectively. A total deficit can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt or issuance of our equity interest, which may not be available on terms favorable or commercially reasonable to us or at all. Although we expect our net liability position to be reversed after the automatic conversion of the convertible redeemable preferred shares into Shares upon the [**REDACTED**], a net liabilities position can expose us to the risk of shortfalls in liquidity. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

We believe our current cash and cash equivalents and the estimated net [**REDACTED**] from the [**REDACTED**] will be sufficient to meet our anticipated cash needs for at least the next 12 months from the date of this Document. We may, however, require additional cash resources to meet our continued operating cash requirements in the future, especially to fund our R&D activities. Our cash operating costs mainly consist of (i) R&D costs including staff costs, third party contracting costs, and others and (ii) workforce employment costs. In 2020, 2021 and the six months ended June 30, 2022, we incurred total cash operating costs of RMB166.2 million, RMB156.6 million and RMB99.6 million, respectively. For more details of our cash operating costs, see "Financial Information – Cash Operating Costs." We expect our cash operating costs will increase significantly in light of our expanding clinical trial programs. If the financial resources available to us after the [**REDACTED**] are insufficient to satisfy our cash requirements, we may seek additional funding through [**REDACTED**], debt financings, collaborations and licensing arrangements. It is uncertain whether financing will be available in the amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Raising additional capital may cause dilution to our shareholders, restrict our operations or, when licensing of intellectual property rights is deployed as a means of financing our operations, require us to relinquish rights to our technologies or product candidates.

We may seek additional funding through a combination of [**REDACTED**], 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 may adversely affect your rights as a holder of our Shares. Incurring additional debt 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 [**REDACTED**] 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 product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future arrangements when we might be able to achieve more favorable terms.

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

We adopted an equity incentive plan for the benefit of our employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. In 2020, 2021 and the six months ended June 30, 2022, we incurred share-based compensation of RMB20.0 million, RMB41.1 million and RMB38.6 million, respectively. To further incentivize our employees to contribute to us, 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. 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.

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

During the Track Record Period, we had certain financial liabilities categorized within Level 3 fair value measurement, which included the convertible redeemable preferred shares measured at fair value through profit or loss ("**FVTPL**"). We recorded total deficits of RMB512.0 million, RMB790.5 million and RMB1,003.5 million as of December 31, 2020 and 2021 and June 30, 2022, respectively, primarily due to such financial liabilities. The estimated changes in fair value involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. For more details, see "Financial Information – Significant Accounting Policies, Judgements and Estimates – Fair Value Measurement." As such, the financial liabilities valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these derivative financial liabilities and result in significant fluctuations in profit or loss from year to year. The Preferred Shares will automatically convert into Shares upon [**REDACTED**], at which time we expect to record them as equity and, accordingly, turn into a net asset position. However, we do expect to recognize additional loss from the fair-value changes of financial liabilities after December 31, 2022 to the [**REDACTED**], and we may still retain accumulated losses due to the fair-value loss of our convertible redeemable preferred shares prior to the [**REDACTED**].

RISKS RELATING TO DOING BUSINESS IN CHINA

The broader dermatology treatment and care industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our product candidates.

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

We are subject to laws that are applicable to our business, including advertising and promotion laws, pricing laws and consumer rights and interests protection laws, and other consumer protection laws that could subject us to penalties and other administrative actions. Laws and regulations related to e-commerce and social media activities in China may impose additional requirements and obligations on our on-line channels or could increase our compliance cost.

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

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, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

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

A large portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted 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 PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Additionally, the NMPA's reform of the drug-approval system may face implementation challenges in recent years. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our product candidates in a timely manner.

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

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

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC

subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

In response to the persistent capital outflow in China and RMB's depreciation against the U.S. dollar, the People's Bank of China, or PBOC, and the State Administration of Foreign Exchange of the PRC (SAFE) promulgated a series of capital control measures, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our [**REDACTED**] or other obligations to our suppliers, or otherwise fund and conduct our business.

Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, which may impose new burdens on us.

The PRC Foreign Investment Law, or the FIL, was enacted by the NPC on March 15, 2019 and became effective on January 1, 2020, which replaces a trio of previous laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. This law has become the legal foundation for foreign investment in the PRC. The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Implementation Rules to the Foreign Investment Law were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. However, uncertainties exist with respect to interpretation and implementation of the FIL and its Implementation Rules, which may adversely impact our corporate governance practice and increase our compliance costs. For instance, the FIL imposes information reporting requirements on foreign investors or foreign-invested enterprises. Failure to take timely and appropriate measures to cope with any of these or other regulatory compliance requirements under the FIL may lead to rectification obligations, penalties or other regulatory sanctions on us.

More stringent restrictions on the remittance of RMB into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is expected to be denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Our business benefits from certain financial incentives and preferential 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 our PRC subsidiaries as part of their efforts to encourage R&D activities. We recorded government grants of nil, RMB3.2 million and nil in 2020, 2021 and the six months ended June 30, 2022, respectively, which represent subsidies from local governments. The local governments have the discretion in deciding the timing, amount and criteria of government financial incentives and thus we cannot predict with certainty whether or how much financial incentive will be granted to us even if we apply for such funding. We generally do not have the ability to influence local governments in making these decisions. Government authorities may also decide to reduce or eliminate incentives or may amend or terminate the relevant financial incentive policies at any time. In addition, some of the government financial incentives are granted to us 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 are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China. Almost all of our assets are located in China. Therefore, it may not be possible for [**REDACTED**] to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China 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 (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. 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 Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the government of the 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 China. 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 and the completion of the relevant legislative procedures in the 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 China 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 does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Any failure by the Shareholders or beneficial owners of our Shares to comply with PRC foreign exchange or other regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

SAFE has promulgated several regulations associated with offshore investment such as Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via 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》) or SAFE Circular 37, issued and effective on July 4, 2014, the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈<境內機構境外直接投資外匯管理規定>的通知》) (SAFE Circular 30). Failure to comply with the various SAFE regulations might result in liability under PRC laws for evasion of applicable foreign exchange restriction, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and other regulations; however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with relevant SAFE rules and other regulations. We cannot assure you that all of our Shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

Failure to comply with PRC regulations regarding the human genetic resources management in China may subject us to fines and other legal or administrative sanctions.

The Notice on the Implementation of Administrative License of Gathering, Collecting, Trading, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境行政許可的通知》) was issued and came into effect on August 24, 2015 by Ministry of Science & Technology. According this Notice, gathering and collecting of human genetic resources through clinical trials shall be registered in the China Human Genetic Resources Management Office through the online system. According to the Circular on Optimizing Administrative Approval Processing of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) been issued on October 26, 2017 by Ministry of Science & Technology and come into effect on December 1, 2017, approval processing of gathering and collecting of human genetic resources shall be simplified.

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》), was promulgated by the State Council on May 28, 2019 and came into effect on July 1, 2019. According to the provisions of the Regulations, the state supports the rational use of human genetic resources to carry out scientific research, develop biomedical industry, improve diagnosis and treatment technologies, enhance China's biosafety guarantee capabilities, and raise the level of guaranteeing the people's health. Foreign organizations and individuals and the institutions formed or actually controlled by them shall not collect or preserve China's human genetic resources within the territory of China and shall not provide China's human genetic resources abroad. The collection, preservation, utilization and external provision of China's human genetic resources shall conform to ethical principles for human genetic resource providers and be subject to ethical review in accordance with the relevant provisions of the state. The Ministry of Science and Technology further promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (Draft for Comments) (《人類遺傳資源管理條例實施細則(徵求意見稿)》) to state details on March 21, 2022. In addition, the Ministry of Science and Technology published the Notice on Updating the Frequently Asked Questions on Human Genetic Resources Management (《關於更新人類遺傳資源管理常見問題解答的通知》) on March 2, 2022 and Notice on Updating the Frequently Asked Questions on Human Genetic Resources Management (Q&A Series II) (《關於更新人類遺傳資源管理常見問題解答(系列問答二)的通知》) on April 15, 2022 to provide answers for some detailed question regarding human genetic resources.

The Bio-Security Law of the PRC (《中華人民共和國生物安全法》) was promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on October 17, 2020, and implemented on April 15, 2021. The law reaffirms the PRC's sovereignty over its human genetic resources and biological resources, and sets out more detailed provisions for the regulatory requirements contained in the Regulations for the Administration of Human Genetic Resources of the PRC.

Any failure to comply with these rules and regulations regarding human genetic resources management may subject us to fines and other legal or administrative sanctions. For more details relating to the human genetic resources management, see "Regulatory Overview – Regulation on Pharmaceutical Product Development, Approval and Registration – Clinical Trial Process and Good Clinical Practices – Approval or Filing of Human Genetic Resources".

We and our shareholders face uncertainty relating to PRC laws and regulations relating to the indirect transfer of equity interests in PRC resident enterprises by a non-PRC resident enterprise.

On February 3, 2015, the State Taxation Administration of the PRC (STA) issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》), or Circular 698, which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions

under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market," or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in "Information about this Document and the [**REDACTED**]" in this Document, potential [**REDACTED**] should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

Under the EIT Law, we may be classified as a "PRC resident enterprise" for PRC income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. A tax circular issued by STA on April 22, 2009, or Circular 82, regarding the standards used to classify resident enterprises clarified that dividends and other distributions paid by such resident enterprises which are considered to be PRC source income will be subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting and properties" of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise

Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration. Currently, most of the members of our management team are, and the management team of some of our offshore shareholders may be, located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "*de facto* management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company or any of our non-PRC subsidiaries is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, under the EIT Law and its implementing rules issued by PRC tax authorities dividends paid by us to our non-PRC shareholders may be subject to a withholding tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders, and gains recognized by our non-PRC shareholders may be subject to PRC tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders (which in the case of dividends may be withheld at source). Any PRC tax liability on dividends or gain described above may be reduced under applicable tax treaties. However, it is unclear whether, if our Cayman Islands holding company is considered a PRC resident enterprise, non-PRC shareholders would be able to obtain in practice the benefit of income tax treaties entered into between PRC and their countries. Similarly, these unfavorable consequences could apply to our other offshore companies if they are classified as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the [REDACTED] from the [REDACTED] effectively and affect our ability to fund and expand our business.

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, PRC governmental authorities. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed with or approved by certain government authorities, including the MOFCOM or its local counterparts and the State Administration for Industry and Commerce (now known as the State Administration for Market Regulation ("**SAMR**")) through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the SAFE.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. For example, under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign-currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company. On October 23, 2019, SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, according to which non-investment foreign-invested enterprises are permitted to make domestic equity investments with their capital funds provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. On April 10, 2020, SAFE promulgated 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持涉外業務發展的通知》),

or SAFE Circular 8, 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 evidentiary materials concerning authenticity of each expenditure, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there exist substantial uncertainties with respect to its interpretation and implementation by government authorities and banks.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, and relevant regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. The M&A Rules require that the Ministry of Commerce, or the MOFCOM, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have an impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies.

The Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the National People's Congress, or NPC, which became effective in August 2008, requires that when a concentration of undertakings occurs and reaches statutory thresholds, the undertakings concerned shall file a prior notification with MOFCOM. Without the clearance from MOFCOM, no concentration of undertakings shall be implemented and effected. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold under the Provisions on Thresholds for Prior

Notification of Concentrations of Undertakings (《關於經營者集中申報標準的規定》) or the Prior Notification Rules, issued by the State Council in August 2008 is triggered. If such prior notification is not obtained, MOFCOM may order the concentration to cease its operations, dispose of shares or assets, transfer the business of the concentration within a time limit, take any other necessary measures to restore the situation as it was before the concentration, and may impose administrative fines. SAMR becomes the successive authority of MOFCOM with regard to the above matters, upon the government reorganization in March 2018.

In addition, the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the MOFCOM in August 2011, specify that mergers and acquisitions by foreign investors relating to national security are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions.

We cannot preclude the possibility that the MOFCOM or other government agencies may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Failure to comply with relevant regulations relating to social insurance and the housing provident fund may subject us to penalties and adversely affect our business, financial condition, results of operations and prospects.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund under the relevant PRC laws and regulations for our employees. For more details relating to these relevant laws and regulations, see the paragraph headed "Regulatory Overview – Regulations on Labor" in this Document.

During the Track Record Period, we engaged third-party human resource agency to pay social insurance premium and housing provident funds for seven of our employees. Pursuant to the agreement entered into between such third-party human resources agency and us, the third-party human resources agency have the obligation to pay social insurance premium and housing provident funds for our relevant employees on behalf of us. As of the Latest Practicable Date, we had not received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agency. These seven employees have never pursued any claims against us with the competent

authorities. As advised by our PRC Legal Advisor, considering the facts stated above, the risk of us being subject to material penalties as a result of paying the social insurance premium or housing provident funds through third-party agency and thus have any material adverse effect on our financial condition or results of operations taken as a whole is relatively low. However, if the local governments determine the use of third-party agency to pay social insurance and housing provident funds to be non-compliant in the future or such human resource agency fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

We have enhanced our internal control measures requiring social insurance and housing provident fund contributions to be made in compliance with relevant PRC laws and regulations in all material aspects. In particular, we plan to regularly review and monitor the reporting and contributions of social insurance and housing provident fund and consult our PRC legal counsel on a regular basis to keep us abreast of relevant regulatory developments.

The political relationships between China and other countries or regions may affect our business operations.

During the Track Record Period, we have formed partnerships with entities in foreign countries and regions and initiated or plan to initiate clinical trials, in other countries and regions. Establishing new collaboration partnerships globally is key to our future growth. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new collaboration partnerships.

There can be no assurance that such collaborators or business partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Since mid-2018, political tension has increased between China and the U.S. There can be no assurance that potential collaboration partners will not alter their perception of us or their preferences as a result of such adverse changes between China and relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects. It also remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. If the U.S. were to withdraw from or materially modify certain international trade agreements to which it is a party, especially with respect to intellectual properties transfer, our business, financial condition and results of operations could be negatively impacted.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares; an active [REDACTED] for our Shares may not develop and the [REDACTED] for our Shares may decline or became volatile.

No public market currently exists for our Shares. The initial [**REDACTED**] for our Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares.

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

The price and [**REDACTED**] of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] of our Shares. In addition to market and industry factors, the price and [**REDACTED**] of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting the broader dermatology treatment and care industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our distributors and suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our 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 Shares, and the price of our Shares when trading begins could be lower than the [REDACTED].

The [**REDACTED**] of our Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Business Days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the 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 our Shares in the public market by our Shareholders following the [REDACTED] could materially and adversely affect the price of our Shares.

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

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the share incentive schemes.

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 in [**REDACTED**] net tangible asset value. In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

We do not expect to pay dividends in the foreseeable future after the [REDACTED].

We currently intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and commercialization of our products and 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 decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will

appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

Our Controlling Shareholders have had and will continue to have substantial influence over the outcome of shareholder actions in our Company. The interests of our Controlling Shareholders may not be aligned with the interests of our other Shareholders.

Upon completion of the [**REDACTED**], the Controlling Shareholders will hold [**REDACTED**]% of our total issued and outstanding Shares (assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis and the [**REDACTED**] is not exercised). As a result, the Controlling Shareholders, will have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions.

They may take actions that are not in the best interest of us or our other Shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the Shares. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that other holders of our ordinary shares may view as beneficial.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. For more details, see "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III in this Document.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or our largest Shareholder, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your [REDACTED].

The change in the value of RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. Substantially all of our costs are denominated in RMB and the U.S. dollars, most of our assets are cash and cash equivalents primarily denominated in RMB and the U.S. dollars, and our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against RMB or U.S. dollars against RMB may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

Facts, forecasts and statistics in this Document relating to the broader dermatology treatment and care industry may not be fully reliable.

Facts, forecasts and statistics in this Document relating to the industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. We believe that the sources of such information is 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 has not been independently verified by us, the Joint Sponsors, the [**REDACTED**] or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy.

You should read the entire Document carefully, and we 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.

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

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and certificates of exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are primarily located in the PRC, our management is best able to attend to its function by being primarily based in the PRC. As such, the Joint Sponsors have applied, on behalf of our Company, to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Ms. Zhang Lele, our executive Director and CEO, and Ms. Chan Sze Ting, our company secretary. Ms. Chan Sze Ting is situated and based in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of our authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with enquiries from the Stock Exchange;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided their contact information to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required. In the event that a Director expects to travel or is otherwise out of office, he/she will endeavor to provide his/her phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone;

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

(d) pursuant to Rule 3A.19 of the Listing Rules, we has appointed Somerley Capital Limited as our compliance advisor, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor;

(f) we will appoint other professional advisors (including legal advisors in Hong Kong) after the [**REDACTED**] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and

(g) our Company has designated staff members as the communication officer at our headquarters after the [**REDACTED**] who will be responsible for maintaining day-to-day communication with Ms. Chan Sze Ting, our company secretary, and our Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

WAIVER FROM COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Rule 4.04(1) of the Listing Rules requires that the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the document be included in the Accountants' Report to this Document.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all document to include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we set out in this Document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this Document.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we include in this Document a report by the auditors with respect to the profit and loss of our Group for each of the three financial years ended immediately preceding the issue of this Document and the assets and liabilities of our Group as at the end of each of the three financial years ended immediately preceding the issue of this Document.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companie (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 [**REDACTED**] public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

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

Rule 13.49(1) of the Listing Rules requires issuers to publish preliminary financial results not later than three months after the end of each financial year.

Paragraph 4.4(ii) of the Guidance Letter HKEX-GL25-11 issued by the Stock Exchange provides that where an applicant issues its listing document in the third month after the latest year end, a Rule 4.04(1) waiver would be subject to the following conditions: (i) the listing document must include the financial information for the latest financial year and a commentary on the results for the year. The financial information to be included in the listing document must (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; (ii) the applicant must list on the Stock Exchange within three months after the latest year end; and (iii) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application has been made to the Stock Exchange for a waiver from strict compliance with requirements under Rule 4.04(1) of the Listing Rules not to include in this document the audited financial results of our Company in respect of the financial year immediately preceding the issue of this document, and such waiver [has been granted] by the Stock Exchange subject to the following conditions:

(a) the Document must be issued on or before [**REDACTED**] and the Shares of the Company will be [**REDACTED**] on the Stock Exchange by [**REDACTED**] (i.e. within 3 months after the latest financial year end);

(b) the Document includes the unaudited preliminary financial information for the year ended December 31, 2022 and a commentary on the results for the year, and the financial information (i) follows the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (ii) is agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

(c) the Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(d) the Company will not in breach of its articles of association (as amended and supplemented from time to time) or laws and regulations of the Cayman Islands or other regulatory requirements as a result of not publishing its preliminary results announcements for the year ended December 31, 2022.

Accordingly, we applied to the SFC for, and the SFC [has granted], a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the following conditions:

(a) the particulars of the exemption are set out in the Document;

(b) the Document must be issued on or before [**REDACTED**]; and

(c) the Shares of the Company will be [**REDACTED**] on the Stock Exchange on or before [**REDACTED**] (i.e. within 3 months after the latest financial year end).

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the [**REDACTED**] public given the followings:

(a) there would not be sufficient time for the Company and the Reporting Accountants to finalize the audited financial statements for the year ended December 31, 2022 and include them in the Document. If the financial information for the year ended December 31, 2022 is required to be audited, the Company and the Reporting Accountants would have to carry out substantial work to prepare, update and finalize the Accountants' Report and the Document, and the relevant sections of the Document will need to be updated to cover such additional period within a short period of time;

(b) we are an R&D-driven, dermatology-focused biopharmaceutical company, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(c) the Company has included in the Document (i) the Accountants' Report covering each of the two financial years ended December 31, 2020 and 2021 and [the nine months ended September 30, 2022] as set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules, (ii) [the unaudited preliminary financial information for the year ended December 31, 2022 and a commentary on the results for the year in Appendix IA to this Document], which is prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules, and has been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

(d) notwithstanding that the financial results set out in this Document are only for the two years ended December 31, 2020 and 2021 and [the nine months ended September 30, 2022] in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Document pursuant to the relevant requirements;

(e) further, as Chapter 18A of the Listing Rules provides track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements of 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 would be unduly burdensome for the Company;

(f) the Directors are of the view that, up to the date of the Document, there has been no material adverse change to the financial and trading positions or prospects since [September 30, 2022] (being the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to the Document) to the date of the Document; and there has been no event since [September 30, 2022] and up to the date of this Document which would materially affect the information shown in the Accountants' Report as set out in Appendix I to the Document, the unaudited [**REDACTED**] financial information as set out in Appendix II to the Document, [the unaudited preliminary financial information for the year ended December 31, 2022 and a commentary on the results for the year in Appendix IA to this Document,] the section headed "Financial Information" in the Document and other parts of the Document. [Based on the due diligence work performed by the Joint Sponsors so far, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the views of the Directors expressed above];

(g) the Company shall publish its annual report for the year ended December 31, 2022 within the time prescribed under Rule 13.46(2) of the Listing Rules; and

(h) our Company is of the view that the Accountants' Report covering the two years ended December 31, 2020 and 2021 and [the nine months ended September 30, 2022], as set out in Appendix I to the Document, the unaudited [**REDACTED**] financial information as set out in Appendix II to the Document, [the unaudited preliminary financial information for the year ended December 31, 2022 and a commentary on the results for the year in Appendix IA to this Document,] together with other disclosure in this Document, has already provided the potential [**REDACTED**] with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the [**REDACTED**] public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this document. Therefore, the exemption would not prejudice the interests of the [**REDACTED**] public.

Given the Company [has] included the unaudited preliminary financial information for the year ended December 31, 2022 and a commentary on the results for the year in Appendix [IA] to this Document, which is prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules, and has been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, the Company will not, for the purpose of Rule 13.49(1) of the Listing Rules to prepare and send a preliminary results announcement to its shareholders for the year ended December 31, 2022, which will not be in breach of the articles of association (as amended and supplemented from time to time), laws and regulations of the Cayman Island or other regulatory requirements. In addition, the Company will issue an announcement by March 31, 2023 stating that we will not publish the preliminary results announcement for the year ended December 31, 2022 as the relevant financial information has been included in this Document pursuant to Rule 13.49(1) and Rule 13.49(3)(i) of the Listing Rules.

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Zhang Lele (張樂樂)	Room 1901, No. 11, Lane 168 Shiquan East Road Putuo District Shanghai, PRC	Chinese
Mr. Huang Yuqing (黃雨青)	13 Canton Road, Tsim Sha Tsui Kowloon Hong Kong	Chinese
Non-executive Directors		
Dr. Chen Lian Yong (陳連勇)	2001 Longdong Avenue Pudong New District Shanghai, PRC	American
Dr. Xie Qin (謝沁)	Room 902, No. 15, Lane 89 North Linping Road Hongkou District Shanghai, PRC	Chinese
Mr. Huang Xiao (黃瀟)	No. 289, Meihua Road Huamu Town Pudong New District Shanghai, PRC	Chinese
Ms. Yang Yunxia (楊雲霞)	2-29B, Guangcai International Apartment, No. 18 Gongren Tiyuchang West Road Chaoyang District Beijing, PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Chung Ming Kit (鍾明杰)	Flat E, 46 Floor, Block 6 The Long Beach 8 Hoi Fai Road, Tai Kok Tsui Kowloon Hong Kong	Chinese (Hong Kong)
Mr. Tao Tak Yan Dennis (陶德仁)	Flat B, 13/F, Tower 2, Phase 6 Bel-Air on the Peak Hong Kong	Chinese (Hong Kong)
Mr. Ye Xiaoxiang (葉曉翔)	Room 7-1001, Lane 61 Ju Ye Road Pudong New District Shanghai, PRC	Chinese

For more details of our Directors, see "Directors and Senior Management".

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Center
1 Harbour View Street
Central
Hong Kong

[REDACTED]

Legal advisers to our Company

As to Hong Kong and United States laws:

Davis Polk & Wardwell
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC laws:

Zhong Lun Law Firm
6/10/11/16/17F, Two IFC
8 Century Avenue
Pudong New Area
Shanghai
PRC

As to Cayman Islands laws:

Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Hong Kong

Legal advisors to the Joint Sponsors and the [REDACTED]

As to Hong Kong and United States laws:

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC laws:

CM Law Firm
Room 2805, Plaza 66 Tower 2
1366 West Nanjing Rd
Shanghai
PRC

Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504-2505 Wheelock Square 1717 Nanjing West Road Shanghai, PRC
Compliance Advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	**Cutia Therapeutics** Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Head Office and Principal Place of Business in the PRC	20/F, Huanzhi Building 436 Heng Feng Road Jingan District Shanghai, China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's Website	**www.cutiatx.com** *(the information contained on this website does not form part of this Document)*
Company Secretary	**Ms. Chan Sze Ting (陳詩婷)** *(chartered secretary, chartered governance professional and associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	**Ms. Zhang Lele (張樂樂)** Room 1901, No. 11, Lane 168 Shiquan East Road Putuo District Shanghai, PRC **Ms. Chan Sze Ting (陳詩婷)** 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

Audit Committee	Mr. Chung Ming Kit (鍾明杰) *(Chairman)* Mr. Ye Xiaoxiang (葉曉翔) Mr. Tao Tak Yan Dennis (陶德仁)
Remuneration Committee	Mr. Ye Xiaoxiang (葉曉翔) *(Chairman)* Dr. Chen Lian Yong (陳連勇) Mr. Chung Ming Kit (鍾明杰)
Nomination Committee	Dr. Chen Lian Yong (陳連勇) *(Chairman)* Mr. Tao Tak Yan Dennis (陶德仁) Mr. Chung Ming Kit (鍾明杰)

[**REDACTED**]

Principal Banks	**Shanghai Pudong Development Bank** Zhangjiang Technology Branch No. 56, Boyun Road Zhangjiang Hi-Tech Park Pudong New District Shanghai, China **China Merchants Bank** Wuxi New District Branch 1-102 Huirong Plaza Xinwu District Wuxi City Jiangsu Province, China

Certain information and statistics set out in this section have been extracted from various official government publications, available sources from public 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, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, 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. For more details of the risks relating to our industry, see "Risk Factors" in this Document.

BROADER DERMATOLOGY TREATMENT AND CARE MARKET

Market Composition Overview

The broader dermatology treatment and care market in China could be classified into scalp diseases and care, skin diseases and care, localized adipose accumulation management medication and topical anesthesia market, among others as illustrated below.

Source: Frost & Sullivan analysis

The broader dermatology treatment and care market in China has the following features.

- *Mismatch between supply and demand.* The demand for dermatology treatment and care products is increasingly diversified as a result of the growing patient and consumer population, while the variety of supplies is relatively limited. As the population concerned with dermatological problems becomes more widespread, the severity of consumers' dermatological problems, their age, and their income levels become more diverse, the market demand for dermatological products continues to grow and diversify. Moreover, the development of demands has outpaced that of supply, leaving consumers' needs not fully met.

- *The lack of one-stop solution provider with complete product portfolios addressing consumer needs across major treatment fields and treatment and care cycle.* In China's broader dermatology treatment and care market, few players have extensive product pipelines that cover the major treatment fields and consumers' diverse demands during their treatment and care cycle. Most companies in the industry specialize in certain field, focusing on developing either dermatology care products or medications for treatment of certain types of diseases. Companies that have diverse product pipelines can benefit from the synergy among their product portfolios to constantly build brand awareness and gain market shares.

- *The demands for dermatologic products are diversified and constantly evolving during consumers' treatment and care cycle.* The demands for dermatologic products constantly evolve during consumers' life cycles, such as intense attention among teenagers for skin treatment and care, while high attention in scalp treatment and care among mid-age population. Correspondingly, dermatologic diseases progress such that consumers or patients demand differently with respect to the skin diseases at different stages. For example, mild acne treatment usually suggests monotherapy in topical fashion, and moderate to severe acne treatment usually combines oral and topical drugs treatment.

- *Lack of novel therapies in China.* Given the limitations of traditional therapies such as systemic exposure caused by oral drugs, a large unmet need in dermatologic treatment remains. Current topical drugs for dermatologic diseases approved in China are mostly generic drugs that lack of effective mechanisms. Novel topical therapies for the safe and effective long-term management of dermatologic problems are greatly needed to supplement current treatment regimens.

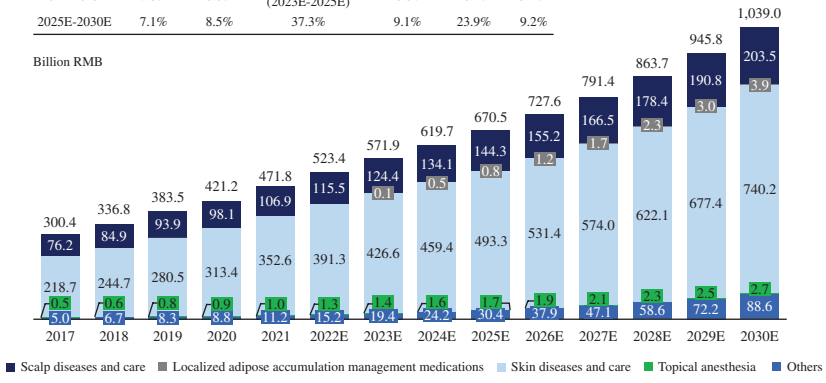
- *Most companies lack integrated capabilities across the industry value chain.* The whole industry value chain of dermatologic product contains R&D, registration, mass production marketing and commercialization. In China, a number of brand owners of dermatology products adopt combinations of in-house production, entrusted production, OEM and ODM to control their costs. Biotech companies might rely on CDMO to support their mass production. Companies that have end-to-end operating capabilities across the industry value chain can achieve positive internal synergy and reach operational efficiency.

Broader Dermatology Treatment and Care Market Size in China

The following table sets forth the size of the broader dermatology treatment and care market in China:

Market Size of Broader Dermatology Treatment and Care in China, 2017-2030E

Period	CAGR					
	Scalp diseases and care	Skin diseases and care	Localized adipose accumulation management medications	Topical anesthesia	Other	Total
2017-2021	8.8%	12.7%	–	18.3%	22.5%	11.9%
2021-2025E	7.8%	8.8%	144.7% (2023E-2025E)	15.3%	28.2%	9.2%
2025E-2030E	7.1%	8.5%	37.3%	9.1%	23.9%	9.2%



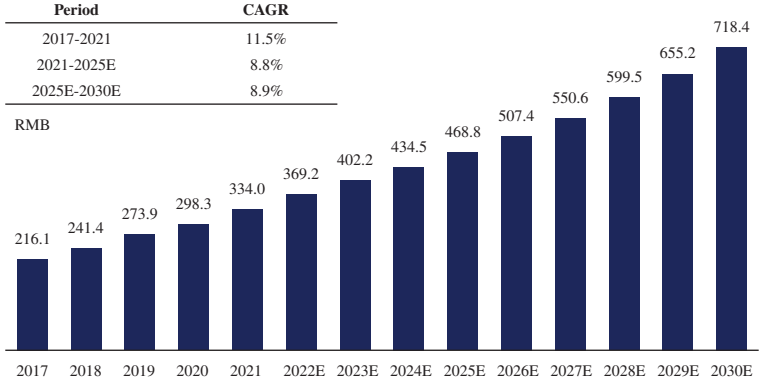
Source: Annual Reports, Expert Interview, Frost & Sullivan analysis

Rapidly Expanding Yet Still Lagging Per Capita Expenditure in China

The following table sets forth the historical and expected per capita expenditure on broader dermatology treatment and care in China:

Per Capita Expenditure On Broader Dermatology Treatment and Care in China, 2017-2030E

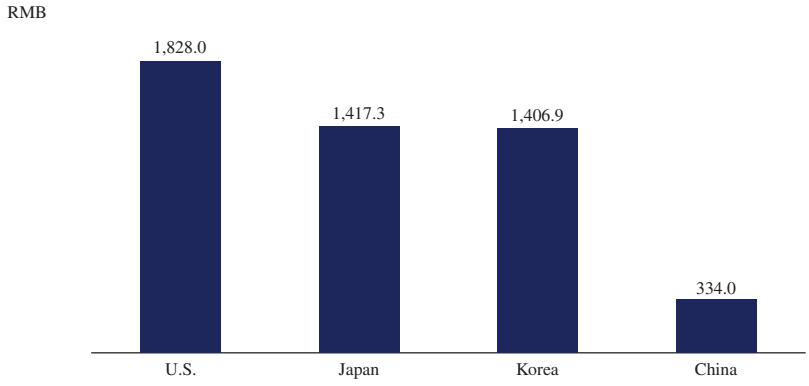
Period	CAGR
2017-2021	11.5%
2021-2025E	8.8%
2025E-2030E	8.9%



Source: NBSC, Frost & Sullivan analysis

A gap exists between developed countries and China in terms of per capita expenditure on broader dermatology treatment and care. In 2021, the per capita expenditure on broader dermatology treatment and care in the U.S., Japan and Korea reached RMB1,828.0, RMB1,417.3 and RMB1,406.9, respectively. By comparison, the per capita expenditure on broader dermatology treatment and care in China in 2021 was RMB334.0, which is still far behind that of developed countries, representing a large market potential.

Comparison of Per Capita Expenditure on Broader Dermatology Treatment and Care (China, U.S., Japan and Korea), 2021



Note: Exchange rate: 1 USD=6.4 RMB

Source: World Bank, NBSC, Frost & Sullivan analysis

Growth Drivers

The following key factors have primarily driven the growth of the broader dermatology treatment and care market in China:

- *Increase in disposable income.* China's per capita annual disposable income reached RMB35,128.0 in 2021 from RMB25,973.8 in 2017 with CAGR of 7.8%. With the increase in disposable income, an increasing number of Chinese consumers are able to afford the out-of-pocket costs relating to broader dermatology treatment and care products. China is also undergoing a consumption upgrade, making dermatology treatment and care products more appealing to Chinese consumers.

- *The rise of skin management consciousness and awareness, and willingness to pay.* As the market expands, consumers can receive more information through diverse marketing channels. With more information at the tip of their fingers, consumers are developing more diverse tastes and needs. The ease of access to dermatology treatment and care knowledge has increased consumers' acceptance of broader dermatology treatment and care products as well as their willingness to pay.

- *Despite rise of skin and hair management consciousness, the penetration of dermatology products remains low*. Modern sedentary lifestyle, poor dieting, highly-stressful office jobs and other complex factors could induce endocrine and other disorders, which may lead to dermatological complications such as alopecia and skin disease. Despite the rise of skin health and skin management consciousness, the per capita consumption of broader dermatology treatment and care products in China is still low compared with developed countries mainly because of unsatisfying clinical results and adverse effects of traditional therapies, high treatment costs of innovative products, etc.

- *Emergence of safe, effective, and consumers-friendly topical products.* In recent years, a number of novel products with innovative mechanisms of action and dosage forms have been launched or under development in China. The improvement in those new products makes them more effective, safer and more consumer-friendly, which caters to consumers' diverse demands and drives market growth. Transdermal drug delivery has emerged as one of the most attractive alternative to conventional oral and intravenous administrations because of its direct application at the site of action, consistent and reliable drug concentration over protracted dosing periods, and ease of administration. For dermatologic conditions, local administration helps reduce systemic buildup in drug concentration and the nonspecific action on non-targeted organs by the active ingredients, reducing the risks of side effects brought by the systemic exposure.

Entry Barriers

Despite the growth drivers discussed above, significant entry barriers remain in the broader dermatology treatment and care market in China:

- *Acute insights into consumer needs*. Dermatologic problems cover a wide range of conditions and target consumers can range from children and teenagers to the elderly. The needs and preference of different consumer groups can be significantly different. For example, alopecia patients are mostly male consumers who mainly focus on effects and safety problems while young consumers also take user experience of products into account. As a result, the acute understanding of consumer needs is critical. It is important for market players to gauge the needs and interests of the target consumer groups in different market segments, to stay abreast and to further guide latest market trends.

- *Scientific understanding of dermatology and pharmacology enabling transdermal drug/substance delivery for precision medicine*. The physicochemical properties of the skin translate to multiple obstacles and restrictions in transdermal delivery. It is important for market players to have a deep understanding of dermatology and pharmacology to conduct investigations and build up effective transdermal drug delivery systems.

- *Integrated capabilities*. Integrated capabilities, including the capabilities to conduct medical research based on the understanding of the mechanism of action of drugs and the pathophysiology of skin and human bodies, the capabilities to conduct product development based on the characteristics of raw materials and formulation components, the capabilities of registration, mass production as well as commercialization are crucial to developing dermatology treatment and care products. Developing such capabilities requires significant time, resources and expertise, posing a barrier for new market entrants. Mutually beneficial and sustainable collaboration with downstream medical institutions and consumers are indispensable elements for success in this market. It is essential for market players to have solid network, as well as strong capabilities to promote their products in the market.

- *Comprehensive product offerings*. Dermatologic problems cover a wide range of conditions, which are often caused by multiple factors and can rarely be solved by any single treatment. As the dermatologic conditions progress with time, the symptoms and consumers demands vary greatly. Moreover, dermatology treatment usually needs to be accompanied by effective daily care products. To address the diverse dermatological concerns of different consumers, it is crucial for companies in this market to provide a comprehensive portfolio of dermatology products and a one-stop solution tailored to different consumer groups, with ample cross-selling and up-selling opportunities. Developing such a comprehensive portfolio requires significant time and resources.

- *Recognition among consumers, physicians, medical institutions, and other industry stakeholders*. Given that dermatology treatment and care products have a direct effect on consumers, success in this market hinges on strong brand recognition among consumers, physicians, and medical institutions, and other industry stakeholders, who are inclined to adopt well-recognized products with proven efficacy and safety records.

Pain Points

The following significant pain points remain in the broader dermatology treatment and care market in China:

- *Limitation of the existing treatment.* Due to the low cost, oral antibiotics have been used for dermatologic diseases for a long time, however their adverse side effects of the high systemic exposure and possible induction of multiple drug-resistance infections have made them becoming increasingly unattractive to patients. Additionally, the skin tolerance is the issue of some topical treatment for dermatologic diseases. In order to achieve the better treatment effect, gradual increment of drugs dosage over a certain period of time is required. Lower dosage might be unable to give immediate and observable response to skin conditions, resulting longer treatment time.

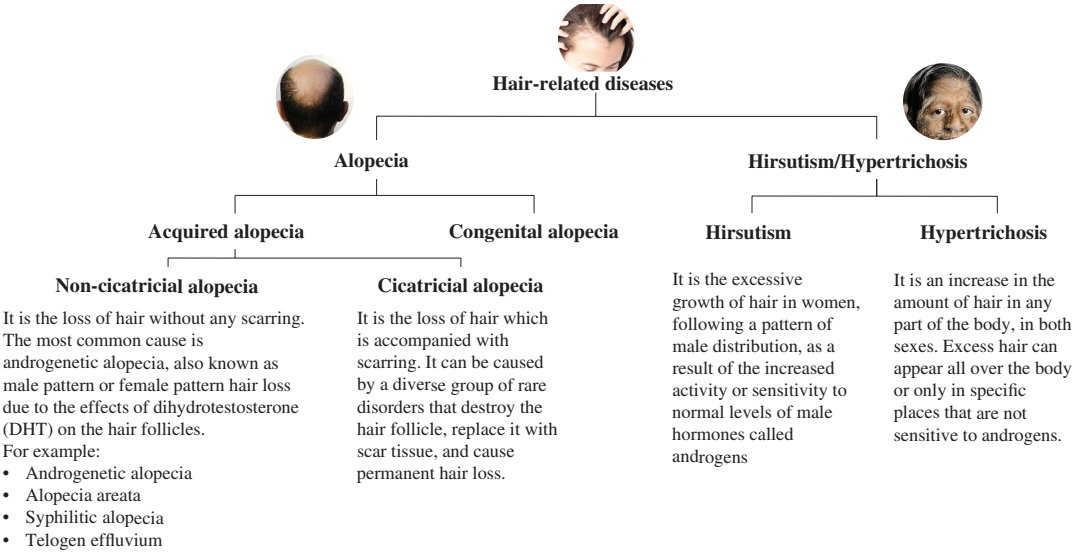
- *Lack of innovative solutions.* Innovative treatments of dermatological diseases may have less side effects and improve drug efficiency comparing with the traditional treatment. For example, topical antibiotics treatment greatly reduces the systemic antibiotics exposure and the associated risk of drug-resistance infection compared to oral administration of antibiotics. In atopic dermatitis treatment, the targeted treatment demonstrates improved clinical efficacy. However, such innovation in treatments requires dermatologic companies to constantly invest in R&D and cooperating experienced dermatologists. Currently, the China dermatological treatment and care market for most of the innovative dermatological treatments is still at its nascent stage.

- *Awareness of dermatological issues and low penetration rate.* With lower awareness of dermatologic treatment, only few patients with dermatological diseases seek for professional dermatological assistance. Patients with mild dermatological issues rarely realize the status of their skin health and mild symptoms compromise patients' qualities of life to a small degree. Comparing with developed countries, the per capital consumption of skin diseases and care products is much lower in China, suggesting that the awareness of the importance of skin health and the effects of dermatological product remain low penetration rate in China market.

SCALP DISEASES AND CARE MARKET

Scalp Diseases and Care Overview

Alopecia and hirsutism/hypertrichosis are the two major hair-related diseases. Alopecia mainly affects scalp hairs while hirsutism/hypertrichosis mainly affects hairs in multiple body areas such as lips, abdomen, back and limbs. Alopecia is a prevalent and signature scalp condition, and it could be categorized into congenital alopecia and acquired alopecia. Acquired alopecia includes non-cicatricial and cicatricial alopecia, and the latter cause permanent hair loss. Androgenetic alopecia and alopecia areata are the two most prevalent types of alopecia, both of which belong to the non-cicatricial alopecia category. The following figure shows the major categories of hair-related diseases:



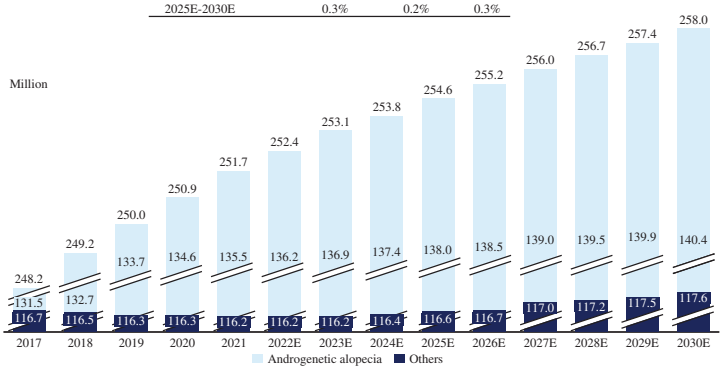
Source: Frost & Sullivan analysis

Alopecia Prevalence

The prevalence of alopecia in China reached 251.7 million in 2021, of which 53.8% was androgenetic alopecia. The prevalence of alopecia in China is expected to grow to 258.0 million in 2030. The following table sets forth the prevalence of alopecia in China:

Prevalence of Alopecia in China, 2017-2030E

Period	CAGR		
	Androgenetic alopecia	Others	Total
2017-2021	0.8%	-0.1%	0.4%
2021-2025E	0.4%	0.1%	0.3%
2025E-2030E	0.3%	0.2%	0.3%



Source: Literature Search, Frost & Sullivan analysis

Scalp Diseases and Care Paradigm and Market

Scalp Diseases and Care Paradigm

People with different condition severity and different needs shall seek different interventions, thus the demand matrix is relatively diverse. Scalp diseases and care products include daily scalp care products, anti-hair loss shampoo, OTCs, prescription drugs, laser therapies and hair transplants. The following table sets forth the scalp diseases and care products paradigm by disease severity, interventions, application scenarios, consumer profiles and marketing venue.

Severity	Treatment Options	Application Scenarios	Consumers	Marketing Channels
Mild	• **Supplements:** To ensure the nutrition that hair needs • **Scalp care products:** Shampoo, hair-restorer, etc.	• **Daily scalp care** • **Complementary treatment for hair diseases**	• **Gender:** More than 70% of consumers are female • **Age:** Most consumers are aged <35	• **To customers:** Offline marketing: offline advertisements, offline shops and counters, sales promotion, etc. Online marketing: sales e-commerce platforms, social media, streaming media, etc.
Moderate	• **OTC drugs:** Topical minoxidil, selenium sulfide lotion, etc. • **Prescription drugs:** Oral finasteride, cyproterone • **Low level laser treatment:** To energize hair follicles	• **Hair disease treatment:** Consumers self-diagnose and purchase OTC products in offline and online pharmacies Doctors prescribe Rx drugs and certain treatments in medical institutions	• **Gender:** Around 70% of consumers are male • **Age:** Most consumers are aged 18-40	• **To physicians:** Academic conferences, product training, expert visits • **To customers:** Offline advertisements, offline shops and counters, sales promotion, marketing on sales e-commerce platforms and social media, etc.
Severe	• **Hair transplantation:** Have normal hair follicle tissue transplanted in the area of hair loss • **Wigs:** Wearing wigs made of artificial hair	• **Hair disease treatment** • **Improve personal appearance**	• **Gender:** More than 70% consumers are male • **Age:** Young consumers aged 20-30 account for 57.4%	• **To customers:** Network platform marketing, customer referrals, press conference, public welfare activities free diagnosis and treatment, etc.

Source: Frost & Sullivan analysis

The following table shows the currently available intervention measures of alopecia in China.

	Mechanism	Effect of Anti-hair loss	Advantages	Disadvantages
Supplements and scalp care products	• The added ingredient can improve scalp environment and thus promote hair growth	• Supplement nutrition to hair	• Low-cost • Effective for early hair loss	• No effects on necrotic hair follicles
OTC and prescription medications	• **Minoxidil:** Vasodilator	• Most effective in hair on the back side of head	• Suitable for both genders • Low-cost	• May cause pruritus or hypertrichosis
	• **Finasteride:** 5-alpha-reductase type inhibitor	• Mainly used to treat hair loss on the top of head	• Effective for male androgenetic alopecia	• May cause sexual dysfunction
	• **Cyproterone:** Antiandrogen	• Alleviate hair loss	• Effective for female androgenetic alopecia	• May cause sterility
Laser treatments	• Low-level laser can energize hair follicles	• Energize hair growth while keeping hair follicles healthy	• Low risk of side effects and effective for early hair loss	• Expensive and not effective for serious hair loss
Hair transplantation	• Hair transplantation is mainly to have normal hair follicle tissue transplanted in the area of hair loss, and keep it alive	• High success rate	• Obvious effect and can symptomatically solve hair loss problem	• Expensive and may cause infections • Cannot cure root causes of alopecia
Wearing wig	• Wearing wigs made of artificial hair	• No anti-hair loss effects	• Low-cost	• May cause allergy and interfere the growth of hair

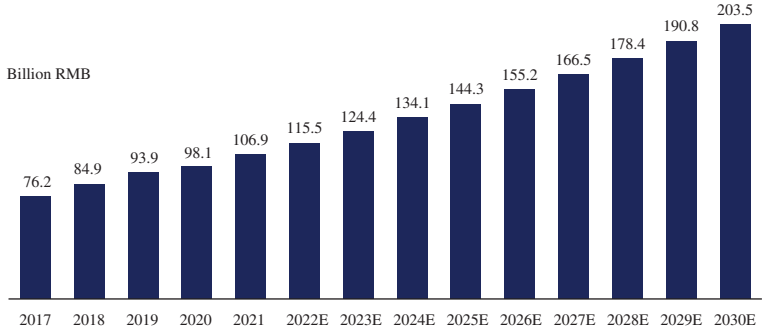
Source: Frost & Sullivan analysis

Market Size

The size of the scalp diseases and care market in China increased from RMB76.2 billion to RMB106.9 billion between 2017 and 2021, and is expected to grow to RMB144.3 billion in 2025, representing a CAGR of 7.8% from 2021 to 2025. The following chart shows the historical and projected size of the scalp diseases and care market in China:

Market Size of Scalp Diseases and Care in China, 2017-2030E

Period	CAGR
2017-2021	8.8%
2021-2025E	7.8%
2025E-2030E	7.1%



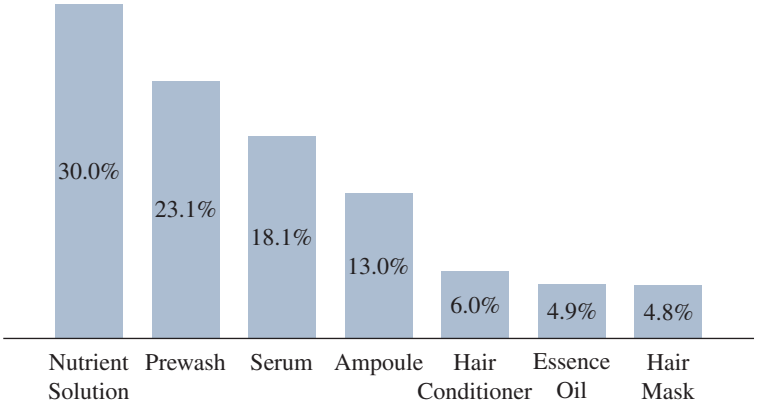
Source: Frost & Sullivan analysis

Scalp Care Products

Diversifying Consumer Needs Curating a Multi-Step Scalp Care Program

Scalp care products market has been developing rapidly since the gradual adoption of multi-step hair maintenance routine among consumers. Among daily care products, nutrient solutions are the most online popular products for consumers, while scalp prewashes, serums and ampoules are becoming popular in the market.

Consumption proportion by categories in online scalp care products market, 2021



Note: Shampoo is not included in the online performance analysis of multi-step scalp care products.

Source: T-mall, Frost & Sullivan analysis

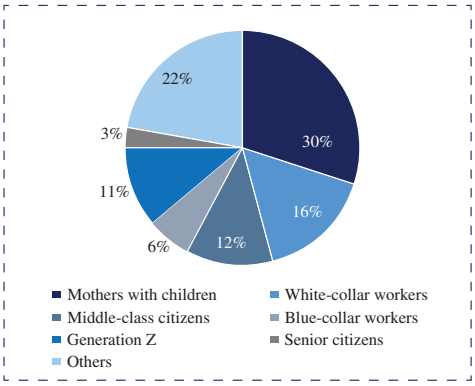
Consumer Portrait

Consumers of scalp care products are becoming more rational, with growing consciousness for the components of the products. Among different consumer groups, certain types of natural components including sea salt, milk, tea, ginger and polygonum multiflorum are popular. It is noteworthy that skin nourishing components that are primarily used in skin care products such as hyaluronic acid and amino acid have been introduced to scalp care products and accepted by a wide range of consumers. Among the consumers of scalp care products with skin care components, mothers with children, white-collar workers and middle-class citizens are the major consumer groups, which account for 58% of the total consumers and with more than 16% of repurchase rate among the total consumers.

Preference towards Components of Scalp Care Products among Different Consumer Groups

	Mothers with children	White-collar workers	Middle-class citizens	Blue-collar workers	Generation Z	Senior citizens
Top 1	Sea salt	Sea salt	Sea salt	Sea salt	Sea salt	Sea salt
Top 2	Hyaluronic acid	Milk	Hyaluronic acid	Milk	Milk	Milk
Top 3	Milk	Hyaluronic acid	Milk	Hyaluronic acid	Ginger	Hyaluronic acid
Top 4	Ginger	Ginger	Polygonum multiflorum	Polygonum multiflorum	Hyaluronic acid	Polygonum multiflorum
Top 5	Tea	Polygonum multiflorum	Ginseng	Ginseng	Tea	Amino acid

Consumer Analysis of Scalp Care Products with Skin Care Components

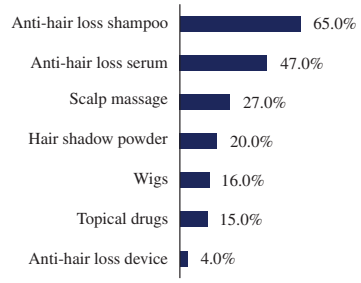


Source: T-mall, Frost & Sullivan analysis

With increased awareness of hair-related health and a strong desire to prevent hair loss, the younger generation of consumers has become the core customer segment of the anti-hair loss products market in China. Application of anti-hair loss shampoo has become the most popular method of hair loss management among consumers born in the 90's in China, 31.5% of which spent more than RMB500 on hair loss management in 2021.

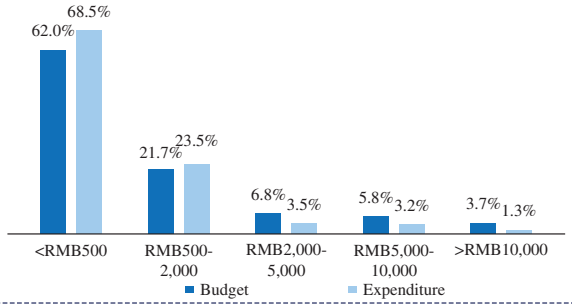
Adoption rate of anti-hair loss methods of young consumers

- In 2021, 65.0% of consumers born in the 90s have purchased anti-hair loss shampoo to manage their hair-related health. 47.0% have purchased anti-hair loss serum.



Costs on hair loss management of young consumers in China

- In 2021, most consumers born in the 90s spent less than RMB500 on hair loss management annually. Meanwhile, about 9.5% of young consumers were willing to spend more than RMB5,000 on hair loss management in 2021.



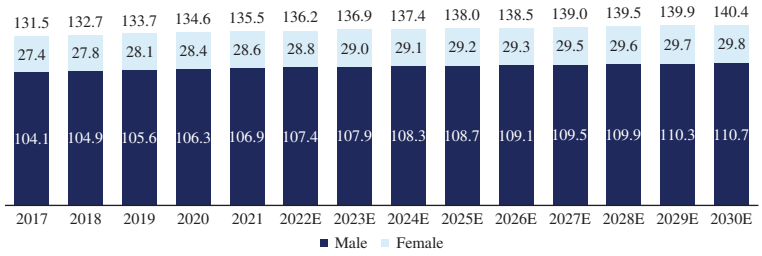
Source: Suning, Frost & Sullivan analysis

Androgenetic Alopecia Overview

Androgenetic alopecia is a common form of scalp hair loss. It is characterized by progressive hair loss, usually in a pattern distribution. The onset may be at any age after puberty and the frequency increases with age. The prevalence of androgenetic alopecia in China reached 135.5 million in 2021, of which 78.9% was male. The prevalence of androgenetic alopecia in female showed a slightly higher growth rate than in male from 2017 to 2021.

Prevalence of Androgenetic Alopecia in China, 2017-2030E

Period	CAGR		
	Male	Female	Total
2017-2021	0.7%	1.0%	0.8%
2021-2025E	0.4%	0.6%	0.4%
2025E-2030E	0.4%	0.3%	0.3%



Source: Frost & Sullivan analysis

Current Treatment Paradigm and Unmet Medical Needs

Typical treatment of androgenetic alopecia includes drug treatment and hair transplant. There are mainly two dosage forms for drug treatments, namely topical dosage form drug and oral dosage form drug. Each dosage form currently has one approved drug to treat male androgenetic alopecia in China, namely finasteride (oral drug) and minoxidil (topical drug). Among the two forms of drugs, topical medications are more acceptable to patients because the risk of causing side effects is relatively lower. The following charts set forth the current treatment paradigm for androgenetic alopecia:

Topical drug for treatment of androgenetic alopecia

- **Introduction and approved drugs:** Topical medication is widely used for the treatment for androgenetic alopecia. Minoxidil has been approved by FDA and NMPA to treat androgenetic alopecia.
- **Safety:** Compared with oral medication, topical drug is safer with much lower systemic exposure and thus is available as an over-the-counter (OTC) product, which makes topical drug more popular with patients.

Oral drug for treatment of androgenetic alopecia

- **Introduction and approved drugs:** Oral medication is one typical treatment for androgenetic alopecia. And the widely used drug is finasteride, which is approved by the FDA and NMPA for androgenetic alopecia. This drug works by inhibiting the conversion of testosterone to DHT.
- **Safety:** Oral medication has a higher risk of causing side effects than topical drug due to higher systemic drug exposure.

Hair transplantation for androgenetic alopecia

- **Introduction:** Though hair transplantation cannot actually cure patients with androgenetic alopecia, it is an effective method to alleviate hair loss. The way is to have normal hair follicle tissue transplanted in hair loss area, and keep it alive.
- **Safety:** Hair transplantation has side effects including inflammation of hair follicles, infections, etc.

Source: Frost & Sullivan analysis

The current androgenetic alopecia treatment paradigm is facing multiple major challenges, including:

- *Systemic exposure to finasteride causing potential side effects that deter wider adoption.* Minoxidil and finasteride are the only two approved treatments of male androgenetic alopecia in China. For the treatment of male patients, finasteride inevitably lowers serum DHT levels when administered in oral tablet form, and may cause side effects such as sexual dysfunction.

- *Limited choice of clinically validated and approved topical therapy*. Minoxidil is the only clinically validated and approved topical therapy for androgenetic alopecia since its first approval by FDA in 1988. Despite its validated efficacy in multiple clinical trials, there are patients that fail to have satisfactory response or not able to stay on the treatment due to allergy, unsatisfactory hair texture or inconvenience in application.

- *Hair transplant is not a functional cure and effects are often short-lived.* As a solution for patients with severe alopecia, hair transplant is not a functional cure. The recession will intensify if the root cause of alopecia is not cured, which might cause embarrassment leaving the patient with a separation of baldness between the implanted area and his or her own hair. Besides, not all transplanted follicles can survive after surgery. As a surgical procedure, hair transplant needs downtime and have certain risks of complication such as infection. In addition, hair transplant is expensive as the cost is usually based on the number of follicles transplanted.

Innovative Solutions

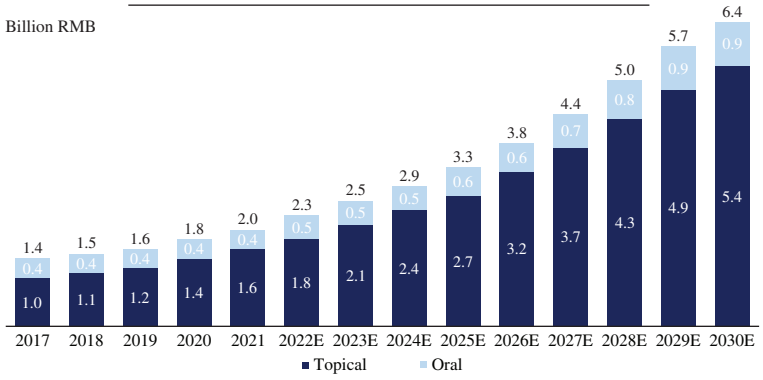
Topical drugs with novel mechanism of action that could directly target hair follicles while surpassing the circulation is an innovative solution for androgenetic alopecia, reducing the risks of complications brought by the systemic drug exposure, such as sexual dysfunction and depression associated with oral finasteride. In China, the new drugs under clinical trials for treatment of androgenetic alopecia are all in topical dosage forms, including drugs of different mechanisms such as 5-alpha reductase inhibitors, AR antagonist and thyroid hormone receptor agonist, which indicates a trend toward topical therapies in androgenetic alopecia drug treatments.

Androgenetic Alopecia Treatment Market in China

The total market of drugs approved for androgenetic alopecia in China grew from RMB1.4 billion in 2017 to RMB2.0 billion in 2021, representing a CAGR of 10.3%. With more drugs approved for androgenetic alopecia entering the market and the increasing acceptance of treating androgenetic alopecia, the market size is expected to reach RMB3.3 million in 2025, representing a CAGR of 13.1% from 2021 to 2025 and RMB6.4 million in 2030, representing a CAGR of 14.0% from 2025 to 2030. The following figure sets forth the historical and projected market size of drugs approved for androgenetic alopecia in China:

Market Size of Drugs Approved for Androgenetic Alopecia in China, 2017-2030E

Period	CAGR		
	Topical	Oral	Total
2017-2021	13.3%	2.1%	10.3%
2021-2025E	14.5%	7.4%	13.1%
2025E-2030E	15.0%	9.2%	14.0%



Source: Frost & Sullivan analysis

Competitive Landscape of Androgenetic Alopecia Drugs in China

In 2021, the sales of finasteride and minoxidil products for androgenetic alopecia treatment in China have reached around RMB0.4 billion and RMB1.6 billion, respectively. Globally, the sales of finasteride and minoxidil products in 2021 have reached around USD0.1 billion and USD1.0 billion, respectively. The following table shows the competitive landscape of the approved drugs for androgenetic alopecia in China:

Drugs	Dosage Form	RLD Holder/First Approved Company	Indications	First Approval Date	OTC/Rx	Number of Products	Costs per Treatment Course
Minoxidil	Spray	Jewim Pharmaceutical	Androgenetic alopecia	2011/1	OTC	2	~ RMB1,242
	Gel	Bausch + Lomb	Androgenetic alopecia	2005/1	OTC	1	~ RMB1,368
	Liniment	Ante Bio-pharmaceutical	Androgenetic alopecia	2002/1	OTC	3	~ RMB709
	Tincture	Wansheng Pharmaceutical	Androgenetic alopecia	2001/1	OTC	2	~ RMB680
Finasteride	Tablet	Merck Sharp & Dohme	Male androgenetic alopecia	2004/1	Rx	9	~ RMB961
Cyproterone	Tablet	Jenapharm	Severe androgenetic alopecia in females	1990/12	Rx	5	~ RMB1,975

Note: Information as of November 4, 2022. Treatment costs are based on bidding prices.

Source: NMPA, Frost & Sullivan analysis

The following table shows the competitive landscape of drugs for androgenetic alopecia under development in China:

Drugs	Company	Status	Active Ingredients	Indications	Dosage Form	Date First Posted
KX-826	Kintor Pharmaceutical/ Koshine	Phase III	Pyrilutamide (small molecule AR antagonist)	Androgenetic alopecia	Tincture	2021/11
CU-40102	Cutia	Phase III	Finasteride (5-alpha reductase inhibitors)	Androgenetic alopecia	Spray	2021/10
CU-40101	Cutia	Phase I	Thyroid hormone receptor agonist	Androgenetic alopecia	Liniment	2022/04
GT20029	Kintor Pharmaceutical	Phase I	Topical AR-PROTAC	Androgenetic alopecia Acne vulgaris	Tincture	2021/6
Minoxidil cream	Changzhou Siyao	IND Approval	Minoxidil	Androgenetic alopecia	Cream	2017/4
CU-40104	Cutia	Pre-clinical	Dutasteride (5-alpha reductase inhibitors)	Androgenetic alopecia	Topical agent	N/A

Note: Information as of November 4, 2022. Generics are excluded.

Source: CDE, Frost & Sullivan analysis

SKIN DISEASES AND CARE MARKET

Skin Diseases and Care Overview

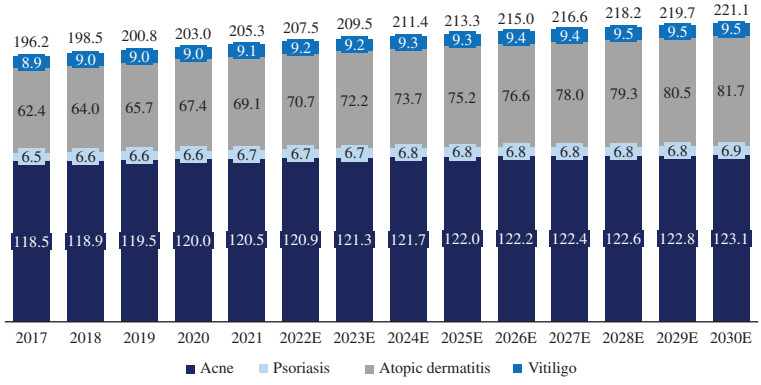
Skin diseases are mainly originated from malfunction, infection, allergy or genetic aberrations of skin and its appendages, such as acne vulgaris, atopic dermatitis, psoriasis and others. Skin diseases affect patients' quality of life physically, socially and psychologically. As they are associated with genetics and external factors such as environment and diets, skin diseases are usually prone to relapse and thus require long-term management and care.

Skin Diseases Prevalence

Due to the transformation of people's living and working habits, the prevalence of major dermatologic diseases including acne vulgaris, psoriasis, atopic dermatitis and vitiligo in China has increased from 196.2 million in 2017 to 205.3 million in 2021, representing a CAGR of 1.1%. The prevalence of major dermatologic diseases in China is forecasted to reach 213.3 million in 2025 and further reach 221.1 million in 2030. In 2021, the number of patients of acne vulgaris accounted for 58.7% of patients of major skin diseases. The following chart shows the historical and projected prevalence of major skin diseases in China:

Prevalence of Major Skin Diseases in China, 2017-2030E

CAGR	Acne	Psoriasis	Atopic dermatitis	Vitiligo	Total
2017-2021	0.4%	0.5%	2.6%	0.6%	1.1%
2021-2025E	0.3%	0.4%	2.2%	0.7%	1.0%
2025E-2030E	0.2%	0.2%	1.7%	0.5%	0.7%



Source: Literature Review, Frost & Sullivan analysis

Skin Diseases Treatment and Care Paradigm and Market

Skin Diseases Treatment and Care Paradigm

The application scenarios of skin disease treatment and skin care products are diverse, including, among others, daily skin care, skin barrier repair and improvement, skin disease treatment and skin care during disease recovery. Due to the various types and different severities of skin diseases as well as the diverse application scenarios, consumers' demands for products to address skin conditions vary greatly. Multiple solutions for consumers in this field include nutrition supplement, cosmeceutical, OTC drug, prescription drug, physical therapy and surgery, among others. The combination of different types of products and solutions is usually the preferred choice to achieve better results and compliance. Combination therapy of prescription and OTC drugs is recommended in the treatment paradigms of many skin diseases. Additionally, proper skin care routine is an important part of skin disease management. The following chart shows the treatment paradigm of skin care in China:

Demands	Treatment Options	Application Scenarios	Marketing Channels
Basic Care	• **Basic skin care products:** Lotion, cream, essence, masks, etc. • **Supplements:** Collagen, omega-3, etc. that ensure the nutrition needed for skin health	• **Daily care for healthy skin**	• **To customers:** Offline marketing: product launch events, offline advertisements, offline shops and counters, sales promotion Online marketing: sales e-commerce platforms, social media, streaming media, etc.
Repair and Improvement	• **Cosmeceuticals:** Skincare products with mild formulae and functional active ingredients • **Energy-based and injection procedures**	• **Fundamental treatment of skin diseases** • **Repair damaged skin barriers** • **Improve skin conditions**	• **To business:** Academic conferences, product training, expert visits • **To customers:** New product launch events, offline advertisements, offline shops and counters, sales promotion, marketing on sales e-commerce platforms and social media, etc.
Disease Treatment	• **OTC drugs:** Consumers in China tend to use topical OTC medications to control mild dermatoses, such as topical corticosteroids, etc. • **Prescription drugs:** When skin diseases progress, patients ask for professional medical advice and treatment including prescription drugs. • **Surgery and physical therapy**	• **Self-diagnosis and over-the-counter prescription to treat mild disorders** • **Professional intervention in medical institutions covering different severity of skin diseases**	

Source: Frost & Sullivan analysis

Intervention/Product Category

The following table sets forth the mechanism, effects, advantages and disadvantages of varied skin disease and care solutions:

	Mechanism	Effects	Advantages	Disadvantages
Supplements	• Supplements that help improve skin health	• Supplement nutrition for skin health	• Convenient	• Mild effects after long-term use
Skin care products and cosmeceuticals	• Topical cosmetic-pharmaceutical hybrids that enhance skin health	• Improve skin conditions and repair damaged skin barriers	• Low-cost • Convenient	• Mild effects after long-term use
Energy-based and injection procedures	• Utilizing various forms of energy and injection procedures to improve skin conditions	• Improve skin conditions	• Enhanced and long-lasting effects	• Expensive and need repeated treatments to maintain the effects • Skin barrier damaged during treatments
OTC and prescription medications	• Topical or systemic treatments for skin diseases	• Treat skin diseases	• Convenient • Proven effects	• Risks of treatment-related complications
Surgery and physical therapy	• Surgery and physical therapy for skin diseases	• Treat skin diseases	• Proven effects	• Expensive • Risks of treatment-related complications

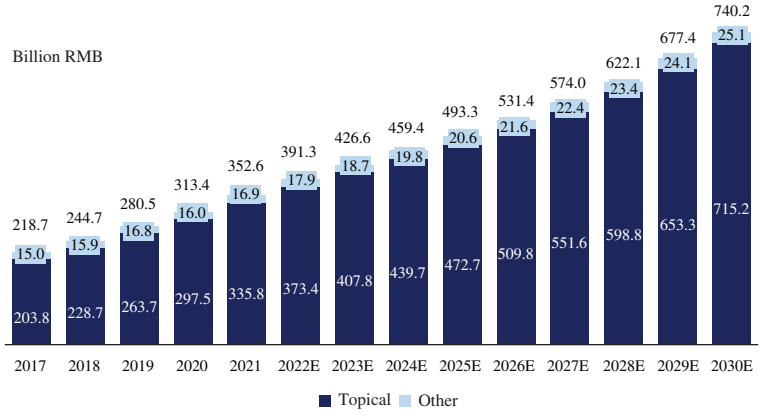
Source: Frost & Sullivan analysis

Market Size

With the growing demand for skin diseases and care products in China, the Chinese market is expected to continue to grow rapidly. The market size of skin diseases and care products in China grew from RMB218.7 billion in 2017 to RMB352.6 billion in 2021, representing a CAGR of 12.7% from 2017 to 2021. It is estimated that the market will increase from RMB493.3 billion in 2025 to RMB740.2 billion in 2030, representing a CAGR of 8.5%. The following chart shows the size of skin disease and care market in China:

China Skin Diseases and Care Market Breakdown by Dosage Forms, 2017-2030E

CAGR	Topical	Other	Total
2017-2021	13.3%	3.1%	12.7%
2021-2025E	8.9%	5.1%	8.8%
2025E-2030E	8.6%	4.0%	8.5%



Source: Frost & Sullivan analysis

Acne Vulgaris Condition and Treatment Overview

Acne vulgaris is a chronic inflammatory skin condition notable for open or closed comedones and inflammatory lesions, including papules, pustules and nodules. Acne vulgaris is a common disease, especially in adolescents and young adults. It can cause significant physical and psychological morbidity, such as permanent scarring, poor self-image and depression.

Current Treatment Paradigm and Unmet Clinical Needs

The current treatment paradigm of acne vulgaris primarily includes topical medication, systemic medication and physical and chemical therapy as shown below:

Treatments of Acne Vulgaris

Category	Major Treatments
Topical Medication	• Retinoids • Benzoyl peroxide • Antibiotics • Azelaic acid • Salicylic acid • Selenium disulfide
Systemic Medication	• Oral antibiotics • Isotretinoin • Anti-androgens • Glucocorticoids
Physical and Chemical Therapy	• Blue and red light combination therapy • Photodynamic therapy • Laser therapy • Salicylic acid, Alpha hydroxy acid or compound acids peeling treatment
Others	• Traditional Chinese medicine

Topical antibiotics have anti-inflammatory effects in addition to antimicrobial effects.

Thus, they are more suitable for treating papules and pustules.

Source: Frost & Sullivan analysis

The current treatment paradigm for acne vulgaris is still facing unmet medical needs:

- *Concerned of adverse events caused by current treatments:* As a fundamental component in combination therapies of moderate to severe acne vulgaris, antibiotics play an important role in acne treatment. Oral tetracyclines antibiotics, a group of antibiotics such as tetracycline, doxycycline and minocycline, is one of the most commonly used antibiotics group in acne treatment. However, the associated adverse events hinder wider adoption by physicians and patients, such as diarrhea and epigastric pain caused by tetracyclines, headache and nausea caused by doxycycline, and nausea, vomiting and dizziness caused by minocycline. Compared with topical antibiotics, oral antibiotics cause higher systemic exposure, leading to higher frequency of adverse events; however, many antibiotics are only available in oral dosage forms. Oral isotretinoin can result in adverse effects including dry lips, dry skin, cheilitis, vomiting, nausea, etc. In addition, oral isotretinoin is contraindicated during pregnancy due to known teratogenic effects.

- *Drug resistance of antibiotics hindering clinical use:* In addition to concerns over adverse events, the use of antibiotics, especially oral antibiotics, faces rising drug resistance that not only undermines the treatment effect but can also result in the emergence of other drug-resistant strains of bacteria through plasmid transmission of drug-resistant genes. It increases the risks of multiple drug-resistant infections such as upper respiratory infection and pneumonia. It is reported that over 50% of *P. acnes* strains are resistant to antibiotics, especially to macrolides.

- *A large number of patients without medical treatments:* Despite the high prevalence, only 22% of acne patients sought medical assistance as most of the patients have mild symptoms. In addition, concerns over side effects of existing therapies and high frequency of relapse also contribute to the reluctance of patients to seek medical assistance.

- *Skin irritation varies between individuals:* Common topical therapies for acne vulgaris including benzoyl peroxide, topical retinoids and various types of acid often cause some degree of skin irritation especially at early treatment stage. Treatment needs to be started with a lower dose and gradually increased over time. Such process can be time-consuming and requires strict medical supervision, leading to insufficient treatment efficacy and poor compliance.

Innovative Solution

The following therapies have been emerged as an existing innovative solution for acne vulgaris:

- *Topical antibiotics with low drug-resistant rate:* The drug resistance to antibiotics has been one of the obstacles for acne vulgaris treatment. The drug-resistant rate of *P. acnes* treated with clindamycin, erythromycin, tetracycline and minocycline is reported to be 54.7%, 53.5%, 20.0% and 16.3%, respectively. Minocycline has the minimal drug-resistant rate. With the fact that topical antibiotics treatment can greatly avoid systemic exposure to reduce adverse events, topical minocycline has a combined advantage of clinical efficacy and mild side effect, representing a promising future treatment in acne vulgaris. Current data in clinical trials suggest that serum minocycline concentration with topical minocycline was 730 to 765 times lower than that with oral minocycline, potentially reducing the frequency of adverse events.

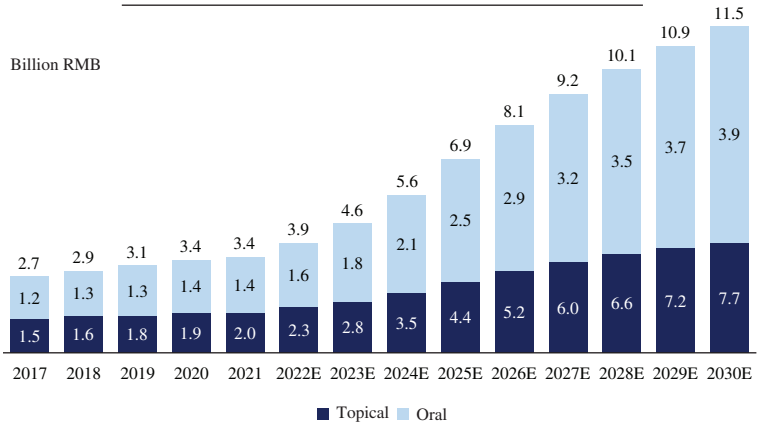
- *Exploration of new agents and physical therapy:* A number of new agents have shown potential in the treatment of acne vulgaris in research, including antimicrobial peptides, chitosan and chitosan-caffeic acid derivative. Meanwhile, physical therapies such as red light therapy, blue light therapy and photodynamic therapy have been adopted by more physicians and consumers recently.

Acne Vulgaris Treatment Market in China

The market size of acne treatment in China grew from RMB2.7 billion in 2017 to RMB3.4 billion in 2021, representing a CAGR of 5.9% from 2017 to 2021. It is estimated that the market will increase from RMB6.9 billion in 2025 to RMB11.5 billion in 2030, representing a CAGR of 10.9%. The following chart shows the historical and projected market size of acne vulgaris treatment in China:

Market Size of Acne Treatment in China, 2017-2030E

CAGR	Topical	Oral	Total
2017-2021	7.0%	4.3%	5.9%
2021-2025E	22.2%	14.7%	19.2%
2025E-2030E	11.8%	9.3%	10.9%



Source: Frost & Sullivan analysis

Competitive Landscape of Topical Acne Vulgaris Drugs in China

Currently, China has approved more than 20 kinds of drug formulations and over 150 products for topical treatment of acne vulgaris and most of them are antibiotics, retinoids and benzoyl peroxide. The following table sets forth topical acne vulgaris drugs under clinical trials.

Drug Name	Company	Indications	Active Ingredients	Status	Dosage Form	First Posted Date
Adapalene + Clindamycin Gel	Zhaoke	Moderate acne vulgaris	Adapalene and clindamycin (retinoid and antibiotic combination)	NDA	Gel	2021/2
CU-10201	Cutia	Moderate to severe acne vulgaris	Minocycline (antibiotic)	Phase III	Spray	2021/6
Aminolevulinic Acid Hydrochloride Topical Powder	Fudan-Zhangjiang	Combined with photodynamic therapy to treat moderate to severe acne vulgaris	Aminolevulinic acid hydrochloride (photosensitizing precursor)	Phase II	Powder	2021/12
Tazarotene Clindamycin Phosphate Cream	Sinomune	Moderate acne vulgaris	Tazarotene and clindamycin (retinoid and antibiotic combination)	Phase II	Cream	2021/1
KX-826	Kintor/Koshine	Mild to moderate acne vulgaris	Pyrilutamide (small molecule AR antagonist)	Phase I/II	Gel	2021/3
GT20029	Kintor	Androgenetic alopecia, acne vulgaris	Topical AR-PROTAC	Phase I	Gel	2021/6
Ibuprofen Piconol Cream	Bestcomm	Eczema, contact dermatitis, atopic dermatitis, perioral dermatitis, herpes zoster, acne vulgaris	Ibuprofen piconol (non-steroidal anti-inflammatory drug)	Phase I	Cream	2018/11

Note: As of November 4, 2022

Source: CDE, Frost & Sullivan analysis

LOCALIZED ADIPOSE ACCUMULATION MANAGEMENT MEDICATION MARKET

Treatment and Unmet Needs for Localized Adipose Accumulation Management

Localized adipose accumulation management include two main categories, namely non-surgical fat reduction and liposuction surgery. The non-surgical fat reduction including localized adipose accumulation management medications and energy-based fat reduction procedures such as cryolipolysis and ultrasonic cavitation. A detailed comparison for these three treatments is set forth below:

	Localized Adipose Accumulation Management Medications	Energy-based Fat Reduction	Liposuction Surgery
Introduction	Functional ingredients mainly include deoxycholic acid and recombinant mutant collagenase.	Energy-based fat reduction is non-surgical procedure that are performed with devices that utilize various forms of energy, such as cold temperature, ultrasound, laser, radiofrequency, etc. for fat reduction and body contouring. Treatments approved in China include cryolipolysis and ultrasonic cavitation.	Liposuction is a surgical procedure that uses a suction technique to remove fat from specific areas of the body, such as the abdomen, hips, thighs, buttocks, arms or neck. It can be performed alone or along with other plastic surgery procedures, such as autologous fat transfer or abdominoplasty. Treatments include suction assisted liposuction (SAL), water-assisted liposuction (WAL), laser liposuction, ultrasound assisted liposuction (UAL), etc.
Mechanisms	The medicine is given to the subcutaneous fat tissue and destroys the membrane of the adipocytes or the extracellular matrix, which induces apoptosis of the adipocytes. Then the body's immune system clears the fatty acid through the lymphatic system and liver.	The device is placed on the area to be treated and brings energy to the subcutaneous layers where fat cells accumulate, which destroys the fat cells or induces apoptosis of the fat cells. Then the body's immune system clears the fatty acid through the lymphatic system and liver.	SAL, WAL, etc. physically crush the localized adipose tissue and suck out the fat through the incision. Laser lipolyis, UAL, etc. rely on energy to induce adipocyte swelling and rupture, and then suck out the lysate through a needle.
Major Equipment	No equipment required	CoolSculpting (Zeltiq), UltraShape V3 (Syneron)	Body-jet (Human Med), VASER (Solta Medical), SP Dynamis (Fotona)
Procedure Duration	15-20 mins	~1 hour	2-4 hours
Invasiveness	Minimally invasive treatment with less postoperative pain	Non-invasive procedures	Invasive surgery with significant postoperative pain
Downtime	0-2 days	0-1 day	1-2 weeks
Full Recovery Time	2-4 weeks	Within a week	1-3 months
Side Effects	For deoxycholic acid: Swelling (65.8%, median duration: 9-10 days), bruising (54.6%), numbness (49.6%), erythema (38%), induration (22.5%), etc.	Erythema (26.3%), numbness (9.1%), bruising (3.7%), edema/swelling (2.5%), etc.	Swelling (almost every procedure, duration: 4-6 weeks), seromas (3.5%), surface irregularities (8.2%), skin laxity (4.2%), etc.
SAE rates	For deoxycholic acid: 0.1% (recovered mandibular nerve injury) For recombinant allosteric collagenase: 0	0.7% (paradoxical adipose hyperplasia)	0.1%. The rates of fatal complications is 1 in 5000.
Treatment Restrictions	Burden on liver to metabolize, several treatments are needed to see the results and long interval between each treatments	High costs, risks of cold injury and erythema, efficacy depending on technical factors including device's applicator	Permanent bumpy and wavy skin due to uneven fat removal, temporary pockets of fluid formed under skin requiring routine drainage operator-dependence, high costs, invasiveness

Source: Literature Search, Frost & Sullivan analysis

Localized Adipose Accumulation Management Medication

Overview

The main components of localized adipose accumulation management medication include collagenase, phosphatidylcholine and, among others. The following table sets forth the main components and mechanism of action of localized adipose accumulation management medication:

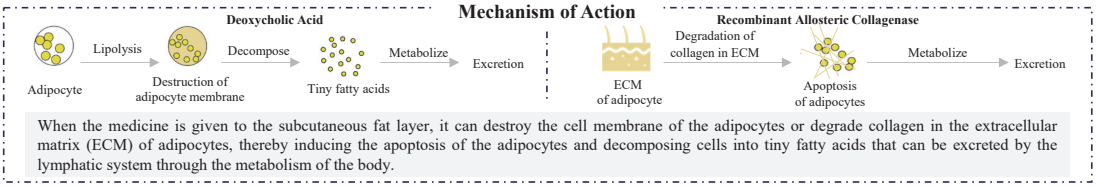
Main Components	Role
❄ Deoxycholic Acid	It can effectively dissolve the adipocyte membrane, leading to the disintegration of adipocytes. It is targeted to adipocytes and has a long-lasting effect.
❄ Recombinant Allosteric Collagenase	It can degrade the ECM of adipocytes, resulting in the adipocytes losing their support and inducing apoptosis of adipocytes.
❄ Phosphatidylcholine	It reacts with sodium deoxycholate to destroy the adipocyt membrane, and the decomposed fat is transformed into water and other fat microspheres to participate in the metabolism of the body.
❄ L-carnitine	A nutrient like vitamin found in animals, plants and microorganisms that promotes fatty acid oxidation.
❄ Polypeptides	It can stimulate the secretion of more lipolytic enzymes that decompose fat into fatty acids and glycerol, thus promoting fat metabolism.

Three Key Characteristics

Less invasive
Target only the subcutaneous fat layer without injuries to muscle and other tissues, making the entire fat-reduction procedure safer.

Favorable prognosis
Unlike liposuction, localized adipose accumulation management medications can largely reduce recovery time and decrease post surgical risks including infection, bruising and scarring at surgical site.

High applicability
As comparing with energy-based fat reduction methods, localized adipose accumulation management medications require less restrictions such as the thickness of subcutaneous fat, aiming for wider range of patients.



When the medicine is given to the subcutaneous fat layer, it can destroy the cell membrane of the adipocytes or degrade collagen in the extracellular matrix (ECM) of adipocytes, thereby inducing the apoptosis of the adipocytes and decomposing cells into tiny fatty acids that can be excreted by the lymphatic system through the metabolism of the body.

Source: Frost & Sullivan analysis

Unmet Needs in Localized Adipose Accumulation Management Medication

The localized adipose accumulation management medication in China is facing multiple major challenges, including:

- *Lack of Certificated Products.* In China, no adipose tissue management product has been certificated as a drug, which greatly limits the application of adipose accumulation management. There are a few adipose tissue management products approved by NMPA, but all of them are cosmetic products that are approved for topical application only. All these products are not indicated for adipose accumulation management administration into human body in China. Consumers are in great need of products that are certificated as drugs for more effective and safer adipose accumulation management. In addition, most currently available products are composed of natural extract and peptides, which can only temporarily shrink fat cells, but not permanently decompose them to achieve longer term efficacy.

- *Disturbance of Uncertificated Products and Unsafe Operations.* Though the application of cosmetics to manage adipose accumulation is now prohibited by regulations in China, some institutions still provide such services because of high profit margin. As the approval of cosmetic products does not require strict clinical trials, their efficacy and safety is not verified and the administration of such products into human body may cause serious adverse effects, such as severe pain, tissue necrosis and so on. Besides, due to the lack of certificated products in the market, practitioners lack systemic training and standard operation instructions, which might lead to improper operation, such as inaccurate dosing.

- *Safety Concerns over Deoxycholic Acid.* Subcutaneous treatment of deoxycholic acid works by causing adipocyte membrane lysis as a result of its cytotoxic and detergent effects on the cell membrane. Such mechanism involving adipocyte death and adipose tissue inflammation causes adverse effects and safety concerns among practitioners and consumers. A patient receiving deoxycholic acid administration to manage localized adipose accumulation usually needs two to four weeks of full recovery time and may suffer side effects such as swelling (65.8%, median duration: 9-10 days), bruising (54.6%), numbness (49.6%), erythema (38%), and induration (22.5%), etc.

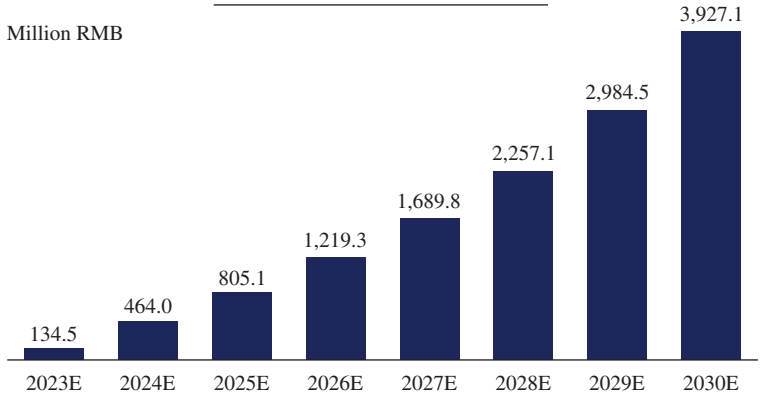
- *Relapse & rebound.* Generally, during a course of treatment, consumers need two to three doses of fat accumulation management products and the effects last less than two years. Usually, in order to maintain the appearance after treatments, consumers need to receive the treatment on a regular basis.

Market Size of Localized Adipose Accumulation Management Medication

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 will reach RMB3,927.1 million, representing a CAGR of 37.3% from 2025 to 2030. The following table sets forth the market size of localized adipose accumulation management medication in China:

Market Size of Localized Adipose Accumulation Management Medications in China, 2023-2030E

Period	CAGR
2023E-2025E	144.7%
2025E-2030E	37.3%



Note: Based on the ex-factory price

Source: Frost & Sullivan analysis

Competitive Landscape of Localized Adipose Accumulation Management Medication in China

Currently, there has been no localized adipose accumulation management medication approved in China. Three product candidates are in clinical trial stages in China.

Drug	Registration Classification[1]	Applicant	Indication	Status	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

TOPICAL ANESTHESIA MARKET

Topical Anesthesia Overview

Topical anesthetics are highly penetrating local anesthetics which are sprayed or applied to skin or mucous membranes, conjunctive, and other surfaces to cause superficial loss of pain sensation. Topical anesthesia can be applied in consumption and clinical scenarios. In consumption scenarios, topical anesthetics are generally applied before superficial dermatological procedures. In clinical practices, topical anesthetics are applied before puncture procedures and operations concerning superficial tissue. In addition, it can be used as a pretreatment for infiltration anesthesia combined with other anesthetics.

Currently Available Topical Anesthetics and Unmet Needs

The currently available topical anesthesia products for puncture and superficial dermatological procedures in China are compound lidocaine and proparacaine creams. None of them is composed of tetracaine which has been proven more effective in pain relief. The market gives an opportunity for companies that develop products meeting the need for lidocaine and tetracaine topical anesthesia products.

The current topical anesthesia product market in China is facing multiple major challenges:

- *Lack of highly effective products:* The existing approved topical anesthesia products in China are lidocaine and prilocaine compounds. As comparing with lidocaine/prilocaine (EMLA), the lidocaine/tetracaine cream displays superior efficacy in a shorter period of time, improved ease of use and a better safety profile for superficial dermatological procedures. However, no lidocaine/tetracaine topical anesthesia product has been approved in China despite all the advantages of lidocaine/tetracaine. Currently, there are two lidocaine/tetracaine products developed by Cutia Therapeutics and Liangfu Pharmaceutical in clinical stage in China. The original drug of lidocaine/tetracaine cream utilizes the proprietary phase-changing technology, which is a technical barrier to other market players.

- *Lack of products for various application scenarios:* The current approved products in China can hardly meet the needs of all application scenarios. For example, topical anesthesia products are widely used in superficial dermatologic procedures. However, current products approved in China are in small dosage form, providing limited dosage options for medical procedures that require large dosage to cover the entire treatment areas, such as superficial treatments and energy-based procedures. New products that meet demands in different application scenarios are needed in market.

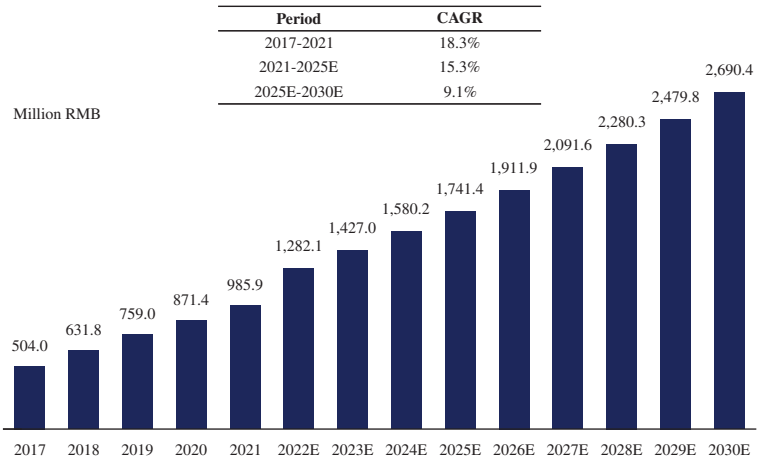
Innovative Solutions

There are two approved topical anesthesia products in China and none of them is composed of tetracaine which has been tested more effective in pain relief, with more subjects reported adequate pain relief with lidocaine/tetracaine (75%) compared to lidocaine/prilocaine (67.5%) applied for 30 minutes before superficial dermatologic procedures. The lidocaine/tetracaine compound produces rapid and durable topical anesthesia due to the pharmacokinetics of the two components. The anesthesia produced by lidocaine is faster and more extensive. Tetracaine, a long-acting amino-ester, is more lipophilic than lidocaine, concentrating in the stratum corneum of the epidermis, where it slowly diffuses. The duration of tetracaine is thus prolonged and the systemic uptake is limited. In addition, the application of lidocaine/prilocaine cream needs plastic occlusion while lidocaine/tetracaine cream is self-occluding, which is more convenient for users. The market gives an opportunity for companies that develop products meeting the need for lidocaine/tetracaine topical anesthesia products. Currently, there have been two pipelines of lidocaine/tetracaine products from Liangfu Pharmaceutical and Cutia Therapeutics are under developed in China.

Market Size of Topical Anesthetics in China

Currently, there are only a limited number of approved products for topical anesthesia in China. With the growing demand for skin puncture and superficial surgery, the Chinese topical anesthetics market will continue to grow rapidly. The market size of topical anesthetics grew from RMB504.0 million in 2017 to RMB985.9 million in 2021, representing a CAGR of 18.3% from 2017 to 2021. It is estimated that the market will increase from RMB1,741.4 million in 2025 to RMB2,690.4 million in 2030, representing a CAGR of 9.1%. The following chart shows the market size of topical anesthesia products in China:

Market Size of Topical Anesthetics in China, 2017-2030E



Note: *Only considered for puncture and superficial surgical procedures.

Based on the ex-factory price

Source: Frost & Sullivan analysis

Competitive Landscape of Topical Anesthetics in China

Currently, there are two topical anesthesia products approved by the NMPA as set forth below. There are more than 10 topical anesthesia products under clinical development in China.

NMPA Approved Products For Topical Anesthesia

Brand Name	Ingredient	Company	Approved Date	Indication
EMLA	Lidocaine/Prilocaine	AstraZeneca AB	1998.01	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)
Compound Lidocaine Cream	Lidocaine/Prilocaine	Tongfang Pharmaceutical Group Co., Ltd.	2006.01	Topical anesthetic analgesia (for puncture procedure and superficial surgeries)

**Note:* Only consider the topical anesthesia products for puncture and superficial dermatological procedures

Source: NMPA, Frost & Sullivan analysis

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [**REDACTED**], we commissioned Frost & Sullivan, an Independent Third Party, to prepare a report on global and China's markets regarding scalp diseases and care, skin diseases and care, localized adipose accumulation management medication, and topical anesthesia market. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report. We have agreed to pay a total of RMB1.05 million in fees for the preparation of the Frost & Sullivan Report. Frost & Sullivan is a market research and consulting company that provides market research on a variety of industries including healthcare. In preparing the report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports and industry association statistics, as well as market data collected by conducting interviews with key industry experts and leading industry participants. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected.

The section summarizes the principal PRC laws, rules and regulations that are relevant to our business.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC (《中華人民共和國公司法》, the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**NPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail. In December 2021, the draft amendment to the PRC Company Law was published for public comments by the Thirteenth Standing Committee of NPC. The amendment made systemic changes to the existing PRC Company Law. Uncertainties exist regarding the final form of these laws and regulations as well as the interpretation and implementation thereof after promulgation.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)(2021年版)》, the "**Negative List**"), which was promulgated by the Ministry of Commerce (the "**MOFCOM**") and National Development and Reform Commission (the "**NDRC**") in December 2021 and came into effect in January 2022. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") was promulgated by the NPC in March 2019 and came into effect in January 2020. After the Foreign Investment Law came into effect, the Law on Wholly Foreign-owned Enterprises of the PRC (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as "foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law, including: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect in January 2020. After the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) have been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

In December 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective in January 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

REGULATION ON PHARMACEUTICAL PRODUCT DEVELOPMENT, APPROVAL AND REGISTRATION

Drug Regulatory Regime

The Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") was promulgated by the Standing Committee of the NPC, in September 1984. The last two amendments to the Drug Administration Law were the amendments promulgated in April 2015 and in August 2019. The Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》) was promulgated by the State Council in August 2002, and was last amended in March 2019. The Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products, which regulates and provides for

a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies and medicinal preparations of medical institutions, and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Committee of China Communist Party jointly issued an Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the "**Innovation Opinions**") in October 2017. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first in order to develop drugs in highly prioritized therapeutical areas, such as oncology or rare disease areas.

To implement the regulatory reform introduced by Innovation Opinions, the Standing Committee of the NPC, the National Medical Products Administration (the "**NMPA**"), a newly formed government authority as well as other authorities, are currently responsible for revising the laws, regulations and rules regulating the pharmaceutical products and the industry.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law (the "**2019 Amendment**"), which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the marketing authorization holder system (the "**MAH System**"), conditional approvals of drugs, traceability system of drugs, and the cancelation of relevant certification according to the Good Manufacturing Practice and the Good Supply Practice.

Regulatory Authorities

Pharmaceutical products, medical devices and equipment in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was newly formed under the SAMR. The NMPA's predecessor, the State Drug Administration (the "**SDA**"), was replaced by the State Food and Drug Administration (the "**SFDA**"), which was later reorganized into the China Food and Drug Administration (the "**CFDA**") as part of the institutional reforms implemented by the State Council.

The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;

- formulating administrative rules and policies concerning the supervision and administration of the pharmaceutical, medical devices and cosmetics industry;

- evaluating, registering and approving of traditional Chinese medicine, chemical drugs and biological products;

- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment;

- approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products;

- examining and evaluating the safety of pharmaceutical products, medical devices and cosmetics; and

- managing the significant accidents involving the pharmaceutical products, medical devices and cosmetics.

In 2013, the Ministry of Health (the "**MOH**") and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC (the "**NHFPC**"). In March 2018, the First Session of the Thirteenth NPC approved the State Council Institutional Reform Proposal (《國務院機構改革方案》), according to which, the responsibilities of NHFPC and certain other governmental authorities are consolidated into the National Health Commission (the "**NHC**"), and the NHFPC shall no longer be reserved. The responsibilities of the NHC include organizing the formulation of national drug policies, the national essential drug system and the National Essential Drug List and drafting the administrative rules for the procurement, distribution and use of national essential drugs.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (《國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定》), promulgated by the CFDA in March 2017 and came into effect in May 2017, the approval of clinical trial application should be issued by the Center for Drug Evaluation (the "**CDE**") in the name of the CFDA.

Regulations on the Clinical Trials and Registration of Drugs

Administrative Measures for Drug Registration

The Administrative Measures for Drug Registration (《藥品註冊管理辦法》) ("**Registration Measures**") was promulgated by SFDA in February 2005 and was latest amended in January 2020, which came into effect in July 2020. The Registration Measures mainly cover: (1) definitions of drug marketing registration applications and regulatory responsibilities of the drug administration; (2) general requirements for drug marketing registration; (3) clinical trials; (4) application, examination and approval of drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) associated review of drugs, excipients and packaging materials; (10) expedited registration of drugs; and (11) liabilities and other supplementary provisions.

According to the Registration Measures, drug marketing registration applications shall be subject to three categories, namely traditional Chinese drugs, chemical drugs and biological products. Among them, the registration applications of chemical drugs shall be categorized by innovative chemical drugs, improved new chemical drugs, generic chemical drugs, etc.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which aims to reclass the registration application of chemical drugs stipulated by the Registration Measures promulgated in 2007. According to the Reform Plan for Registration Category of Chemical Medicine, Category 1 drugs refer to innovative chemical drugs that have not been marketed anywhere in the world. Improved new chemical drugs that are not marketed anywhere in the world fall into Category 2 drugs. Generic chemical drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4 drugs. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China.

As a support policy and implementing rule of the Registration Measures newly amended in 2020, the NMPA issued the Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) ("**Classification and Data Requirements**") in June 2020, of which the Chemical Drug Registration Classification came into effect in July 2020 and the Application Data Requirements came into effect October 2020. The Classification and Data Requirements reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such drafts, Category 5.1 are innovative chemical drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

Accelerated Approval for Clinical Trial and Registration

The Opinions of the State Council on the Reform of Evaluation and Approval System for Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) issued by the State Council on August, 2015, established a reform framework of the evaluation and approval system for drugs and medical devices, and indicated the tasks of enhancing the standards of approval for drug registration, accelerating the evaluation and approval process for innovative drugs, and improving the approval for clinical trials of drugs, etc.

The CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》) in November 2015, which clarified the measures and policies regarding simplifying and accelerating the approval process of clinical trials, including but not limited to an one-time umbrella approval procedure allowing the overall approval of all phases of a drug's clinical trials, replacing the phase-by-phase application and approval procedure, will be adopted for drugs' clinical trial applications.

The Innovation Opinions established a framework for reforming the evaluation and approval system for drugs, medical devices and equipment. The Innovation Opinions indicated enhancing the standard of approval for drug marketing registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

According to the Announcement on Matters Concerning the Optimization of Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》) jointly issued by the NMPA and the NHC in May 2018, the CDE will prioritize the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of fast track clinical trial approval.

Import of Urgently Needed Drug in Boao Pilot Zone

According to the Drug Administration Law, based on urgent medical need by medical institution of certain drug that is not yet registered domestically (the "**Urgently Needed Drug**"), subject to the approval of NMPA or competent provincial government, a small amount of such Urgently Needed Drug may be imported but shall be solely applied for specific medical purpose at the designated medical institution.

The State Council issued the Official Reply of the State Council to Approve the Establishment of Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《國務院關於同意設立海南博鰲樂城國際醫療旅遊先行區的批覆》) in February 2013, according to which, Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (the "**Boao Pilot Zone**") shall be established as a pilot zone where accelerated approval of the import of the Urgently Needed Drug is available. The State Council further issued the Decision on Temporarily Adjusting the Implementation of the Relevant Provisions of the Implementing Measures of the Drug Administration Law in the Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《國務院關於在海南博鰲樂城國際醫療旅遊先行區暫時調整實施<中華人民共和國藥品管理法實施條例>有關規定的決定》) in December 2018, according to which, the State Council empowers the People's Government of Hainan Province (the "**Hainan Government**") to approve the import of the Urgently Needed Drug (excluding vaccines).

Pilot Commercialization

The Hainan Government promulgated the Interim Provisions on the Administration of Imported Drugs of Urgent Need in Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《海南博鰲樂城國際醫療旅遊先行區臨床急需進口藥品管理暫行規定》) in April 2019, according to which, a qualified medical institution in the Boao Pilot Zone may apply for the import of certain Urgently Needed Drug (excluding vaccines and other drugs under special management) and apply to patient on case by case basis. Such application shall be subject to the evaluation and approval of Hainan Provincial Health Commission and the Medical Products Administration of Hainan Province, as well as the customs formalities with Haikou Customs. As advised by our PRC Legal Advisors, CU-40102 and CU-10201 have been approved for patients in Boao Pilot Zone in Hainan Province.

Trial Exemptions and Acceptance of Foreign Data

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data (《接受藥品境外臨床試驗數據的技術指導原則》) in July 2018, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical data can be submitted for the drug marketing registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct drug marketing registration. According to the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, sponsors may use the data of foreign clinical trials to support drug marketing registration in China, provided that sponsors must ensure the authenticity, integrity, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (the "**ICH**"). Moreover, sponsors shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system requirements, and the accuracy and integrity of statistical analysis of data. To ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the sponsors may, prior to implementing registrational clinical trials, contact the CDE to ensure the compliance of registrational clinical trials' design with the essential technical requirements for drug registration in China. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug marketing registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs (《關於臨床急需境外新藥審評審批相關事宜的公告》) in October 2018, permitting drugs that have been approved within the last ten years in the United States, the European Union or Japan and that prevent or treat orphan diseases or prevent, or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug has been marketed. The CDE has developed a list of qualifying drugs that meet the foregoing criteria.

Drug Clinical Trial Application

According to the Registration Measures, after the completion of the pharmaceutical, pharmacological and toxicological research of the drug clinical trial, the applicant may submit relevant research materials to CDE for applying for the approval to conduct drug clinical trial. The CDE will organize pharmaceutical, medical and other technicians to review the application and to decide whether to approve the drug clinical trial within 60 days of the date of acceptance of the application. Once the decision is made, the result will be notified to the applicant through the website of the CDE and if no notice of decision is issued within the aforementioned

time limit, the application of clinical trial shall be deemed as approval. The Registration Measures further requires that the applicant shall, prior to conducting the drug clinical trial, register the information of the drug clinical trial plan, etc. on the Drug Clinical Trial Information Platform. During the drug clinical trials, the applicant shall update registration information continuously, and register information of the outcome of the drug clinical trial upon completion. The applicant shall be responsible for the authenticity of the drug clinical trial information published on the platform. Pursuant to the Notice on the Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》) promulgated by CFDA in September 2013, the applicant shall complete the trial pre-registration within one month after obtaining the approval of the clinical trial application in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the clinical trial application shall automatically expire.

Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, a clinical trial consists of Phases I, II, III and IV clinical trial as well as bioequivalence trial. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research. Clinical drug trial shall be carried out in institutions for clinical drug trial that have corresponding conditions and that have undergone recordation formalities as required. The applicant filing an application for clinical drug trial after completing the pharmaceutical research, pharmacological and toxicological research, and other researches supporting clinical drug trial shall submit relevant research materials according to the requirements for the application materials. The applicant who intends to carry out a bioequivalence test shall, after undergoing the recordation formalities for bioequivalence test at the website of the Center for Drug Evaluation as required, carry out relevant research work according to the plan recorded. The clinical drug trial to be carried out shall be examined and approved by the ethics committee and the management of drugs used in a clinical drug trial shall satisfy the relevant requirements of the GCP. The applicant who is approved to carry out clinical drug trial shall, before carrying out subsequent clinical drug trial by stages, develop corresponding plan for clinical drug trial, carry out clinical drug trial upon examination and with consent of the ethics committee, and submit corresponding plan for clinical drug trial and supporting materials on the website of the Center for Drug Evaluation. Where indications (or functions) are intended to be added for a drug approved for clinical drug trial and the use of a drug in combination with other drugs is added, the applicant shall file a new application for clinical drug trial, and may only carry out new clinical drug trial with approval.

The Announcement on Issuing the Guidelines for General Considerations for Clinical Trials on Drugs (《關於發佈藥物臨床試驗的一般考慮指導原則的通告》) promulgated by the NMPA in January 2017 provides technical guidelines for applicants and investigators in formulating overall research and development plan of drugs and separate clinical trial and provides references for evaluation of the technical standards of the drugs.

To improve the quality of clinical trials, the SFDA and NHC promulgated the Good Clinical Trial Practice for Drugs (《藥物臨床試驗質量管理規範》) (the "**GCP Rules**") in August 2003 which was further amended in April 2020 and came into effect in July 2020. According to the GCP Rules, clinical trial means systematical investigation of drugs conducted on human subjects (patients or healthy volunteers) to prove or reveal the clinical, pharmacological and other pharmacodynamic effects, adverse reactions or absorption, distribution, metabolism and excretion of the drug being investigated. In order to ensure the quality of clinical trials and the safety of human subjects, the GCP Rules provides comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the GCP Rules enhances the protection for study subjects and tightens the control over bio-samples collected under clinical trials.

The GCP Rules stipulated that the sponsor shall bear the expenses for medical treatment and the corresponding compensation for any human subject who is harmed or dies due to reasons connected with the clinical trial. The sponsor and investigator shall pay the human subject the compensation or indemnification in a timely manner. However, the GCP Rules promulgated in 2020 abolishes the compulsory insurance the sponsor provides to human subjects participating in a clinical trial compared with the GCP Rules promulgated in 2003.

The GCP Rules also set out the qualifications and requirements for the investigators and centers participating in clinical trial, including: (i) professional certification at a clinical trial center, professional knowledge, training experience and capability of clinical trial, and being able to provide the latest resume and relevant qualification documents per request; (ii) being familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) being familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keeping a copy of the authorization form on work allocation signed by investigators; (v) investigators and clinical trial centers shall accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial centers authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

The GCP Rules also summarizes the role of ethic committee in clinical trial process. An ethic committee shall consist of experts working in the medical, pharmaceutical and other fields. The clinical trial protocol may not be executed unless approved by the ethic committee. Pursuant to the Announcement on Issuing the Guidelines for Ethical Review Work of Drug Clinical Trials (《關於印發藥物臨床試驗倫理審查工作指導原則的通知》) promulgated by SFDA in November 2010, the ethics committee shall carry out a review on the project of clinical trial on the drug to decide if it is rational in terms of science and ethics, and shall be subject to guidance and supervision under the drug supervisory and administrative departments. In November 2019, the NMPA and the NHC jointly promulgated the Notice on Issuing the Administration of Drug Clinical Trial Institution (《關於發佈藥物臨床試驗機構管理規定的公告》), which stipulates that each clinical trial institution shall maintain an ethic committee responsible for the ethical review of drug clinical trial.

Communication with the CDE

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) promulgated by the NMPA in July 2018, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol. Within 60 days after the acceptance of and the fees paid for the clinical trial applications, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

The NMPA amended the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (《藥物研發與技術審評溝通交流管理辦法》) in December 2020, which mainly improves the procedure of communication, unifies and refines the communication requirements and further classifies the Type II meeting. During the research and development periods and in the registration applications of, among others, the innovative drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the clinical trial application, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a drug marketing application, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Drug Marketing Registration

According to the Registration Measures, the applicant may submit an application for drug marketing registration to CDE upon completion of relevant research on pharmacy, pharmacology, toxicology and drug clinical trials, determination the quality standards of the drug, validation of commercial-scale production processes and preparation for acceptance of verification and inspection conducted by professional technical institution designated by competent NMPA. The CDE will organize pharmaceutical, medical and other technicians to conduct comprehensive review of the safety, efficacy and quality controllability, among others, of the drug according to the application materials submitted by the applicant, the results of the verification and inspection conducted by professional technical institution, etc. If the comprehensive review conclusion is affirmative, the drug shall be approved for marketing and a drug registration certificate will be issued containing the information of the drug approval number, the marketing authorization holders (the "**MAH**") and the manufacturer.

Pilot Plan for the MAH System

The MAH System was formally established by the 2019 Amendment and symbolized the general application of the MAH System throughout the country. According to which: (i) an MAH refers to enterprise or drug research and development institute which has obtained a drug registration certificate; (ii) an MAH shall be responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for non-clinical study, clinical trial, manufacturing and operation, post-market launch study, monitoring, reporting and handling of adverse reactions of the drugs; (iii) the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the quality of drugs; (iv) an MAH may either engage in drug manufacturing on its own or may engage licensed contract manufacturers for manufacturing; (v) an MAH may either engage in drug sales on its own or may engage licensed contract distributor for drug sales; (vi) upon approval by the drug administrative department of the State Council, an MAH may transfer the drug registration certificate for a certain drug obtained by it to a qualified transferee and upon the completion of the transfer, such transferee will be the new MAH for that drug.

Approval or Filing of Human Genetic Resources

The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》), promulgated by the Ministry of Science and Technology and the MOH in June 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) in July 2015, according to which, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organization of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. The Ministry of Science and Technology further promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), promulgated by the State Council in May 2019 and came into effect in July 2019, repeals The Interim Administrative Measures on Human Genetic Resources (《人類遺傳資源管理暫行辦法》) simultaneously and further stipulates that in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity and usage of the human genetic resource to be used shall be filed with the administrative department of science and technology under the State Council before clinical trials.

On October 17, 2020, the SCNPC promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "**Biosecurity Law**") which became effective on April 15, 2021, establishing a comprehensive legislative framework on the current regulations in the areas including epidemic control of human, animal and plant infectious diseases, security of biotechnology research, development and application, biosafety management of pathogenic microbiology laboratories, security management of human genetic resources and biological resources, countermeasures against microbial resistance and prevention of bioterrorism and threat of biological weapons. According to the Biosecurity Law, the high-risk and medium-risk biotechnology research and development activities shall be carried out by legal entities lawfully established in the PRC, and shall be approved or filed; the establishment of a pathogenic microbiology laboratory shall be lawfully approved or filed; (i) collecting human genetic resources of important genetic families or specific areas in the PRC, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent department of science and technology under the State Council, (ii) preserving human genetic resources of the PRC, (iii) using human genetic resources of the PRC to carry out international scientific research cooperation, or (iv) transporting, mailing or exiting human genetic resource materials of the PRC, shall be approved by the competent department of science and technology.

In March 2022, the Ministry of Science and Technology issued Seeking Public Comments on the Implementation Rules for the Administrative Regulation on Human Genetic Resources (Exposure Draft) (《人類遺傳資源管理條例實施細則(徵求意見稿)》), which aims to further improve the efficiency of the administration of human genetic resources in China.

REGULATIONS ON DRUG MANUFACTURING AND DISTRIBUTION

Drug Manufacturing

According to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Regulations of Implementation of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs (《藥品生產監督管理辦法》) (the "**GMP Rules**"), promulgated in August 2004 and amended in November 2017 and January 2020, respectively, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and unified social credit code specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department. According to such measures, to the extent the MAH does not manufacture the drug but through contract manufacturing organization, the MAH shall apply for drug manufacturing license with the provincial counterpart of the NMPA, subject itself to inspections and other regulatory oversight by the agency.

The Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) was promulgated in March 1988 and was latest amended in January 2011. The Good Manufacturing Practice for Drugs comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and management of customer complaints and adverse event reports.

On November 29, 2019, the NMPA issued the Announcement on Matters relating to the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施<中華人民共和國藥品管理法>有關事項的公告》), which confirmed that the GMP certification would be canceled from December 1, 2019, and no application for GMP certification would be accepted and no GMP certificate would be granted. However, according to the Drug Administrative Law, drug manufacturers shall still comply with the GMP, establish and improve the GMP system, and ensure the whole drug production process consistently in compliance with statutory requirements.

On May 24, 2021, the NMPA issued the Administrative Measures for Drug Inspection (Trial) (《藥品檢查管理辦法(試行)》) which became effective on the same day, and the Administrative Measures for the Certification of Good Manufacturing Practice was repealed. The Administrative Measures for Drug Inspection (Trial) provided that onsite inspections shall be conducted pursuant to the GMP on a drug manufacturer applying for the drug manufacturing license for the first time, while for the drug manufacturers applying for the renewal of drug manufacturing licenses, the review shall be conducted based on the risk management principles, in combination with the drug manufacturers' compliance with the laws and regulations of drug administration, and the operation of the GMP and quality management system, and inspections on the drug manufacturers' conformity to the GMP may be conducted where necessary.

Drug Distribution

According to the Drug Administration Law and its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), which was promulgated by the SFDA in January 2007 and came into effect in May 2007, pharmaceutical enterprise shall be responsible for the quality of pharmaceuticals they manufacture, operate or use, purchase, sale, transportation, storage.

According to the Measures for the Administration of Pharmaceutical Operation Certificate (《藥品經營許可證管理辦法》) which was promulgated in February 2004 and amended in November 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration. The establishment of a wholesale pharmaceutical distribution company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail

pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store.

Advertising of Drugs

According to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the Standing Committee of the NPC in October, 1994 and last amended in April, 2021, certain contents such as statement on cure rate or efficiency shall not be included in the advertisement of drugs.

Pursuant to the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) which was promulgated by the State Administration for Industry and Commerce ("**SAIC**") in July, 2016 and became effective as of September, 2016, the Internet advertisement must be visibly marked as "advertisement". Advertisements for special commodities or services such as medical treatment, pharmaceuticals, foods for special medical purposes and other health foods must be reviewed by competent authorities before online publication.

Pursuant to the Measures for Administration of Medical Advertisement (《醫療廣告管理辦法》), which was jointly promulgated by the SAIC and the MOH in September, 1993, and was amended in November 10, 2006 and effective in January, 2007, medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate before being released. Medical Advertisement Examination Certificate is valid for one year and may be renewed upon application.

According to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food, and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) issued by the State Administration for Market Regulation in December, 2019 and came into effect in March, 2020, the advertisements for drugs shall not be released without being reviewed and the contents of a drug advertisement shall be based on the drug instructions approved by the drug administration departments.

OTHER PRC REGULATIONS RELATING TO THE PHARMACEUTICAL INDUSTRY

Regulations on Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. In March 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (《關於深化醫藥衛生體制改革的意見》). In December 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《關於印發"十三五"深化醫藥衛生體制改革規劃的通知》). In April 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (《深化醫

藥衛生體制改革2017年重點工作任務》). In August 2018, the General Office of the State Council issued the Notice on the Main Tasks of Strengthening the Reform of Healthcare System in second half of 2018 (《關於印發深化醫藥衛生體制改革2018年下半年重點工作任務的通知》). Highlights of these healthcare reform policies and regulations include (1) establishing a basic healthcare system to cover both urban and rural residents and providing the Chinese people with safe, effective, convenient and affordable healthcare services, (2) improving the healthcare system through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision, and (3) improving the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population.

In May 2019, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2019 (《深化醫藥衛生體制改革2019年重點工作任務》), highlighting the following policies and regulations (1) reinforcing the degree of cancer prevention and treatment, accelerating the registration and approval of anti-cancer new drugs at home and abroad and remaining the temporary channel of imperative anti-cancer drugs importation open, (2) consolidating and improving the basic medicine system and establishing an inventive and restrictive mechanism for preferential use. Improving the dynamic adjusting mechanism of the National Reimbursement Drug List (the "**NRDL**") and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure.

In December 2019, the Standing Committee of the NPC promulgated the Law of the People's Republic of China on Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》), which came into effect in June 2020. Such law established the legal framework for the administration of basic medical and health services for citizens in China, including the administration of basic medical care services, medical care institutions, medical staff, guarantee of drug supply, health promotion and guarantee of medical funds.

In February 2020, the Central Committee of the PRC Communist Party and the State Council jointly promulgated the Opinions on Deepening the Reform of the Healthcare Security System (《中共中央、國務院關於深化醫療保障制度改革的意見》), which envisages that a higher level healthcare system should be established by 2030, which centers on basic medical insurance, is underpinned by medical aid and pursues the common development of supplementary medical insurance, commercial health insurance, charitable donations and medial mutual assistance. To this end, such opinions map out tasks in several respects, including making the mechanism of medical insurance benefits guarantee more impartial and appropriate, improving the robust and sustainable operating mechanism for funds raised, establishing more effective and efficient healthcare payment mechanism and enhancing the supervision and administration on medical security fund and etc.

REGULATIONS ON COSMETICS

Production and Sales of Cosmetics

According to Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) which was promulgated by the State Council in June 2020 and became effective in January 2021, and the Measures for the Supervision and Administration of Production and Distribution of Cosmetics (《化妝品生產經營監督管理辦法》) which was promulgated by SAMR in August 2021 and became effective in January 2022, whoever engages in the production of cosmetics within the territory of the PRC shall file an application for a cosmetics production license with the drug supervision and administration department of the people's government of the province, autonomous region, or municipality directly under the Central Government at the place where it is located. Cosmetic registrants and recordation entities may produce cosmetics by themselves or by entrusting other enterprises. In the case of entrusted production of cosmetics, a cosmetic registrant or recordation entity shall entrust an enterprise that has obtained the corresponding cosmetics production license, and supervise the production activities of the entrusted enterprise to ensure that it produces cosmetics according to statutory requirements. Cosmetic manufacturers and distributors shall store and transport cosmetics in accordance with the provisions of relevant laws and regulations and the requirements indicated on cosmetic labels, and inspect on a regular basis and handle in a timely manner the deteriorated or expired cosmetics. The cosmetic distributors on the E-commerce platform shall disclose the information on the cosmetics they distribute in a comprehensive, truthful, accurate and timely manner. The content of cosmetics advertisements shall be authentic and legal. No cosmetic advertisement may expressly or impliedly indicate that the product has any medical effect, contain any false or misleading information, or deceive or mislead consumers.

According to the Safety and Technical Standards for Cosmetics (Version 2015) (《化妝品安全技術規範(2015年版)》) promulgated by the SFDA in the December 2015 and came into effect in December 2016, the production of cosmetics shall comply with the requirements of the specifications for the production of cosmetics, and the production process of cosmetics shall be scientific and reasonable to ensure product safety.

According to the Measures for the Administration of Cosmetic Labels (《化妝品標籤管理辦法》) which was promulgated by the NMPA in May 2021 and came into effect in May 2022, the smallest sales unit of cosmetics shall be labeled. The labels shall comply with the requirements of the relevant laws, administrative regulations, departmental rules, compulsory national standards and technical specifications. The contents of the labels shall be lawful, authentic, complete and accurate and consistent with the relevant contents registered or filed for record.

Registration and Recordation of Cosmetics

According to Regulation on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), within the territory of the PRC, the medical products administration conducts registration administration of special cosmetics and new cosmetic raw materials with a high degree of risks, and conducts recordation administration of general cosmetics and other new cosmetic raw materials. According to the Measures for the Administration of the Registration and Recordation of Cosmetics (《化妝品註冊備案管理辦法》), which was promulgated by the SAMR in January 2021 and came into effect in May 2021, a registrant or recordation entity of cosmetics and new cosmetic raw materials shall, when applying for registration or undergoing recordation formalities, comply with the requirements of applicable laws, administrative regulations, compulsory national standards and technical specifications, and be responsible for the veracity and scientificity of the materials submitted, including but not limited to the Administrative Provisions of Cosmetics Registration and Filing Documents (《化妝品註冊備案資料管理規定》), the Administrative Provisions on Materials for Registration and Record Filing of New Cosmetic Ingredients (《化妝品新原料註冊備案資料管理規定》), the Classification Rules and Catalogue of Cosmetics (《化妝品分類規則和分類目錄》), the Technical Guideline for Safety Assessment of Cosmetics (Version 2021) (《化妝品安全評估技術導則(2021年版)》), the Standards for Cosmetic Efficacy Claim Evaluation (《化妝品功效宣稱評價規範》), all of which was promulgated by the NMPA and came into effect in May 2021, the Supervision and the Administration measures of Children's Cosmetics (《兒童化妝品監督管理規定》) which was promulgated by the NMPA and came into effect in January 2022, the Specifications for the Implementation of Cosmetics Registration and Filing Inspection (《化妝品註冊和備案檢驗工作規範》) which was promulgated by the NMPA and came into effect in September 2019.

According to Notice of the State Food and Drug Administration on Issuing the Provisions on the Acceptance of Cosmetic Administrative Licensing Application (《國家食品藥品監督管理局關於印發<化妝品行政許可申報受理規定>的通知》),which was promulgated by the SFDA in December 2009 and came into effect in April 2010, and Notice of the State Food and Drug Administration on Strengthening the Administration of the Recordation of Domestic Non-special Use Cosmetics (《國家食品藥品監督管理局關於加強國產非特殊用途化妝品備案管理工作的通知》), which was promulgated by the SFDA and came into effect in April 2009, domestic special-use cosmetics are subject to administrative licensing management, and domestic non-special-use cosmetics are subject to recordation administration.

Regulations on Advertising relating to Cosmetics

The Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the NPC latest amended with immediate effect from April 2021, regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers, and advertisement endorser. Advertisers shall be responsible for the veracity of their advertisement content. The goods or services come with a gift in an advertisement shall specify, the type, specification, quantity, period and method of such gift. Any advertiser in violation of the foregoing requirements will be ordered to stop publishing of advertisement, and a fine of not more than RMB100,000 may be imposed. Except for medical,

pharmaceutical and medical machinery advertisements, no other advertisements shall involve illness treatment function, use medical jargon or jargon which misleads readers to confuse the promoted product with medicine or medical machinery. Any advertiser in violation of such requirements will be ordered to cease publishing such advertisements and imposed some fine, the business license of the offender may be revoked in severe circumstances, and the relevant authorities may revoke the approval document for examination and refuse to accept applications submitted by such advertiser for one year.

The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC, in July 2016 with effect from September 2016, regulates that in internet advertising activities, internet advertisers are responsible for the authenticity of the content of advertisements and all online advertisements must be marked "Advertisement" so that viewers can easily identify them as such.

OTHER SIGNIFICANT PRC REGULATIONS AFFECTING OUR BUSINESS IN THE PRC

Regulations on Enterprise Investment Projects

According to Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (Order No. 673 of the State Council of the people's Republic of China) (《企業投資項目核准和備案管理條例》,中華人民共和國國務院令第673號) implemented in February 2017, projects related to national security, major productivity distribution, strategic resource development and major public interests are subject to approval management. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government.

According to the Notice of the State Council on Issuing the Catalogue of Investment Projects Approved by the Government (2016 version) (國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》,國發[2016]72號) implemented in December 2016, the cross-border and cross-provincial (district, city) trunk pipeline network projects shall be approved by the competent investment department of the State Council, and the cross-border projects shall be reported to the State Council for the record, and other projects are approved by local governments.

Regulations on Construction

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or the People's Government at the municipal or county level or to the People's Government of town as recognized by the People's Government of a province, autonomous region or municipality.

Construction Work Commencement Permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the Standing Committee of National People's Congress in November 1997 and last amended in April 2019, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit from a competent department of the Construction Administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations, except for small projects below the threshold value set by the competent construction administrative department under the State Council. Construction projects which have obtained approval of construction commencement reports in accordance with the procedures stipulated by the State Council under its authority are no longer required to apply for construction licenses.

Acceptance on Completion of Construction

Under the Construction Law of the PRC (《中華人民共和國建築法》) (the "**Construction Law**") promulgated by the SCNPC in November 1997, with effect in March 1998, last amended in April 2019 and newly effective on the same date, enterprises engaged in construction, engineering survey, engineering design and supervision shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, could separately obtain qualification certificates of commensurate grades for construction, surveying, design, supervision, only with which, can it undertake construction, survey, design, and supervision activities within the scope set out in its qualifications.

Pursuant to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) promulgated by Ministry of Construction (predecessor of the MOHURD) in October 1999 with effect in December 1999, last amended in March 2021 and newly effective on the same day, within the territory of PRC, when engaged in the construction, decoration of buildings and the subsidiary facilities, installation of supporting lines, pipelines and equipment, as well as the construction of municipal infrastructure projects in cities and towns, the construction unit shall, before starting construction, in accordance with the provisions of the Measures, report to the local competent authorities of housing and urban-rural construction at or above the county level where the projects are located and apply for a construction permit. Construction projects with the investment of less than RMB300,000 or a construction area of less than 300 m^2 are not required for construction permits.

Pursuant to the Administrative Measures for the Administration of Completion Acceptance and Filing of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the MOHURD in October 2009 with effect on the same day, for newly-built, expanded and re-built housing and municipal infrastructure projects within the territory of the PRC, the institution which has carried out such construction shall, within 15 days from the date of acceptance and of the relative project, file with the competent construction department of the local people's government at or above the county level where such project is located.

Regulations on Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC in December 1989, last amended in April 2014 and came into effect in January 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC in October 2002, and most recently amended in December 2018, the PRC government implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council in October 2013 and came into effect in January 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

The Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council in November 1998, amended in July 2017 and came into effect in October 2017, stipulate that, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form.

Regulations on Fire Protection

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), which was promulgated in April 1998 and most recently amended in April 2021, provides that fire control design and construction of a construction project shall comply with the State's fire control technical standards for construction projects. Developers, designers, builders, project supervisors, etc. shall be responsible for the quality of the fire control design and construction of the construction project pursuant to the law. The development project fire safety design examination and acceptance system shall be implemented for development projects which are required to have fire safety design in accordance with the national fire

protection technical standards for project construction. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《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 of the PRC on April 1, 2020, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Regulations on Hazardous Wastes

Pursuant to the Measures for the Administration of Permit for Operation of Hazardous Wastes (《危險廢物經營許可證管理辦法》) issued by the State Council in May 2004, last revised in February 2016 and became effective on the same day, any entity undertaking the business activities of collection, storage and disposal of hazardous wastes within the territory of the PRC shall obtain the permit for operation of hazardous wastes in accordance with the provisions of the Measures. The permit for operation of hazardous wastes shall be divided into the permit for comprehensive operation of the collection, storage and disposal of hazardous wastes and the permit for operation of the collection of hazardous wastes in light of the ways of business operation. Application for a new permit for the comprehensive operation of the collection, storage and disposal of hazardous wastes should meet the requirements of environmental protection technicians, transportation tools, packaging tools, storage facilities, pollution prevention facilities, and technology and techniques and the validity period for such permit is five years. The Measures also stipulate that, under any of the following circumstances, the operating entity of hazardous wastes shall reapply for the permit for operation of hazardous wastes in light of the former application procedures: changing ways of operation of hazardous wastes, adding new varieties of hazardous wastes, newly establishing or rebuilding or expanding the construction of the former operation facilities of hazardous wastes, or managing hazardous wastes exceeding the originally permitted annual treatment capacity by 20% or more. No entity without permit for operation shall undertake any business activity of collection, storage, and disposal of hazardous wastes or undertake such activities not in accordance with the provisions of the permit for operation. An operating entity of hazardous wastes shall set up register for the management of hazardous wastes, which shall specify such matters according to the facts as the classes and sources of the hazardous wastes having been collected, stored or disposed, the direction the hazardous wastes have gone to, and whether there is any accident.

Pursuant to the Measures for the Management of Hazardous Waste Transfer (《危險廢物轉移管理辦法 》) issued by the Ministry of Ecology and Environment, Ministry of Public Security, Ministry of Transport in November 2021 and became effective in January 2022. An entity that produces hazardous wastes shall work out a plan for managing hazardous wastes in accordance with the relevant provisions issued by the state; and keep a hazardous waste management journal, faithfully recording relevant information, and report the types, production, destination, storage, treatment and other relevant information to the local ecology and environment department through the National Hazardous Waste Information Management System. The transferor of hazardous waste shall perform the following obligations: (1) verify the qualification and technical capacity of the carrier or the recipient, sign a written contract

according to law, and stipulate the pollution prevention requirements and relevant responsibilities for the transportation, storage, utilization and disposal of hazardous waste in the contract; (2) make a hazardous waste management plan to clarify the type, weight (quantity), flow direction and other information of the hazardous waste to be transferred; (3) establish a hazardous waste management account, measure and weigh the transferred hazardous waste, and faithfully record and properly keep the type, weight (quantity), receiver and other relevant information of the transferred hazardous waste; (4) fill in the hazardous waste transfer form and operate accordingly, truthfully fill in the information of the transferor, carrier and receiver in the hazardous waste transfer form, the type, weight (quantity), hazardous characteristics and other information of the transferred hazardous waste, as well as the preventive measures for environmental emergencies; (5) timely verify the storage, utilization or disposal of relevant hazardous wastes by the recipient.

Pursuant to the Notice of the NDRC, the MEP, Ministry of Health, the MOF and Ministry of Construction on Implementing the Charging System for Hazardous Waste Disposal to Promote the Industrialisation of Hazardous Waste Disposal (《關於實行危險廢物處置收費制度促進危險廢物處置產業化的通知》) issued in November 2003 and became effective on the same day, hazardous wastes refer to the wastes which are listed in the National Catalogue of Hazardous Wastes or identified as hazardous wastes according to the national hazardous wastes identification standard and method, including industrial hazardous wastes, medical wastes and other hazardous wastes of social origin. The units producing and commissioning other entities to dispose of hazardous wastes, shall pay the disposal fee of hazardous wastes according to relevant regulation. The specific principles and measures for charging fees for the disposal of hazardous waste shall be formulated by the competent price departments of provinces, autonomous regions and municipalities directly under the Central Government of the PRC. The specific fee rates for charging fees for the disposal of hazardous wastes shall be formulated by the price departments of the people's governments of cities divided into districts in consultation with the relevant departments, submitted to the people's governments of cities for approval and implementation, and submitted to the price departments at the provincial level for the record.

Regulations on Intellectual Property Rights

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識財產權協定》), the Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), the Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協定》) and the Patent Cooperation Treaty (《專利合作條約》).

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC in March 1984, as amended in September 1992, August 2000 and December 2008, October 2020 and came into effect in June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》),

promulgated by the State Council in June 2001 and as amended in December 2002 and January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent, 10 years for a utility model patent and 15 years for a design patent (10 years for a design patent filed on or before May 31, 2021), commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the Patent Law of the PRC, for public health purposes, the State Intellectual Property Office of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, according to the Patent Law of the PRC, any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination. The Patent Law of the PRC also sets forth the provisions for patent term extension and patent term adjustment.

Patent Enforcement

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offences such as forgery of patents may be subject to criminal penalties.

A patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A PRC court may issue a preliminary injunction upon the patent holder's or an interested party's request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. If willful patent infringement is found with serious circumstances, the damages may be increased to an amount between one and five times the amount determined as per the aforementioned calculation method. Statutory damages may be awarded in the circumstances where the damages cannot be determined by the above-mentioned calculation standards. The damage calculation methods shall be applied in the aforementioned order.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the Standing Committee of the NPC in September 1993, and amended in November 2017 and April 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests

or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigating, inducing or assisting others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of trade secrets, disclosing, using or permitting others to use the trade secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the Standing Committee of the NPC in August 1982, and amended in February 1993, October 2001, August 2013 and April 2019 respectively, the period of validity for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology in August 2017, and came into effect in November 2017, and the Implementing Rules of China ccTLD Registration (《國家頂級域名註冊實施細則》) issued by China Internet Network Information Center on June 18, 2019, which became effective on the same day. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on Cybersecurity

On December 28, 2021, the Cyberspace Administration of China (the "**CAC**"), jointly with 12 other governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**MCR**"), which became effective on 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; and (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 Advisors are 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 Company's current business and we have no obligation to proactively apply for cybersecurity review under the MCR.

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 data security supervision and management activities within the PRC. "Cyber data" refer to any information that is electronically recorded, whereas "data processing activities" refer 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 Advisors, by collecting, storing and otherwise processing certain information via internet in connection with our business operation, the Company 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 that 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.

REGULATIONS RELATING TO THE LEASING OF PROPERTY

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (商品房屋租賃管理辦法) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and coming into force on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the governments in the municipality directly under the Central Government, city and county where the leased housing is located. Parties to the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the people's government in the municipality directly under the Central Government, the cities or the counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

Pursuant to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) issued by the SCNPC on August 26, 2019 and became effective on January 1, 2020, Where the owner of a building leases, with a profit-making objective, buildings on State-owned land for which the land use right is granted to the owner of the building by way of allocation, the gains on land included in the rental shall be turned over to the State.

Regulations on Product Liability

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. According to the Civil Code of the PRC (《中華人民共和國民法典》), promulgated by the NPC in May 2020 and came into effect in January 2021 manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") was promulgated to supplement the PRC Civil Law aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was last revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated in October 1993, amended in October 2013, and came into effect in March 2014, to protect consumers' rights when they purchase or use goods and accept services. According to which, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

Regulations on Tort

According to the Civil Code of the PRC (《中華人民共和國民法典》), promulgated by the NPC in May 2020 and came into effect in January 2021, if damages to other persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Regulations on Foreign Exchange and the Dividend Distribution

Foreign Exchange Control

According to the PRC Regulation for the Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated by the State Council in January 1996, which was amended in January 1997 and August 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China in June 1996, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Circular of State Administration of Foreign Exchange on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the State Administration of Foreign Exchange (the "**SAFE**"), (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external

payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was further amended in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) promulgated by the SAFE in March 2015 and amended in December 2019, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE in June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience 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》) promulgated by SAFE in October 2019, non-investment Foreign Invested Enterprises may use capital to carry out domestic equity investment in accordance with the law under the premise of not violating the negative list and the projects invested are true and in compliance with laws and regulations.

According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by SAFE in April 2020, under the condition that the use of funds is genuine and compliant with current administrative provisions on use of income relating to capital account, enterprises are allowed to use income under capital account such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

Dividend Distribution

The principal regulations governing distribution of dividends of wholly foreign-owned enterprise, or WFOE, include the PRC Company Law. Under these regulations, WFOEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "**SPV**") directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV.

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Employee Stock Incentive Plan

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》) which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

Regulations on Labor

Labor Law and Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect in July 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was

promulgated by the State Council in January 1999 and amended in March 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council in April 1999 and amended in March 2002 and March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Regulations on Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the NPC in March 2007 and amended in February 2017 and December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council in December 2007 and amended in April 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Double Tax Avoidance Arrangement**") promulgated in August 2006 and came into effect in August 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行税收協定股息條款有關問題的通知》) which was promulgated by the State Taxation Administration in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to

the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) which was promulgated by the State Taxation Administration in February 2018 and came into effect in April 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Draft Regulations on Listing

In December 2021, the China Securities Regulatory Commission (the "**CSRC**"), in conjunction with the relevant departments of the PRC State Council, promulgated the Administrative Provisions of the State Council for Domestic Enterprises Issuing Securities and Listing Abroad (Draft for Comments) (《國務院關於境內企業在境外發行證券及上市的管理規定(徵求意見稿)》) (the "**Administrative Provisions**") and the Administrative Measures on Recordation of Domestic Enterprises Issuing Securities and Listing Abroad (Draft for Comments) (《境內企業在境外發行證券及上市的管理辦法(徵求意見稿)) (the "**Administrative Measures**", and together with the Administrative Provisions, the "**Draft Regulations on Listing**") for public comments.

The Draft Regulations on Listing, if adopted in their current form, will regulate both direct and indirect overseas offering and listing of PRC domestic companies by adopting a filing-based regulatory regime. Pursuant to the Draft Regulations on Listing, the issuers who meet the following criteria seeking to offer their securities or list overseas will be deemed as indirect overseas offering by PRC domestic companies: (a) whose PRC domestic operating entity generated more than 50% of the total assets, net assets, revenues or profits as shown in the issuer's audited consolidated financial statements in the most recent accounting year, and (b) whose senior management in charge of business operation and management are mostly Chinese citizens or have domicile in China, and whose main places of business are located in China or main business activities are conducted in China. PRC domestic companies that directly or indirectly seek to offer or list their securities overseas are required to file with the CSRC within 3 working days after submitting their application documents to the regulator in the place of intended listing or offering. In addition, according to the Draft Regulations on Listing, overseas offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are convicted of or investigated for certain criminal offences, or directors, supervisors and senior management of the issuer involved in certain criminal offences or severe administrative penalties (together the "**Forbidden Circumstances**"), among other circumstances, are explicitly forbidden.

As of the Latest Practicable Date, the Draft Regulations on Listing have not come into effect. As advised by our PRC Legal Advisor, the Draft Regulations on Listing will not have material adverse impact on the [**REDACTED**] and business operations of our Company for the following reasons:

- The responsible person of the CSRC stated in a press conference that the purpose of the Draft Regulations on Listing is to "improve the supervisory and regulatory institution for overseas listing of enterprises, not to tighten the regulatory policies for overseas listing" and "to support enterprises to use overseas capital markets for financing and development in accordance with laws and regulations."

- As of the Latest Practicable Date, the Draft Regulations on Listing have not come into effect. Therefore, as advised by our PRC Legal Advisor, given that the Drafts relating to Overseas Listings are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Drafts relating to Overseas Listings with respect to the [**REDACTED**] as of the Latest Practicable Date.

- Assuming that the Draft Regulations on Listing subsequently come into effect in accordance with the current Draft version, as advised by our PRC Legal Advisor, our Group can comply with the Draft Regulations on Listing in all material aspects, and the Draft Regulations on Listing should still not have any material adverse impact on the [**REDACTED**] and business operations of our Company for the following reasons: (1) as advised by our PRC Legal Advisor, our Company does not fall within any of the circumstances specified in Article 7 of the Administrative Provisions in which overseas [**REDACTED**] are prohibited; and (2) Our Company has taken comprehensive measures to ensure its compliance with the relevant laws and regulations and will continue to pay close attention to the legislative and regulatory developments in respect of overseas [**REDACTED**] of domestic enterprises, comply with the specific regulatory requirements and perform the filing procedures or information reporting procedures in accordance with the requirements of the Draft Regulations on Listing where applicable to our Company, with the assistance of our Company's onshore and offshore counsel teams.

OVERVIEW

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.

Our Group was founded by 6 Dimensions Entities and our founder, Ms. Zhang Lele. 6 Dimensions Entities are specialist healthcare private equity funds and the Controlling Shareholders of our Company. For more details about 6 Dimensions Entities, please refer to "– [**REDACTED**] Investments" in this section and the section headed "Relationship with our Controlling Shareholders". Ms. Zhang Lele is our executive Director and CEO, who has been responsible for the overall business operations and management of the Group since its establishment. Ms. Zhang Lele has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. See "Directors and Senior Management" for details of relevant industrial experience of Ms. Zhang Lele.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 15, 2019 as the holding company of our operating subsidiaries in the PRC. For more details of our corporate development and historical financing, see "– Corporate Development" and "– [**REDACTED**] Investments".

KEY MILESTONES

The following table sets forth certain key business development milestones of our Group:

Date	Event
2019	Commenced further R&D in November 2019 on CU-10101, a novel drug for atopic dermatitis, which was acquired by the Group for further development and commercialisation
	Commenced further R&D in November 2019 on CU-30101, a localized lidocaine and tetracaine compound topical anesthesia cream, which was acquired by the Group for further development and commercialisation
2020	In-licensed CU-10201, the first and only topical minocycline approved for acne vulgaris treatment globally and one of our Key Products, in April 2020
	In-licensed CU-40101, an investigational topical liniment to treat androgenetic alopecia, in April 2020
	Commenced further R&D in June 2020 on CU-10401, an AhR targeted non-steroidal small molecule chemical drug in topical form, which was acquired by the Group for further development and commercialisation

Date	Event
	Acquired CU-20401, a potential first-in-class recombinant mutant collagenase and our Core Product, in August 2020
	In-licensed CU-40102, the first and only topical finasteride product approved for androgenetic alopecia treatment globally and one of our Key Products, in November 2020
2021	Received the approvals for pilot commercialization of CU-10201 and CU-40102 from Hainan Medical Products Administration in July 2021
	Received NMPA's approval to conduct Phase I clinical trial of CU-20401 for abdominal adipose accumulation and submental adipose accumulation in August 2021
2022	Enrolled all patients for Phase III clinical trial for CU-10201 in July 2022
	Submitted IND application to NMPA of CU-30101 in August 2022 and received the IND approval in November 2022
	Completed Phase I clinical trial for CU-20401, our Core Product, for the treatment of submental adipose accumulation in November 2022

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had four wholly-owned subsidiaries, details of which are set forth as below:

Name	Place of incorporation	Date of establishment	Principal business activities
Cutia HK	Hong Kong	May 30, 2019	Commercializing dermatoses pharmaceutical products
Cutia Shanghai	PRC	July 3, 2019	Developing dermatoses pharmaceutical products
Aurora Cutis	PRC	November 11, 2020	Commercializing dermatoses pharmaceutical products
Cutia Wuxi	PRC	December 4, 2020	Developing and commercializing dermatoses pharmaceutical products

CORPORATE DEVELOPMENT

The following sets forth major corporate history and shareholding changes of our Group.

Our Company

Our Company was incorporated in the Cayman Islands on May 15, 2019 as an exempted company with limited liability. On August 23, 2019, the Company had (i) an authorized share capital of US$50,000 which consisted of 500,000,000 Shares with a par value of US$0.0001 each and (ii) 7,604,342 Shares and 400,229 Shares issued and subscribed by 6 Dimensions LP and 6 Dimensions Affiliates, respectively, at US$0.0001 each, which were fully paid up in cash on August 23, 2019.

On the same date, the Company also conducted its 6D Cayman Series A-1 Financing (as defined below), and entered into Option Agreements (as defined below) with Suzhou 6 Dimensions and Suzhou Frontline II. For more details, see "– [**REDACTED**] Investments – Overview – Series A-1 and Series A-2 Financing" below.

After the aforementioned change of share capital, the Company underwent several rounds of financing and transfer of Shares, details of which are set out in the sub-sections headed "– [**REDACTED**] Investments" and "– Capitalization" below.

Our Subsidiaries

Cutia HK

Cutia HK was incorporated in Hong Kong with limited liability on May 30, 2019. Upon incorporation, one share of Cutia HK was allotted and issued to the Company at a subscription price of US$1 and Cutia HK was then wholly owned by the Company. There is no change of shareholding or share capital of Cutia HK since then.

Cutia Shanghai

1. Establishment

Cutia Shanghai was established as a limited liability company in the PRC on July 3, 2019 with an initial registered capital of US$2,000,000 fully subscribed by Cutia HK with an investment amount of US$2,800,000.

2. Onshore Series A Financing

On September 11, 2019, Cutia Shanghai increased its registered share capital to US$5,000,000 as Cutia HK increased its investment amount in Cutia Shanghai to US$8,800,000.

On November 6, 2019, as part of our onshore series A financing, Cutia Shanghai increased its registered share capital to US$8,825,903 as Suzhou 6 Dimensions and Suzhou Frontline II subscribed for US$2,678,132 and US$1,147,771 of its registered share capital, respectively, for an amount in RMB equivalent to of US$3,500,561 and an amount in RMB equivalent to US$1,500,241, respectively.

On January 8, 2020, Cutia Shanghai increased its registered share capital to US$10,086,747 as Suzhou 6 Dimensions and Suzhou Frontline II further subscribed for US$882,591 and US$378,253 of its registered share capital, respectively, for an amount in RMB equivalent to US$7,000,000 and an amount in RMB equivalent to US$3,000,000, respectively.

Upon completion of the aforesaid increases of registered share capital, Cutia Shanghai was owned by Suzhou 6 Dimensions, Suzhou Frontline II and Cutia HK as to approximately 35.3%, 15.1% and 49.6%, respectively.

3. Corporate Restructuring

On November 17, 2020, as part of the corporate restructuring, Suzhou 6 Dimensions and Suzhou Frontline II transferred their entire equity interests in Cutia Shanghai to Cutia HK, at a consideration of US$10,500,561 and US$4,500,241 respectively, which were fully paid up by Cutia HK on November 27, 2020. The aforementioned consideration was determined based on their total investment amounts in Cutia Shanghai which were fully paid up by Suzhou 6 Dimensions and Suzhou Frontline II by January 8, 2020. On December 2, 2020, Suzhou 6 Dimensions and Suzhou Frontline II exercised options to purchase certain Shares pursuant to the Option Agreements (as defined below) at a total consideration of US$10,500,561 and US$4,500,241 respectively, which were fully paid up on December 2, 2020, details of which are set out in paragraph headed "– [**REDACTED**] Investments – Overview – Series A-1 and Series A-2 Financing" below.

4. Further Increase of Registered Share Capital

On November 17, 2020, Cutia Shanghai increased its registered share capital to US$90,086,747 as Cutia HK subscribed for an additional registered capital of US$80,000,000 for US$80,000,000.

Upon completion of the aforementioned increases in registered capital and transfer of equity in Cutia Shanghai, as of the Latest Practicable Date, Cutia Shanghai is indirectly wholly-owned by the Company.

Aurora Cutis

Aurora Cutis was established as a limited liability company in the PRC on November 11, 2020 with an initial registered capital of US$2,000,000 fully subscribed by Cutia HK.

On July 21, 2021, Cutia HK further subscribed for a total of US$6,000,000 of the increased registered capital of Aurora Cutis. Upon completion of the aforementioned increase of registered capital and as of the Latest Practicable Date, Aurora Cutis is indirectly wholly-owned by the Company.

Cutia Wuxi

Cutia Wuxi was established as a limited liability company in the PRC on December 4, 2020 with an initial registered capital of US$30,000,000 fully subscribed by Cutia HK.

On May 13, 2022, Cutia HK subscribed for a total of US$70,000,000 of the increased registered capital of Cutia Wuxi. Upon completion of the aforementioned increase of registered capital and as of the Latest Practicable Date, Cutia Wuxi is indirectly wholly-owned by the Company.

Employee Incentive Platform

Our Company adopted the [**REDACTED**] Equity Incentive Plan on August 23, 2019. The purpose of the [**REDACTED**] Equity Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's shareholders generally. Upon exercise of the options and delivery of the share awards granted under the [**REDACTED**] Equity Incentive Plan, a total of 10,853,568 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]) under the options and share awards granted under the [**REDACTED**] Equity Incentive Plan will be issued to Aurora Cutis Limited, a company incorporated in BVI and wholly owned by Futu Trustee Limited, the trustee of of Aurora Cutis Employee Trust, the trust set up by the Company to facilitate the administration of the [**REDACTED**] Equity Incentive Plan. As of the Latest Practicable Date, none of the options has been exercised and none of the Shares under the share awards has been delivered under the [**REDACTED**] Equity Incentive Plan. For more details of the [**REDACTED**] Equity Incentive Plan, see "Appendix IV – Statutory and General Information – Equity Incentive Plans – 1. [**REDACTED**] Equity Incentive Plan".

For more details of our [**REDACTED**] Equity Incentive Plan, see "Appendix IV – Statutory and General Information – Equity Incentive Plans – 2. [**REDACTED**] Equity Incentive Plan".

[**REDACTED**] INVESTMENTS

Overview

We underwent the following rounds of [**REDACTED**] investments, details of which are set forth below:

Series A-1 and Series A-2 Financing

On August 23, 2019, the Company allotted and issued 4,750,000 and 250,000 Series A-1 Preferred Shares to 6 Dimensions LP and 6 Dimensions Affiliates respectively, at US$1 per Share, which were fully paid up in cash on August 23, 2019 (the "**6D Cayman Series A-1 Financing**").

On the same day, the Company, Cutia HK and Cutia Shanghai entered into two option agreements (the "**Option Agreements**") with Suzhou 6 Dimensions and Suzhou Frontline II, respectively, pursuant to which, Suzhou 6 Dimensions and Suzhou Frontline II were granted options to purchase an aggregate of (i) 5,603,200 and 2,401,371 ordinary Shares, respectively, at a consideration of US$0.0001 each; (ii) 3,500,000 and 1,500,000 Series A-1 Preferred Shares, respectively, at a consideration of US$1 each; and (iii) 3,000,000 and 1,285,714 Series A-2 Preferred Shares, respectively, at considerations equivalent to the amount of their respective investments in Cutia Shanghai or their respective proportion of equity interest held in Cutia Shanghai as of the date of the exercise of such options multiplying the then valuation of Cutia Shanghai.

As part of the onshore series A financing, between October 2019 to December 2020, Suzhou 6 Dimensions and Suzhou Frontline II invested a total of US$10,500,561 and US$4,500,241 in Cutia Shanghai, respectively. On December 2, 2020, as part of our corporate restructuring, pursuant to Option Agreements, Suzhou 6 Dimensions and Suzhou Frontline II exercised the options in full. For more details, see "– Corporate Development – Our Subsidiaries – Cutia Shanghai" above.

Series B Financing

On August 12, 2020, the Company entered into a share purchase agreement with, among others, YF Dermatology Limited ("**YF Capital**"), SCC Growth V 2020-C, L.P. ("**Sequoia Capital China Growth**"), Cormorant Private Healthcare Fund II, LP ("**Cormorant Private Fund**"), Cormorant Global Healthcare Master Fund, LP ("**Cormorant Global Fund**"), LBC Sunshine Healthcare Fund L.P. ("**LBC**"), Link Spirit Holdings Limited ("**Link Spirit**"), TK Derma Limited, CICC GF No. 1 Limited ("**CICC GF**"), and C&D No. 7 Holdings Limited ("**C&D No. 7**"), pursuant to which YF Capital, Sequoia Capital China Growth, Cormorant Private Fund, Cormorant Global Fund, LBC, Link Spirit, TK Derma Limited, CICC GF, C&D No. 7 subscribed for 8,000,000, 6,857,143, 904,686, 238,171, 800,000, 342,856, 1,714,286, 914,286 and 800,000 Series B Preferred Shares respectively, at considerations of US$70,000,000, US$60,000,000, US$7,916,000, US$2,084,000, US$7,000,000, US$3,000,000, US$15,000,000, US$8,000,000 and US$7,000,000 respectively, which were fully paid up in cash on November 12, 2020 (the "**Series B Financing**").

Series C Financing

On September 8, 2021, the Company entered into a share purchase agreement with, among others, Fidelity China Special Situations PLC ("**FCSSP**"), Fidelity Funds, Fidelity Investment Funds, United Strength Neptune Limited ("**USNL**") and Goldstream Capital Segregated Portfolio Company - Goldstream Healthcare Focus Fund SP ("**GHFFSP**"), pursuant to which FCSSP, Fidelity Funds, Fidelity Investment Funds, USNL and GHFFSP subscribed for 118,491, 1,077,459, 3,349,849, 984,923 and 151,527 Series C Preferred Shares respectively, at a consideration of US$1,563,962.71, US$14,221,381.34, US$44,214,656.96, US$13,000,000 and US$2,000,000 respectively, which were fully paid up in cash on October 5, 2021 (the "**Series C Financing**").

Principal Terms of the [REDACTED] Investments

	Series A-1 Financing	Series A-2 Financing	Series B Financing	Series C Financing
Date of agreements	August 20, 2019	August 23, 2019	August 12, 2020	September 8, 2021
Date on which the investment was fully settled	August 23, 2019[3] and December 2, 2020[4]	December 2, 2020[4]	November 12, 2020	October 5, 2021
Cost per Share[1] (approximation)	US$1.00	US$2.33	US$8.75	US$13.20
Discount to the [**REDACTED**] (approximation)[2]	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Consideration paid (approximation)	US$10,000,000	US$10,000,000	US$180,000,000	US$75,000,000
Basis of determining the consideration paid	The consideration for the [**REDACTED**] investments were determined based on arm's length negotiations between the Company and the [**REDACTED**] Investors after taking into consideration the timing of the investments and the status of our business.			
Corresponding post-money valuation of the Company (approximation)[5]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Use of [**REDACTED**] from the [**REDACTED**] Investments	We utilized the [**REDACTED**] for clinical development, commercialization, R&D, business development and general operation. As of the Latest Practicable Date, approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**] Investments has been utilized.			
Strategic benefit from the [**REDACTED**] Investments to our Group	At the time of each of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the [**REDACTED**] Investors' investment knowledge and experience in healthcare sectors and the [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group.			

Notes:

1. The cost per Share paid by the [**REDACTED**] Investors was calculated based on the amount of investment made by the relevant [**REDACTED**] Investors and number of Shares held by them immediately before the completion of the [**REDACTED**].

2. The discount to the [**REDACTED**] is calculated based on (i) the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**], assuming the conversion of the Preferred Shares into Shares on a one-to-one basis and the [**REDACTED**] has completed before completion of the [**REDACTED**], and (ii) the exchange rate as set out in the section headed "Information about this Document and the [**REDACTED**]".

3. On August 23, 2019, the Company allotted and issued an aggregate of 5,000,000 Series A-1 Preferred Shares to 6 Dimensions LP and 6 Dimensions Affiliates, respectively, which were fully paid up in cash on August 23, 2019.

4. On December 2, 2020, Suzhou 6 Dimensions and Suzhou Frontline II fully exercised all options they were granted to subscribe Series A-1 Preferred Shares and Series A-2 Preferred Shares, details of which are set out in subsection headed "– Corporate Development – Our Company".

5. The amount of post-money valuation is calculated by dividing the total investment amount from the relevant [**REDACTED**] Investors by the percentage of shareholding of the relevant [**REDACTED**] Investors in the Company on fully diluted and as converted basis immediately after the relevant [**REDACTED**] Investment.

6. The valuation of the Company increased significantly during the period between our Series A-1 financing and Series A-2 financing, primarily based on the planning and prospects of the Group, including but not limited to the set-up of our management team and the anticipation to launch two product pipelines.

7. The valuation of the Company increased significantly during the period between our Series A-2 financing and Series B financing, primarily because the Group successfully licensed in several Key Products, such as CU-40102 and CU-10201.

8. The valuation of the Company increased significantly during the period between our Series B financing and Series C financing, primarily because the Group has achieved major clinical developments of CU-40102 and CU-10201 which entered into Phase III clinical trials, and CU-20401, which entered into Phase I clinical trial.

Special Rights of the [REDACTED] Investors

All Preferred Shares shall be converted into Shares of our Company immediately before the completion of the [**REDACTED**] on a one-to-one basis. All Shareholders (including our [**REDACTED**] Investors) are bound by (i) the terms of the existing memorandum and articles of association (as amended from time to time) of our Company which will be replaced by our Memorandum and Articles of Association effective upon the [**REDACTED**], and (ii) the Company's second amended and restated shareholders agreement (the "**Shareholders Agreement**") which superseded all previous agreements among the contracting parties in respect of the shareholders' rights in our Company.

Pursuant to the Shareholders Agreement and the existing Memorandum and Articles of Association of our Company, [**REDACTED**] Investors have, among other rights, (i) information and inspection rights, (ii) redemption rights and liquidation rights, (iii) anti-dilution rights, (iv) rights of first refusal, and (v) protective provisions.

Pursuant to the Shareholders Agreement, all shareholders' special rights granted thereunder shall be automatically terminated upon [**REDACTED**], except redemption rights which shall be automatically terminated upon the first submission of the [**REDACTED**] application, provided that redemption rights shall be automatically and immediately reinstated and restored upon the earlier of (i) the date when the Company's [**REDACTED**] application is withdrawn, rejected, returned or lapsed (whichever is earlier); and (ii) the date falling nine (9) calendar months after the first submission of the Company's [**REDACTED**] application for a qualified [**REDACTED**] as defined in the Shareholders Agreement if such application has not been withdrawn, rejected, returned or lapsed before then.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and in March 2017 by the Stock Exchange.

Information about the [REDACTED] Investors

The background information of our [**REDACTED**] Investors is set out below.

Controlling Shareholders

6 Dimensions LP is a limited partnership incorporated in the Cayman Islands on August 16, 2017, which is held by 37 limited partners with the largest limited partner holding approximately 19.72% of its partnership interest. **6 Dimensions Affiliates** is a limited partnership incorporated in the Cayman Islands on October 25, 2017, which is held by 14 limited partners with the largest limited partner holding approximately 33.96% of its partnership interest. The general partner of 6 Dimensions LP and 6 Dimensions Affiliates is 6 Dimensions Capital GP, LLC. Dr. Zhu Qingsheng, Dr. Li Wei, Dr. Li Ge, Mr. Hu Edward and Dr. Chen Lian Yong, our non-executive Director and chairman of the Board, share the voting power of 6 Dimensions Capital GP, LLC equally as its managers. Each of Dr. Zhu Qingsheng, Dr. Li Wei, Dr. Li Ge and Mr. Hu Edward is an Independent Third Party.

Suzhou 6 Dimensions is a limited partnership established in the PRC on August 4, 2017, whose general partner is Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥), "Tongyu Investment"). **Suzhou Frontline II** is a limited partnership established in the PRC on March 8, 2016, whose general partner is Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥), "Fuyan VC"). Tongyu Investment and Fuyan VC are limited partnerships whose general partner is Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司), which is wholly-owned by Mr. Chen Ziqing. Mr. Chen Ziqing is the father-in-law of Dr. Chen Lian Yong, our non-executive Director and chairman of the Board.

The respective investment committee of each of the 6 Dimensions Entities comprises of the same members and hence the investment decisions of the 6 Dimensions Entities are ultimately under the control of such members. The portfolio companies of the 6 Dimensions Entities include, among others 111, Inc., CStone Pharmaceuticals, GRAIL, Inc., Hua Medicine, Ocumension Therapeutics, Viela Bio, Inc., IDEAYA Biosciences, Inc., TCR^2 Therapeutics, Inc., iTeos Therapeutics, Inc., Fulcrum Therapeutics, Inc. and Kymera Therapeutics, Inc., all of which are biotech or pharmaceutical companies. The assets under management of 6 Dimensions Entities amounted to RMB10 billion as of June 30, 2022.

YF Dermatology Limited

YF Dermatology Limited is a private company incorporated under the laws of the BVI and is controlled by Yunfeng Fund III, L.P. ("**Yunfeng LP**"), whose general partner is Yunfeng Investment III, Ltd. ("**Yunfeng GP**"). Yunfeng GP is solely managed by Yunfeng Capital Limited ("**Yunfeng Capital**"), a private equity firm with a primary focus on investments in telecommunications, media and technology, healthcare, financial and logistics industries, which in turn is ultimately controlled by Mr. Yu Feng. To the best of our knowledge, each of YF Dermatology Limited, Yunfeng LP, Yunfeng GP, Yunfeng Capital and Mr. Yu Feng is an Independent Third Party.

Sequoia Capital China Growth

Sequoia Capital China Growth is an exempted limited partnership incorporated under the laws of the Cayman Islands. The general partner of Sequoia Capital China Growth is SC China Growth V Management, L.P. ("**SCC Growth V**"), whose general partner is SC China Holding Limited ("**SC China**"). SC China is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. To the best of our knowledge, each of Sequoia Capital China Growth, SCC Growth V, SC China, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is an Independent Third Party. Sequoia Capital China Growth is considered a Sophisticated Investor of the Company.

Fidelity

FCSSP, a closed-ended investment company incorporated in England and Wales, **Fidelity Investment Funds**, an open-ended investment company with variable capital incorporated in England and Wales, and **Fidelity Funds**, an open-ended investment company established in Luxembourg as a SICAV (Société d'investissement á capital variable), are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and/or its affiliates, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. To the best of our knowledge, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc. is an Independent Third Party. FCSSP invests primarily in securities issued by companies listed in China and Chinese companies listed elsewhere with the investment objective of long-term capital growth. Fidelity Funds invests in securities in different geographical areas and currencies, with the investment objective of capital growth and/or income. Fidelity Investment Funds invests in securities in a wide range of markets with the investment objective of revenue and/or capital growth over the medium to long term.

TK Derma Limited

TK Derma Limited is a company incorporated under the laws of the BVI and wholly-owned by Shanghai Yingkang Health Consulting Co., Ltd. (上海瀅康健康諮詢有限公司, "**Shanghai Yingkang**"). Shanghai Yingkang is wholly owned by Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司, "**Taikang Life**"), which is in turn wholly owned by Taikang Insurance Group Inc. (泰康保險集團股份有限公司, "**Taikang Insurance**"), a company which focuses on the insurance and asset management business. Taikang Insurance is a limited liability company with 21 shareholders, among which, the largest shareholder, Guardian Investment Holdings Co., Ltd. (嘉德投資控股有限公司), holds approximately 23.77% of its equity interests. To the best of our knowledge, each of TK Derma Limited, Shanghai Yingkang, Taikang Life and Taikang Insurance and all shareholders of Taikang Insurance is an Independent Third Party.

Cormorant Private Fund and Cormorant Global Fund

Cormorant Private Fund is registered as a limited partnership incorporated under the laws of Delaware, U.S., with 82 limited partners, none of which holds more than 30% of the partnership interest in Cormorant Private Fund. **Cormorant Global Fund** is an exempted limited partnership incorporated in Cayman Islands with 136 limited partners and the largest limited partner holds approximately 10.9% of the partnership interest. Cormorant Private Fund and Cormorant Global Fund are managed by Cormorant Asset Management, LP ("**Cormorant**"), an investment advisor registered with the U.S. Securities and Exchange Commission, which is controlled by Ms. Chen Bihua. Founded in 2013 by Ms. Chen Bihua, Cormorant manages approximately US$2.4 billion of assets across private and public companies, focusing on innovative biotech, medtech and life science companies. Cormorant has invested in a number of biotechnology or healthcare companies including but not limited to New Horizon Health Limited (6606.HK), Innovent Biologics, Inc. (1801.HK), Kangji Medical Holdings Limited (9997.HK) and Hansoh Pharmaceutical Group Company Limited (3692.HK). To the best of our knowledge, each of Cormorant Private Fund, Cormorant Global Fund, Cormorant and Ms. Chen Bihua is an Independent Third Party.

Hony Capital

Goldstream Capital Segregated Portfolio Company – Goldstream Healthcare Focus Fund SP ("**GHFFSP**") was established in June 2019 as a segregated portfolio of Goldstream Capital Segregated Portfolio Company, an open-ended exempted company incorporated in the Cayman Islands. GHFFSP has assets under management of approximately US$22 million as of 30 June 2022, is primarily investing in equity and equity related securities of healthcare companies throughout the world, including the companies in the sectors of pharmaceuticals, biotechnology, healthcare services, health science, medical technology and supplies. GHFFSP is managed by Goldstream Capital Management Limited ("**GCML**") which was incorporated in Hong Kong in 2011 and licensed by the Hong Kong Securities and Futures Commission with Type 4 (advising on securities) and Type 9 (Asset Management) licenses. GCML is a wholly-owned subsidiary of Goldstream Investment Limited ("**GIL**"), a company listed on the Stock Exchange (stock code: 01328) principally engaging in the provision of investment management services. According to GIL's filings and disclosure on the Stock Exchange, the controlling shareholders of GIL includes Hony Gold Holdings, L.P., Hony Gold GP Limited, Hony Group Management Limited, Hony Managing Partners Limited, Exponential Fortune Group Limited and Mr. Zhao John Huan. To the best of our knowledge, each of GHFFSP, GCML, GIL and GIL's controlling shareholders is an Independent Third Party.

United Strength Neptune Limited is a company with limited liability duly incorporated and validly existing under the laws of British Virgin Islands. USNL is wholly owned by United Strength Quantum Limited ("**USQL**"), which is in turn wholly owned by Hony Capital Group Limited, a wholly-owned subsidiary of Hony Capital Group, L.P. Hony Capital Group, L.P. is a limited partnership whose general partner is Hony Group Management Limited, a company controlled by Hong Managing Partners Limited. Hony Managing Partners Limited is a wholly-owned subsidiary of Exponential Fortune Group Limited (together with its affiliates, "**Hony Capital**"), which is owned by Mr. Zhao John Huan as to 49%. Hony Capital was

founded in 2003 and is a leading investment management firm with approximately US$13 billion under management currently. It has invested in over 100 companies in areas of pharmaceutical and healthcare, consumer products, food and beverage, entertainment, environmental protection and new energy, as well as machinery and equipment manufacturing. To the best of our knowledge, each of USNL, USQL, Hony Capital Group Limited, Hony Capital Group, L.P., Hony Group Management Limited, Hong Managing Partners Limited, Exponential Fortune Group Limited and Mr. Zhao John Huan is an Independent Third Party.

CICC GF

CICC GF is a limited company incorporated in Hong Kong and wholly owned by CICC Generation (Suzhou) Emerging Industries Equity Investment Fund Partnership (Limited Partnership) (中金啟辰(蘇州)新興產業股權投資基金合夥企業(有限合夥), "**CICC Generation Fund**"). The general partner of CICC Generation Fund is CICC Capital Management Co., Ltd. (中金資本運營有限公司), which is wholly-owned by China International Capital Corporation Limited, a company listed on both Shanghai Stock Exchange (stock code: 601995) and Hong Kong Stock Exchange (stock code: 03908). There are more than 20 limited partners in CICC Generation Fund, who are all professional investors interested in CICC Generation Fund as to less than 30%. To the best of our knowledge, each of CICC GF, CICC Generation Fund, CICC Capital Management Co., Ltd., China International Capital Corporation Limited and the limited partners of CICC Generation Fund is an Independent Third Party.

LBC

LBC is an exempted limited partnership registered in the Cayman Islands managed by Lake Bleu Capital (Hong Kong) Limited. LBC is a professional investor specializing in investing in late-stage healthcare companies in Asia and the Greater China. The investment scope of LBC includes pharmaceuticals, biotech, medical devices, and healthcare services. The general partner of LBC is LBC GP Limited, an exempted company incorporated in the Cayman Islands. To the best knowledge of our Directors, none of LBC's limited partners holds more than 10% of its partnership interest, and each of LBC, Lake Bleu Capital (Hong Kong) Limited and LBC GP Limited is an Independent Third Party.

C&D No. 7

C&D No. 7 is a company incorporated under the laws of the BVI and wholly owned by Xiamen C&D Emerging Industry Equity Investment No. 7 Partnership (Limited Partnership) (廈門建發新興產業股權投資柒號合夥企業(有限合夥), "**Xiamen C&D No. 7**"). The general partner of Xiamen C&D No. 7 is Xiamen Jianxin Investment Co., Ltd. ("**Xiamen Jianxin**", 廈門建鑫投資有限公司), which is controlled by Xiamen Jianxing Capital Enterprise Management Consulting Co., Ltd. (廈門建興資本企業管理諮詢有限公司, "**Xiamen Jianxing**") and in turn controlled by Cai Xiaofan. Xiamen Jianxing is interested in Xiaman C&D No. 7 as to approximately 0.1%, and Xiamen C&D Emerging Industry Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限公司, "**Xiamen C&D**") is interested in Xiamen C&D No. 7 as to approximately 99.9% as limited partner. Xiaman C&D is ultimately controlled by the State-Owned Assets Supervision and Administration Commission of Xiamen. To the best of our knowledge, each of Xiamen C&D No. 7, Xiamen Jianxin, and Cai Xiaofan is an Independent Third Party.

Link Spirit

Link Spirit is jointly owned by Summer Master Fund Limited ("**Summer Master**") and Summer Healthcare Fund, L.P. ("**Summer Healthcare**"). Both Summer Master and Summer Healthcare are investment funds controlled by Summer Capital Limited ("**SCL**"), a multi-strategy investment advisory company, focusing on advising investments in the healthcare, fintech and technology-driven consumption sectors. To the best of our knowledge, each of Link Spirit, Summer Master, Summer Healthcare and SCL is an Independent Third Party.

[REDACTED] AND SHARE CONVERSION

Pursuant to the Shareholders' resolutions dated [●], 2023, each ordinary Share (whether issued or unissued) in the then authorized share capital of the Company with a par value of US$0.0001 each will be subdivided into [**REDACTED**] Shares with a par value of US$[**REDACTED**] each, such that immediately following the [**REDACTED**], the authorized share capital of the Company is US$50,000 divided into [**REDACTED**] Shares with a par value of US$[**REDACTED**] each.

The Preferred Shares will be converted into Shares on a 1:1 basis by way of re-designation upon the [**REDACTED**] becoming unconditional.

PUBLIC FLOAT

Shares held by the existing Shareholders (other than 6 Dimensions Entities, our Controlling Shareholders, and YF Dermatology Limited, our substantial shareholder under the Listing Rules) will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Over 25% of our Company's total issued Shares with a market capitalization of substantially over HK$375 million will be held by the public upon completion of the [**REDACTED**] in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

CAPITALIZATION

The below table summarizes the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan).

Shareholder	Ordinary Shares	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Aggregate number of Shares as of the Latest Practicable Date	Aggregate Shareholding percentage as of the Latest Practicable Date	Aggregate Shareholding percentage immediately upon the completion of the [REDACTED]
6 Dimensions LP	7,604,342	4,750,000	–	–	–	12,354,342	21.85%	[**REDACTED**]%
6 Dimensions Affiliates	400,229	250,000	–	–	–	650,229	1.15%	[**REDACTED**]%
Suzhou 6 Dimensions	5,603,200	3,500,000	3,000,000	–	–	12,103,200	21.40%	[**REDACTED**]%
Suzhou Frontline II	2,401,371	1,500,000	1,285,714	–	–	5,187,085	9.17%	[**REDACTED**]%
YF Dermatology Limited	–	–	–	8,000,000	–	8,000,000	14.15%	[**REDACTED**]%
Sequoia Capital China Growth	–	–	–	6,857,143	–	6,857,143	12.13%	[**REDACTED**]%
Cormorant Private Fund	–	–	–	904,686	–	904,686	1.60%	[**REDACTED**]%
Cormorant Global Fund	–	–	–	238,171	–	238,171	0.42%	[**REDACTED**]%
LBC	–	–	–	800,000	–	800,000	1.41%	[**REDACTED**]%
Link Spirit	–	–	–	342,856	–	342,856	0.61%	[**REDACTED**]%
TK Derma Limited	–	–	–	1,714,286	–	1,714,286	3.03%	[**REDACTED**]%
CICC GF	–	–	–	914,286	–	914,286	1.62%	[**REDACTED**]%
C&D No. 7	–	–	–	800,000	–	800,000	1.41%	[**REDACTED**]%
FCSSP[(1)]	–	–	–	–	1,077,459[(2)]	1,077,459	1.91%	[**REDACTED**]%
Fidelity Funds[(1)]	–	–	–	–	3,349,849[(2)]	3,349,849	5.92%	[**REDACTED**]%
Fidelity Investment Funds[(1)]	–	–	–	–	118,491[(2)]	118,491	0.21%	[**REDACTED**]%
USNL	–	–	–	–	984,923	984,923	1.74%	[**REDACTED**]%
GHFFSP	–	–	–	–	151,527	151,527	0.27%	[**REDACTED**]%
Other public Shareholders	–	–	–	–	–	–	–	[**REDACTED**]%
Total	16,009,142	10,000,000	4,285,714	20,571,428	5,682,249	56,548,533	100.00%	100.00%

Note:

1. On December 16, 2021, in order to optimize its internal investment structure, Fidelity Investment Funds transferred an aggregate of 958,968 and 2,272,390 Series C Preferred Shares to FCSSP and Fidelity Funds. Both FCSSP and Fidelity Funds are affiliates of Fidelity Funds, details of which are set out in the paragraph headed "– [**REDACTED**] Investments – Information about the [**REDACTED**] Investors – Fidelity" in this section.

PRC REGULATORY REQUIREMENTS

M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("**M&A Rules**") jointly issued by MOFCOM, the SASAC, the STA, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this [**REDACTED**] is not required because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [**REDACTED**] like ours under this document are subject to the M&A Rules; and (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, "**SAFE Circular 37**"), promulgated by SAFE on July 4, 2014 and which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知, "**SAFE Circular 75**"), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

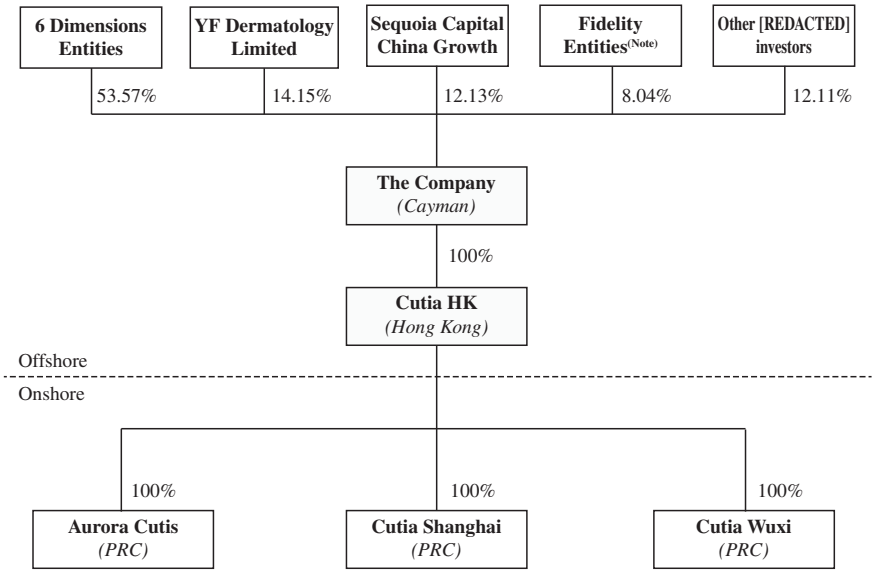
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), "**SAFE Circular 13**"), promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

Our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, none of the direct shareholders of the Company was PRC citizens or was subject to the SAFE Circular 37.

OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED]

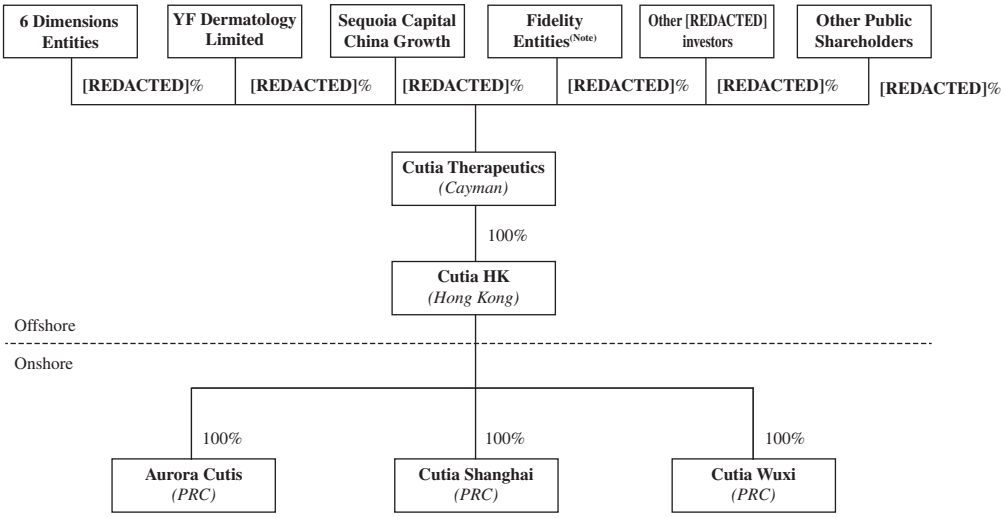
The following chart sets forth our Group's corporate structure immediately prior to the completion of the [**REDACTED**], assuming that all of the Preferred Shares have been converted to ordinary Shares on a one-to-one basis:



Note: Refers to FCSSP, Fidelity Funds and Fidelity Investment Funds.

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart sets forth our Group's corporate structure immediately after completion of the [**REDACTED**], assuming that (i) all of the Preferred Shares have been converted to ordinary Shares on a one-to-one basis, (ii) the [**REDACTED**] is not exercised, and (iii) no further Shares are issued under the [**REDACTED**] Equity Incentive Plan:



Note: See "– Our Corporate Structure – Corporate Structure Immediately before the Completion of the [**REDACTED**]" in this section.

OVERVIEW

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.

According to Frost & Sullivan, the size of China's broader dermatology treatment and care market has increased rapidly in recent years and is expected to grow further in the foreseeable future, primarily driven by the increasing prevalence of dermatology diseases in China, growing disposable income per capita of Chinese residents, rising skin management awareness and advancing dermatological therapies. According to the same source, the market size of the broader dermatology treatment and care market in China reached RMB471.8 billion in 2021, and is projected to grow to RMB1,039.0 billion in 2030, representing a CAGR of 9.2%. Despite the promising growth trend, the broader dermatology treatment and care market in China is still at a nascent stage and remains largely underpenetrated. Additionally, the current commercial offerings in China are not aligned with customer needs, and most dermatology companies in China lack the comprehensive capabilities and systemic operational management to timely deliver one-stop solutions covering the entire treatment and care cycle to customers. The combination of these factors created significant unmet customer needs and entry barriers in the market.

We are one of the few players in the broader dermatology treatment and care market in China equipped with fully integrated capabilities. We have applied a customer-centric approach to bolster our product candidates and expand our integrated capabilities to the entire broader dermatology treatment and care industry value chain. Our platform spans from the early phase of identifying demands, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products. We believe our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enabling us to improve pipeline viability and expedite product development cycle at lower costs.

With robust in-house R&D capabilities and powered by our proprietary CATAME™ technology platform, we have developed our product portfolio to meet the diverse unmet medical needs of physicians and patients. The CATAME™ technology platform improves drugs to achieve topical or transdermal delivery by developing micron and nano-sized particulates, as well as evaluating formulation quality and stability, and performing cutaneous

pharmacokinetic analysis. Our platform also helps design the most suitable product formats that are key to specific and successful drug delivery. Through this platform, we have built a competitive and highly differentiated product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

Aside from our robust in-house R&D capabilities, we also strategically expand our pipeline through active collaborations and licensing from third parties. Leveraging our extensive collaborations and development capabilities, we believe we can serve as the partner-of-choice for global biopharmaceutical companies that wish to tap into the rapidly growing China market and are looking for local expertise and network. We have established cooperative relationships with reputable scientific advisors and third party institutions to effectively develop new, clinically effective and commercially attractive product candidates and maintain a stable and risk-balanced 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 trial and a Phase I 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 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.

- *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.

- *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 less greasy texture that enables better user experience. We are currently conducting the pre-clinical study of CU-40103.

- *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.

- *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.

- *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.

- *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.

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 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.

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

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 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 to fulfill market demands. Our success is attributable to our fully-integrated capabilities, continuous innovation driven by our customer-centric philosophy and proprietary CATAME™ technology platform, comprehensive pipeline and experienced management team. 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.

Fully-integrated Capabilities Covering the Entire Broader Dermatology Treatment and Care Industry Value Chain

Since our inception, we have taken a customer-centric approach and expanded our operational capabilities around providing innovative, safe and effective therapeutic solutions. We have designed a fully-integrated and full value chain product development framework and built our R&D, registration, commercialization and product optimization strategies based on unmet medical needs. Our multi-disciplinary teams come from diverse backgrounds and are well equipped with insightful industry know-how and proven track record that allow us to tap into critical product development stages to improve product viability and success rate. We expanded our product portfolio through in-house R&D as well as capitalizing on opportunities to license-in innovative product candidates.

At the product discovery stage, our R&D team conducts in-depth market research capitalized on our broad network across the medical industry and academia, in order to further confirm medical needs and provide insights for our product development. We also benefit from the global network and industry resources of our prominent shareholders with deep biotech expertise. Our business development team has a track record of successfully bringing in drug candidates with high clinical value to expand and complement our pipeline. At the clinical development stage, we believe our efficient clinical operation capabilities and fast registration strategy lay solid foundations for prompt commercial launch. As of the Latest Practicable Date, we had advanced five candidates into clinical trials in China. At the commercial stage, our experienced sales team fully understands customer needs and is able to conduct targeted and effective marketing to acquire users and increase customer stickiness.

For manufacturing, we are constructing a commercial-scale GMP factory with three drug product production lines in Jiangsu province. The three production lines comprehensively cover topical cream, ointment, aerosol, and foam products with a planned annual production capacity of approximately five million doses. The site is expected to commence operation in 2023. We believe that upon completion the production capacity of this factory can support our clinical trials and near-term commercialization plans for our drug candidates. The flow and control of the entire manufacturing facility are designed to be compliant with the latest cGMP requirements so that our production can meet the clinical and marketing approval requirements of various drug regulatory authorities, including the NMPA, FDA and European Medicines Agency.

We have adopted a well-tailored commercialization strategy to penetrate the broader dermatology treatment and care market in China. We believe that our commercialization capabilities will continue to be robust driven by our deep expertise in sales and marketing, close collaboration with e-commerce platforms, and growing sales and distribution network. We are in preparation for launching our innovative pipeline products and building a medical commercialization and marketing platform to nurture strong strategic cooperative relationships with top hospitals.

The successful pilot commercialization of our Key Product CU-10201 is a recent demonstration of our fully integrated capabilities. We initially identified an unmet need for acne treatment in China through academic research and validated that a formulation change to the proven molecule minocycline could be the potential solution. Leveraging our broad network of relationships with pharmaceutical companies and deep expertise in transdermal technology, we started the conversation with Vyne Therapeutics in 2019 for its minocycline portfolio and were successful in obtaining exclusive development and commercialization rights for CU-10201 in Greater China in April 2020. We strategically designed and diligently ran the clinical trials of CU-10201 with the aim of achieving efficient execution and optimal data quality. We maintained constructive communications with the regulatory authorities to seek to accelerate the approval process of CU-10201. In Lecheng, Hainan, we brought CU-10201 from initial assessment to pilot commercialization in approximately three months.

Continuous Innovation Driven by Our Customer-centric Philosophy and Proprietary CATAME™ Technology Platform

Our continuous innovation is driven by our customer-centric philosophy, in-depth scientific insights, and knowledge of the latest clinical practices and unmet medical needs. We have strategically expanded our R&D horizon and product offerings by applying our accumulated skills and product development capabilities in new molecule synthesis and transdermal drug delivery. Our efficient R&D process is supported by a seamless collaboration of experienced internal teams and external scientific committees, resulting in an end-to-end R&D capability across the industry value chain.

Our CATAME™ technology platform is a comprehensive platform that facilitates the development of products that cover major types of dermatological diseases. The CATAME™ platform 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. Our CATAME™ technology platform helps customize transdermal delivery capabilities for drugs, develop micron and nano-sized particulates, evaluate formulation quality and stability and perform cutaneous pharmacokinetic analysis. On the other hand, our platform also helps design the most suitable product formats that are key to specific and successful drug delivery. Through this platform, we have built a competitive and highly differentiated product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

Our experienced in-house R&D team comes from a variety of medical backgrounds and has 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, quality control, 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. As of the Latest Practicable Date, we had obtained six IND approvals and are running three Phase III clinical trials. We have accumulated comprehensive experience and strong ability to complete the entire drug development process from pre-clinical research to clinical development and to NDA filings.

We have established relationships with reputable scientific advisors and third-party institutions where we closely collaborate with experienced physicians to identify and develop innovative, effective, and commercially attractive product candidates that better address unmet medical needs in the broader dermatology treatment and care industry. For example, the principal investigators for the clinical trials of our skin disease products include prominent acne and pigmentosis specialists in China and members of the Chinese Medical Association.

Building upon our customer-centric philosophy and integrated technology platforms, we demonstrated our ability for continuous innovation by establishing a comprehensive, synergistic and highly differentiated innovative pipeline of 11 products and product candidates within three years of inception, of which five products are in registrational clinical trials.

Comprehensive, Synergistic, and Highly Differentiated Innovative Pipeline Captures Large Market Potential and Unmet Needs

We have designed and assembled a comprehensive, synergistic and differentiated portfolio to target diseases with highly unmet medical needs across the four major dermatological therapeutic areas: scalp diseases and care, skin diseases and care, localized adipose accumulation management medication and topical anesthesia. Our product matrix provides comprehensive solutions to address the diverse unmet medical needs from consumers or patients during different states of the disease cycle. Additionally, our comprehensive offering includes OTC products that address distinctive demands from a wide range of population groups as their needs evolve with disease progression or improvement to gain customer stickiness. In addition, our portfolio is a risk-balanced combination of commercialized products, innovative products with proven pathways or potential first-in-class candidates. We believe that the synergistic effects arising from our diverse product pipeline are maximizing our comparative advantages and solidifying our market position by establishing high entry barriers.

Scalp Diseases and Care

Currently widely accepted therapies for scalp diseases include minoxidil, finasteride and cyproterone, which have a number of treatment restrictions. Finasteride is only available in oral form with potential undesired side effects and is indicated for male patients only. The primary concern of current topical minoxidil offerings is their unsatisfactory efficacy, uncertain mechanism and accelerated hair loss during the initial treatment stage. We believe that our scalp disease products are well positioned to address these treatment limitations and capture the growing scalp diseases and care market in China, the size of which is expected to reach RMB203.5 billion in 2030, according to Frost & Sullivan. We have developed six comprehensive and complementary topical products and product candidates for scalp diseases and care, including our Key Product CU-40102 (topical finasteride spray), CUP-MNDE (topical minoxidil spray), CU-40103 (topical minoxidil foam), CU-40101 (topical small molecule hormone receptor agonist liniment), CU-40104 (topical dutasteride agent) and CUP-SFJH (topical natural plant extracts serum) to cover the entire cycle of scalp diseases. Our scalp diseases and care product offerings form a variety of treatment regimes and care solutions that cater to consumers with different needs. Previous studies showed that combination of minoxidil and finasteride, regardless the concentration level, indicates a greater improvement of hair density compared to topical minoxidil alone. We believe CU-40102 and CUP-MNDE complement each other and maximize synergy in the treatment of alopecia.

Our key scalp disease product 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 currently the mainstream and the only available oral form treatment for alopecia in China but is often associated with systemic side effects. Unlike oral finasteride, CU-40102's topical formulation allows patients to apply the drug directly to the surface of the scalp, thereby maintaining a high concentration at the affected site while reducing the side effects commonly associated with oral formulations. CU-40102's topical formulation is difficult to develop or replicate due to finasteride's distinctive chemical properties, creating a high technology barrier. In the registrational Phase III clinical trials sponsored by Polichem S.A., CU-40102 demonstrated its efficacy and safety in European male adult patients where the data showed that a large percentage of patients receiving CU-40102 treatment improved their hair condition compared to the placebo group. The proportion of patients who developed treatment emergent adverse events in the topical finasteride group was comparable to that in the placebo group but lower than in the oral finasteride group. Our Phase III clinical trial of CU-40102 for the treatment of androgenetic alopecia in Mainland China has completed patient enrollment. We expect to complete primary endpoint read-out for the Phase III clinical trial in the fourth quarter in 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 2024.

CUP-MNDE, another of our scalp disease products, is a commercialized OTC minoxidil spray. Minoxidil is an FDA-approved medication that improves hair growth and slows down the alopecia process. Topical minoxidil has achieved the highest market share of 18.2% for the treatment of scalp disease in the U.S., where it is the most commonly used topical drug to treat alopecia in the U.S. The key ingredient of CUP-MNDE, minoxidil, promotes hair follicle growth and is refreshing to be applied to the scalp. Compared to other topical forms, our minoxidil spray improves the solubility of minoxidil, which facilitates the sustained absorption of the active ingredient on the scalp. It also ensures accurate dosing and enhances transdermal penetration and follicular delivery to achieve the desired outcome.

Skin Diseases and Care

Current treatments for common skin diseases include, among others, glucocorticoid, antibiotics and isotretinoin. However, due to drug resistance from long treatment duration, the lack of novel and effective treatments and the unclear pathology of skin diseases, current therapies are unlikely to generate meaningful or durable response and patients are generally prone to relapse. Additionally, common side effects associated with glucocorticoid, antibiotics and isotretinoin are likely to cause poor patient compliance. We are currently developing three skin disease products, including Key Product CU-10201 for the treatment of moderate to severe acne vulgaris, CU-10101 for the treatment of atopic dermatitis and CU-10401 for the treatment of psoriasis, to capture the growing market of skin diseases and care products in China, which is expected to reach the size of RMB740.2 billion in 2030, according to Frost & Sullivan.

Our key skin disease and care product 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. Minocycline is a tetracycline antibiotic used to treat bacterial infections and has been shown to be effective in the treatment of acne vulgaris. Compared to other major anti-acne antibiotics, topical minocycline foam has fewer side effects, a lower rate of drug resistance, and likely higher patient compliance. In addition, the highly lipophilic nature of minocycline allows it to concentrate in hair follicles and sebaceous glands, resulting in better efficacy. In a U.S. Phase III randomized study sponsored by Foamix Pharmaceuticals, Inc., CU-10201 demonstrated statistically significant improvement in inflammatory lesion count at week 12 and consistently reduced inflammatory acne over the 12-week study period. CU-10201 has also demonstrated its potential to overcome side effects commonly seen in conventional oral drugs due to lower systemic exposure. In a pharmacokinetic study run by Journey Medical, minocycline exposure was 730 to 794 times lower after topical application of four grams per day of the maximum use dose of CU-10201 than after a single oral dose of solydyn, a minocycline hydrochloride drug. We are currently conducting a Phase III clinical trial for CU-10201, and we have commenced pilot commercialization of CU-10201 in Lecheng, Hainan. 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. We believe CU-10201 holds the possibility of redefining the market landscape of acne vulgaris drugs in China.

Localized Adipose Accumulation Management Medication

Current treatment for localized adipose accumulation includes, among others, localized adipose accumulation management medications, energy-based fat reduction procedures. Compared with other treatment procedures, localized adipose accumulation management medication is characterized by low invasiveness with high patient compliance, less postoperative pain, ease of use, and speedy recovery. According to Frost & Sullivan, there are no approved localized adipose accumulation management medications in China. We believe that CU-20401 is well-positioned to capture the growth of the market size of localized adipose accumulation management medications in China, which is expected to reach RMB3,927.1 million in 2030, according to the same source.

Our Core Product, CU-20401, is a potential first-in-class recombinant mutant collagenase that targets reduction in excessive local adipose accumulation after subcutaneous treatment. CU-20401 adopts an innovative mechanism of action where it can act selectively on fat cells attached to the extracellular matrix of adipose tissue. CU-20401 acts as a collagenase that degrades extracellular matrix collagen in the subcutaneous fat layer, leading to apoptosis of adipocytes. It also releases the collagen network surrounding the fat cells, thereby inducing their apoptosis and achieving a sculpting effect while reducing treatment pain. The mechanism also differentiates CU-20401 from its competing products which are largely deoxycholic acid based solutions that cause indiscriminate destruction of fat and surrounding cells and result in as swelling, bruising, pain and numbness at the treatment site. Our completed Phase I clinical trial suggested CU-20401's promising safety profiles and preliminary efficacy. The clinical data shows that CU-20401 is effective to reduce excessive adipose accumulation with favorable 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. As a local and minimally invasive treatment, CU-20401 exhibited low systemic drug exposure in blood after subcutaneous treatment. CU-20401 has the potential to become the first localized adipose accumulation management medication approved in China and meet the patient demand for safe and efficacious solutions, according to Frost & Sullivan.

Topical Anesthesia

Topical anesthesia offers better patient comfort and eliminates the use of invasive needles as well as associated pain and risk such as distortion of wound margin and intravascular injection, demonstrating their potential for broader and safer clinical application. Currently, only two topical anesthetics are approved in China and both of them are compounds of lidocaine and prilocaine. Our product CU-30101 is a topical anesthetic which has equivalent or even higher concentration of lidocaine and tetracaine active ingredients than all FDA approved topical anesthetics, according to Frost & Sullivan. Studies have shown that lidocaine and tetracaine cream treatments provide better pain relief, with more subjects (75%) reporting adequate pain relief compared to subjects (67.5%) who received lidocaine and prilocaine treatments after 30 minutes of topical anesthesia treatment. We believe CU-30101 will capture the topical anesthesia market in China, the size of which is expected to reach RMB2,690.4 million in 2030, according to Frost & Sullivan.

Experienced Management Team with Global Vision and Domestic Experiences

Members of our management team, who have extensive multinational pharmaceutical company and multi-disciplinary backgrounds and rich domestic experiences, are critical to our success.

Our founder, executive Director and chief executive officer, Ms. Zhang Lele, has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. She served as an assistant business development manager at Shanghai Novartis Trading Co., Ltd (上海諾華貿易有限公司), head of strategic alliances at Eisai China Inc. (衛材(中國)藥業有限公司) and head of strategic projects department at Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司).

Our executive Director and chief financial officer, Mr. Huang Yuqing, has rich experience in the investment and capital market fields. Mr. Huang previously served as the lead analyst for Greater China Healthcare Research at Jefferies Hong Kong Limited and was recognized as one of the Top Three Best Analysts in the healthcare industry by the Institutional Investor All-China Research Team Survey in 2017. Mr. Huang also worked as the chief financial officer and chief business officer of Kintor Pharmaceutical Limited (9939).

Our chief medical officer, Mr. Zhu Qi, has over 20 years of experience at multinational pharmaceutical companies, including Roche, Biogen, AbbVie and Menarini, with rich experience in pharmaceuticals. He is well-versed in product life cycle management, including new product evaluation and development, registrational clinical trial, post-market study and pharmacovigilance.

Our senior vice president of R&D department, Dr. Lei Lei, is a senior specialist in pharmaceutical development. Dr. Lei has rich experience in the development of medical products at multinational pharmaceutical companies. He was the former principal scientist at Shanghai Johnson & Johnson Pharmaceuticals Ltd (上海強生製藥有限公司). Dr. Lei authored more than 20 international academic papers and is leading a Shanghai New Drug Support Fund Project.

Our senior vice president of regulatory affairs, Ms. Zhang Chunna, has approximately 10 years of experience as the head of registration at a multinational pharmaceutical company. She is experienced with drug registration regulation and led the registration of multiple products. She also has seven years of experience in developing novel drug delivery system and pharmaceutical industrialization and participated in the project of the State High-Tech Development Program (國家高技術研究發展計劃).

Our senior vice president of manufacturing and quality control department, Ms. Xu Jingxin, has more than 20 years of experience in quality assurance at multinational pharmaceutical companies and leading domestic companies, including Pfizer, BeiGene and AstraZeneca. With her exceptional quality and risk management capabilities, she has led the quality control and management upgrade of production facilities.

Our senior vice president of finance and integrated management department, Mr. Wu Jiaru, has rich experience in finance management and analysis. Mr. Wu is primarily responsible for decision making and executive oversight of finance, information technology and procurement operations. Mr. Wu previously served as a senior system controller in Giti Tire (China) Investment Company Ltd. (佳通輪胎(中國)投資有限公司) and a reporting expert in KaVo-Sybron Dental (Shanghai) Co. Ltd (卡瓦盛邦(上海)牙科醫療器械有限公司).

Our management team have rich cross-industry experience, covering numerous disciplines, including finance, CMC and pharmaceutical with an average industry experience of over 10 years. Their industry insights enable us to solidify our market position and optimize our performance.

We are also supported by our strong external scientific committees consisting of leading scientists, physicians and industry veterans.

STRATEGIES

With our mission of becoming a global leading R&D-driven dermatology platform company, we are committed to providing customers with a comprehensive portfolio of innovative, safe and effective solutions in dermatology treatment and care.

Focus on Customer Needs and Utilize Integrated Industrial Capabilities to Provide Innovative Dermatology Management Solutions

Leveraging our integrated capabilities across the entire broader dermatology treatment and care industry, we are dedicated to providing innovative, safe and effective dermatology treatment and care solutions. We will continue to strengthen our inter-department and external collaborations. We will also enhance collaborations with our partners to seek new opportunities for expanding our product pipeline.

The continued strengthening and expansion of our CATAME™ technology platform is one of our top priorities. With deep insights into the mechanisms of dermatological diseases and medical needs, our R&D strategy focuses on topical and transdermal formulation as well as dermal drug delivery technologies, which enable us to meet customer demands precisely, safely and rapidly. We intend to explore other potential innovative platform technologies, which are easily scalable to continuously empower our new product offerings. Through such platform technologies, we believe we will be able to develop new products with higher efficiency, lower cost and reduced scientific and commercial risks. With accelerated product iterations, we are better positioned to maintain our competitive edges.

We will strengthen our market demand identification capabilities. Our R&D, medical and marketing teams will work together to identify unmet needs and changes in customer preferences through a combination of macro and micro models such as data mining and market research to guide our product development strategies. We will also enhance our manufacturing capacities and multi-dimensional commercialization capabilities. Other than the manufacturing facilities under construction, we plan to enhance our production capacities in line with the expansion of our product pipeline. Unique features of the broader dermatology treatment and care industry require us to possess strong sales and marketing capabilities through enhanced relationships with customers, patients, physicians and medical institutions. We will expand our external collaboration network, strengthen our sales and marketing capabilities, and work closely with renowned physicians to conduct product demonstrations and provide training to them.

To ensure effective execution across corporate functions, we will continuously recruit, develop and retain talents with a spectrum of integrated skills. Our targeted talents including experienced scientific, medical or business practitioners.

Continue to Advance the Clinical Development of Our Product Portfolio

Our R&D, medical and registration teams will continue to work closely together to develop tailored and efficient clinical development programs for our product candidates, which allows us to efficiently commercialize products. In particular:

Scalp Diseases and Care

- *Key Product CU-40102.* We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for the treatment of androgenetic alopecia for CU-40102 in 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 in 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.* We are currently conducting a Phase I clinical trial for CU-40101. We expect to complete the Phase I clinical trial in the second quarter of 2024.

- *CU-40103.* We are currently conducting the pre-clinical study of CU-40103. We plan to submit an ANDA to the NMPA in the third quarter of 2024.

- *CU-40104.* 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.

Skin Diseases and Care

- *Key Product CU-10201.* We are currently conducting a Phase III clinical trial for CU-10201, and we have commenced pilot commercialization of CU-10201 in Lecheng, Hainan. 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.* We are currently under the pre-clinical stage for CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024.

- *CU-10401.* 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.* We completed a Phase I clinical trial of CU-20401 for the treatment of submental adipose accumulation in November 2022 and are conducting another Phase I clinical trial for abdominal adipose accumulation. 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.* 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 to the NMPA in 2025.

Expand Our Multi-layered Ecosystem Coverage and Build Our Commercialization Team

We will continue to expand our multi-layered and multi-dimensional ecosystem coverage. Our future collaboration efforts will include:

- *Industry-academia research collaboration with medical institutions and PIs.* This allows us to access advanced medical technologies, deepen our understandings of dermatology and obtain latest feedbacks from clinical practices. By working with healthcare professionals such as leading PIs, we believe we will be able to educate market participants, cultivate effective dermatology management habits among patients, and promote our brand.

- *OEM/ODM collaborations with upstream players of industry supply chain.* This enhances our manufacturing capabilities, strengthens our supply chain management capabilities and shortens our R&D, clinical development and commercialization processes.

- *Co-development and co-marketing with other downstream medical and commercial institutions.* We plan to continue penetrating the downstream of the healthcare value chain. This enables us to further expand our product pipeline and optimize the allocation of our R&D and commercialization resources.

- *Collaborations with e-commerce platforms.* This enables us to efficiently reach a wide range of potential customers as well as collect and analyze their first-hand feedbacks, which facilitates our efforts to identify and address market demands through targeted product development.

Our integrated commercialization model is expected to address the pain points of the traditional commercialization model, such as fierce traffic competition, high customer acquisition costs and uncertain profitability. By seizing the opportunities arising from the rapid expansion of China's sales network, we endeavor to innovate omni-channel commercialization models for pharmaceutical sales to drive our market share, and develop standardized operations with high scalability, setting a significant industry barrier. On one hand, we intend to make content platforms to formulate targeted marketing strategies for our products and conduct online and offline promotion events and activities. On the other hand, with established brand recognition and relationships with medical institutions, we plan to establish strategic cooperative relationships with Class III Grade A hospitals in China. We also plan to adopt a tiered provincial market-entry approach with the goal of achieving nationwide coverage in the medium term. Our priority is to initially focus on top tier provinces that have high patient or

customer volume capture. As we expand into tier two and lower tier provinces, we plan to continue to invest in building our on-the-ground presence and coverage. We will seek to strengthen our relationships with key stakeholders in each province to drive diagnosis and treatment, and also to support reimbursement negotiation into provincial formulary. We believe these marketing and business development strategies will help us obtain market shares in the indications that we focus on. We will also continue to expand our commercialization team which integrates our medical, business development and marketing teams with online and offline commercial capabilities.

Our marketing team is in charge of our online and offline promotions and aims to build long-term relationships with medical institutions, healthcare professionals and KOLs through academic conferences, seminars and on-site medical trainings. By doing so, we expect to educate physicians the safety and efficacy of our products, which could in turn improve the awareness of our products among our target customers. Our business development team will be responsible for expanding our commercialization ecosystem coverage and collaboration network, which could strongly empower our commercialization capabilities.

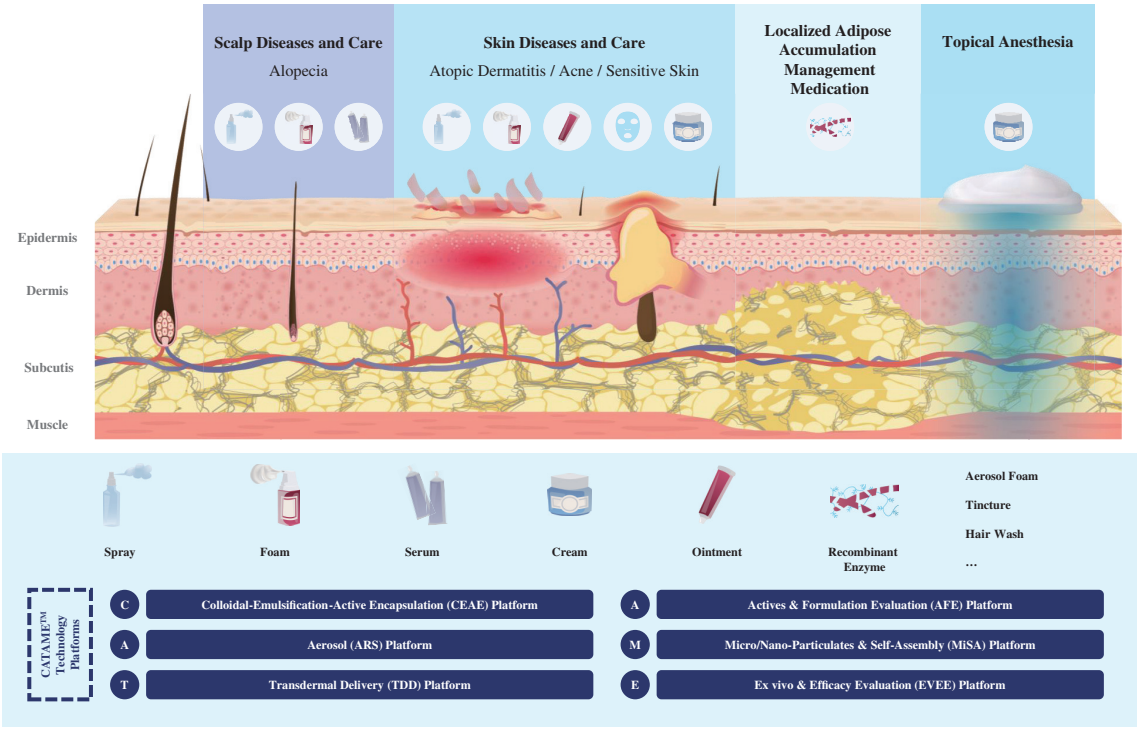
Expand Our Global Presence

We are committed to becoming a global dermatology platform and improving the quality of life for patients worldwide. We plan to expand into countries and regions with considerable market potential for dermatology solutions based on our resources and commercial readiness. We are well prepared to mitigate the risks of market concentration by adopting differentiated pricing policies across different regions. We aim to establish overseas offices and operate local teams where appropriate, in order to fulfill local responsibilities including business development, conducting clinical trials, registration and commercialization.

Complementing our organic growth strategy, we aim to fuel our business growth through establishing strategic alliances with partners and pursuing investments and acquisitions with synergistic businesses. We will also seek acquisition or cooperation opportunities with companies with innovative dermatological technologies to enrich our offerings to customers. We also intend to collaborate and transfer our leading technologies to organizations who aspire to implement and utilize these technologies to expedite the drug innovation process and lower production costs.

PRODUCT CANDIDATES

Our broad portfolio targets 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. The following image illustrates the four main segments of the broader dermatology treatment and care market and the application of our products to the respective skin conditions.



Source: Frost & Sullivan analysis

As of the Latest Practicable Date, we had built a broad portfolio of 11 products and product candidates. 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. The following chart summarizes the development status of our commercialized products, clinical-stage drug candidates and selected pre-clinical stage drug candidates as of the Latest Practicable Date:

1. CU-40102 is currently in a registrational Phase III trial and a Phase I 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 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

Androgenetic alopecia is a common form of scalp disease that affects both men and women. It is characterized by progressive hair loss. Currently effective medication for androgenetic alopecia include minoxidil, finasteride and cyproterone. Minoxidil and finasteride are both commonly used in the treatment of androgenetic alopecia and they can be used in combination. Over 70% androgenetic alopecia patients were treated with minoxidil or finasteride in 2021 in the U.S. and China, according to Frost & Sullivan. Adverse events arising from minoxidil products include allergy to propylene glycol and orthostatic hypotension. Finasteride is only available in oral form in China with potential significant adverse effects and cannot be used by female patients. Patients using finasteride may experience sexual adverse effects such as decreased libido, erectile dysfunction and ejaculation disorder, of which incidence rates were 1.8%, 1.3% and 1.2% in clinical trials, respectively. Cyproterone can only be used in female patients with severe androgenetic alopecia but it is not applicable for pregnant female patients. As current therapies have higher risks of severe adverse effects, new therapies under development with fewer adverse effects are expected to seize great market opportunities. We believe that our scalp disease products are well positioned to address the unmet needs and capture the growing market of scalp disease and care products in China. It is estimated that the market will increase from RMB106.9 billion in 2021 to RMB144.3 billion in 2025, representing a CAGR of 7.8%, and further increase to RMB203.5 billion in 2030, representing a CAGR of 7.1% from 2025 to 2030, according to Frost & Sullivan. We have formed a comprehensive and synergistic pipeline comprised of six products and product candidates for scalp disease and care, including CU-40102 (topical finasteride spray), CUP-MNDE (topical minoxidil spray), CU-40103 (topical minoxidil foam), CU-40101 (topical small molecule hormone receptor agonist liniment), CU-40104 (topical dutasteride agent) and CUP-SFJH (topical natural plant extracts).

Key Product CU-40102: Phase III Clinical-Stage Topical Finasteride Spray

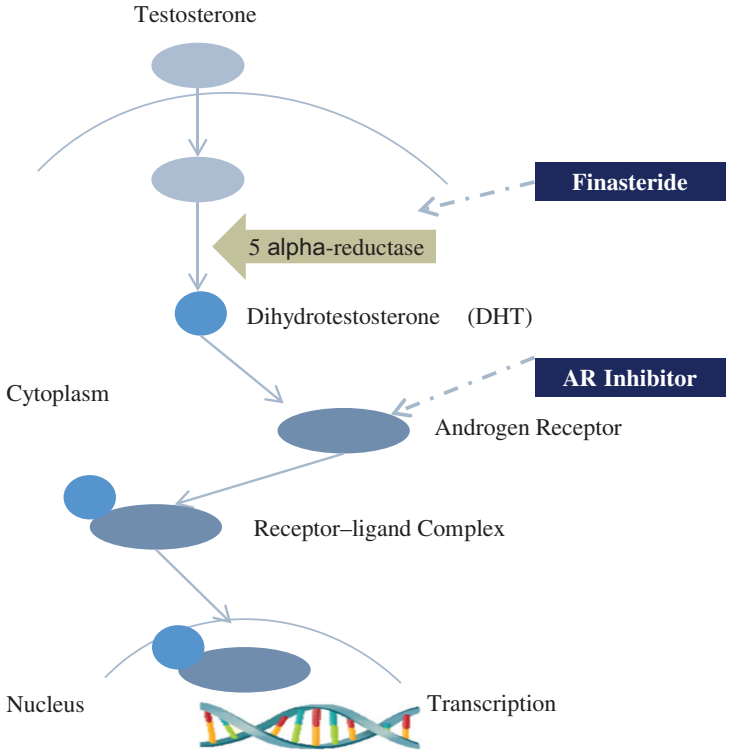
Overview

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. According to Frost & Sullivan, the global annual sales of finasteride products for the treatment of alopecia increased from US$320.3 million in 2017 to US$348.1 million in 2021, representing a CAGR of 2.1%. 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 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.

Mechanism of Action

Androgenetic alopecia is a scalp disease in which androgens cause hair follicle miniaturization which in turn results in hair shaft thinning and hair loss. Testosterone is the major circulating androgen and can be converted to the more potent androgen, DHT, by 5-alpha reductases. In the scalp of men with androgenetic alopecia, the rate of conversion of testosterone to DHT is accelerated in the balding region compared to the unaffected region. Finasteride, as a specific inhibitor for 5 alpha-reductase, suppresses the conversion of testosterone to DHT in the scalp and further blocks the interaction of DHT and androgen receptor, thereby decreasing the transcription control of androgen-dependent genes to delay the progression of androgenetic alopecia.

The diagram below illustrates the mechanism of action of CU-40102:



Source: Frost & Sullivan analysis

Competitive Advantages

We believe that CU-40102 has the following advantages:

High Concentrations of Finasteride on the Scalp Surface

CU-40102 is a formulation of 2.275 mg/ml finasteride (corresponding to 0.25% concentration) using a hydrolacquers technology that is based on a hydroalcoholic solution of hydroxypropyl chitosan, a water-soluble synthetic derivative of chitosan. The hydroalcoholic solution of hydroxypropyl chitosan acts as a structure-providing agent, with a good safety profile including biological inertness, non-toxicity, non-irritation and non-potential allergenicity. The CU-40102 topical formulation is a finasteride spray in a vial with a spray pump, which makes distribution of the finasteride spray by a measurable and controllable amount easily and evenly on the scalp. After administration to the scalp, the solvent evaporates rapidly and hydroxypropyl chitosan forms a smooth, water-soluble, transparent, matt and almost invisible structural layer containing the active ingredient finasteride. This structural layer maintains a high concentration of finasteride on the surface of the scalp for sufficient time to allow the finasteride to penetrate skin layers and reach the reticular layers where most of the follicle bulbs are located.

Low Systemic Drug Exposure and Toxicity

As a topical formulation, CU-40102 reduces systemic absorption of finasteride and avoids exposure of other areas of the skin to finasteride. Both the Phase IIa in Switzerland and the Phase III multi-regional clinical trials in male patients with androgenetic alopecia sponsored by Polichem S.A. showed that only very low concentrations of finasteride were detected in plasma after CU-40102 administration and no significant absorption was observed. In the Phase III clinical trial in male patients with androgenetic alopecia sponsored by Polichem S.A., average maximum finasteride plasma concentrations following the proposed dose (i.e., up to 200 μL once a day) of CU-40102 administration were more than 100-fold lower than oral finasteride administration (≤48.0 pg/mL vs. 7166 pg/mL) at all sampling time points during the 24-week treatment period. Similarly, the average percentage reduction in serum DHT of CU-40102 administration was also less than that of oral finasteride at all sampling time points during the treatment period, and the average percentage reduction in serum DHT at week 24 was 34.5% in the CU-40102 group compared with 55.6% in the oral finasteride group, suggesting much lower systemic inhibition of 5 alpha-reductase by CU-40102 topical administration than that of oral finasteride treatment. CU-40102 topical formulation, as compared with oral finasteride, effectively reduces the serum DHT suppression and reduces the incidence of systemic adverse effects.

Robust Commercial Prospect Supported by Proven Compound and Innovative Formulation

Finasteride as an existing compound has been well trusted by physicians and widely accepted by the market. The global annual sales of finasteride products for the treatment of alopecia reached US$348.1 million in 2021, according to Frost & Sullivan. The current oral

formulation of finasteride is a typical treatment for androgenetic alopecia but with a higher risk of causing side effects than the topical drug due to higher drug exposure. CU-40102's innovative topical finasteride formulation is applied by spraying onto the scalp. CU-40102 accordingly is expected to effectively fill in the unmet demand gap to reduce side effects in consumer group where there is currently no topically used finasteride approved. In addition, CU-40102 is the only topical finasteride under development in China and has been approved for sale in a pilot program in Lecheng, Hainan. Thus, we believe CU-40102 would potentially be the first and only topical finasteride in China by the expected time of its approval and will capture meaningful market shares.

Summary of Clinical Trial Results

The clinical pharmacology, efficacy and safety of CU-40102 have been elucidated through a clinical development program consisting of six completed clinical trials. Among these trials, CU-40102 was generally well-tolerated and showed evidence of efficacy. We present the results of key clinical trials below.

Phase III Clinical Trial of CU-40102 in Male Patients with Androgenetic Alopecia Sponsored by Polichem S.A.

Overview. This was a registrational multi-center, double-blind, randomized, parallel-group, placebo and active-controlled Phase III clinical trial to evaluate the efficacy and safety of CU-40102 topical spray solution in male androgenetic alopecia patients. The primary objective of the clinical trial was to determine whether topical administration of CU-40102 once a day to the scalp of patients with androgenetic alopecia for up to 24 weeks increases hair count compared to the excipient.

Trial Design. Male patients aged between 18 to 40 years were divided into three groups for treatment: (1) CU-40102 group (181 patients): up to 4 sprays (i.e. up to 200 μL, 0.455 mg, of the 2.275 mg/ml finasteride topical skin spray solution) once a day and oral placebo for 24 weeks; (2) excipient group (181 patients): topical excipient (hydroxypropyl chitosan solution without finasteride) and oral placebo once a day for 24 weeks; and (3) oral finasteride group (84 patients): topical excipient and 1 mg oral finasteride once a day for 24 weeks. The primary efficacy endpoint of the clinical trial was hair growth as assessed by target area hair count at week 24. The secondary efficacy endpoints of the clinical trial included hair growth as assessed by apical target area hair count at week 12, apical target area hair width at week 12 and week 24, male hair growth questionnaire assessed by the patients at week 12 and week 24, change in apical hair from baseline (patient hair growth/shedding) assessed by the investigator at week 12 and week 24, and change in apical hair from baseline (patient hair growth/shedding) assessed by blinded assessors at week 12 and week 24.

Trial Status. The Phase III clinical trial was initiated on August 2, 2016 and completed on March 5, 2018.

Safety Data. The most common treatment emergent adverse events are rhinopharyngitis (15.5% in the CU-40102 group, 13.3% in the excipient group, and 17.9% in the oral finasteride group) and headache (9.4% in the CU-40102 group, 11.0% in the excipient group, and 9.5% in the oral finasteride group). The overall incidence of treatment emergent adverse events in the CU-40102 group (41.4%) was similar to that in the excipient group (42.0%) and slightly lower than that in the oral finasteride group (48.8%). The incidence of treatment emergent adverse events leading to early study withdrawal was also similar between the CU-40102 group and excipient group (2.8% vs. 2.2%) and lower than in the oral finasteride group (7.1%). Moreover, all treatment groups were well tolerated with only mild or moderate treatment emergent adverse events occurring in the vast majority of patients. As for the incidence of sexual adverse events (such as decreased libido, loss of libido, erectile dysfunction, and ejaculation dysfunction) was low in all treatment groups: five patients in the CU-40102 group (2.8%), seven patients in the excipient group (3.9%), and five patients in the oral finasteride group (6.0%). In addition, the clinical trial showed no clinically meaningful changes from baseline for all vital signs and physical examination results (blood pressure, heart rate, temperature, weight, height, and body mass index) and the mean values of all assessed clinical laboratory test parameters (hematology, blood biochemistry, and/or urinalysis), and no differences between treatment groups.

Efficacy Data. The registrational Phase III clinical trial met its primary efficacy endpoint and confirmed the efficacy. The primary efficacy endpoint showed that the least squares method for mean change of target area hair count (within a 1 cm^2 circular target area) compared with the baseline in the CU-40102 group at week 24 (i.e., corrected mean change: + 20.2 hairs) was significantly greater than in the excipient group (+ 6.7 hairs; mean difference in the least squares: 13.6 hairs) and similar to the oral finasteride group (+ 21.1 hairs). In addition, analyses across subgroups consistently showed that the efficacy of CU-40102 was comparable across geographic regions, independent of the number of sprays used, thereby demonstrating the robustness of the primary endpoint. As for the secondary efficacy endpoint, almost all secondary efficacy variables in the CU-40102 group were significantly greater than in the excipient group: the men's hair growth questionnaire parameter scores (i.e., hair appearance, hair growth, effectiveness in slowing hair loss, hairline at the front of the head, hairline at the top of the head and overall hair), the results of the investigator's assessment of change in patient hair growth/hair loss compared to baseline, and the results of the blinded assessor's assessment of change in patient hair growth/hair loss compared to baseline.

Licensing

On November 2, 2020, we entered into an agreement (the "**CU-40102 Agreement**") with Polichem S.A. ("**Polichem**"). Pursuant to the CU-40102 Agreement, Polichem granted us an exclusive, royalty-bearing, non-assignable and non-sublicensable license regarding the licensed patents, know-how and trademarks to 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. For more details about the agreement, see "– Collaboration and Licensing Arrangements – CU-40102 Agreement."

Clinical Development Plan

We are currently conducting a Phase I clinical trial for PK and a registrational Phase III clinical trial for the treatment of androgenetic alopecia for CU-40102 in China and we have commenced pilot commercialization of CU-40102 in Lecheng, Hainan. Our Phase III clinical trial of CU-40102 for the treatment of androgenetic alopecia in Mainland China has completed patient enrollment. We expect to complete the primary endpoint read-out for the Phase III clinical trial in the fourth quarter in 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.

Material Communications with Competent Authorities

We filed an IND application for the Phase III clinical trial for CU-40102 to the NMPA on July 14, 2021. The NMPA recommended that we conduct a Phase I clinical trial for a PK study to complement our Phase III clinical trial. We received IND approval for our Phase I and Phase III clinical trial from the NMPA on September 27, 2021. The approval for pilot commercialization of CU-40102 from Hainan Medical Products Administration was received on July 27, 2021.

We had not received any relevant regulatory agency's objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-40102 SUCCESSFULLY.

CUP-MNDE: Commercialized OTC Minoxidil Spray and CU-40103: Pre-clinical Stage Minoxidil Foam

Overview

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. The active ingredient, minoxidil, is widely used and proven efficacious in clinical trials and clinical practice for male and female hair regrowth. CUP-MNDE is refreshing to be applied to the scalp by its low concentration propylene glycol formulation, 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.

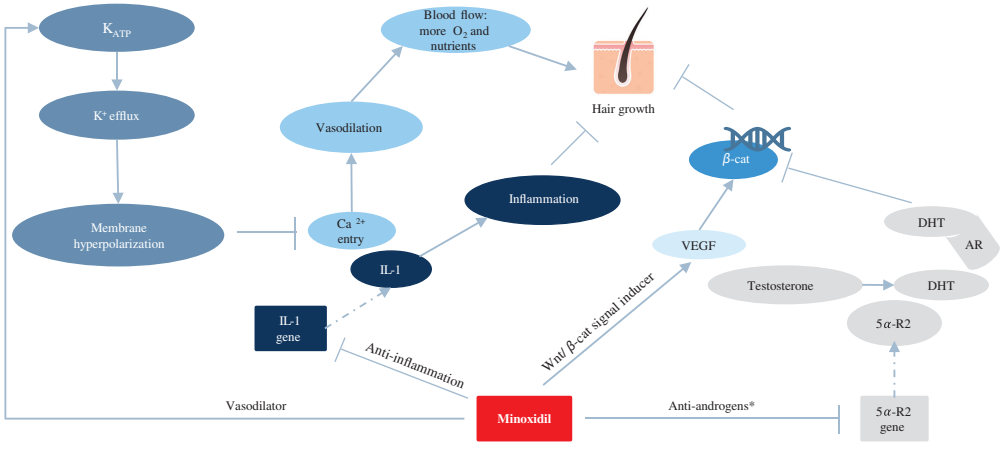
CU-40103. CU-40103 is an investigational topical minoxidil foam for the treatment of alopecia. CU-40103 is expected to adopt a differentiated elegant foam formulation and become an innovative addition to the existing minoxidil tinctures and liniments in the market. It features a much less greasy texture 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. We believe that CU-40103 has the potential to capture enormous commercial benefit from its differentiated dosage form as well as the growing scalp disease treatment demands in China.

Mechanism of Action

Minoxidil is a small molecule peripheral vasodilator and converts into an active form minoxidil sulphate with the help of sulfotransferase. Minoxidil promotes hair growth in multiple ways. First, it acts as an adenosine 5'-triphosphate-sensitive potassium channel opener to result in outflow of potassium and hyperpolarization of cell membranes. It accordingly relaxes muscle walls and widens blood vessels, allowing blood to flow more easily to the scalp and hair follicles and prompting more nutrients and oxygen to reach the hair follicles. Second, the hair cycle is a highly regulated process consisting of four distinct phases: anagen (growth phase), catagen (transitional phase signaling the end of active hair growth), telogen (resting phase) and exogen phase (shedding phase). Minoxidil contains a nitric oxide moiety and may act as a nitric oxide agonist. This may shorten the resting phase of hair follicles and promote hair follicles in the resting phase to enter the growth phase as early as possible, thus achieving the effect of promoting hair growth. Third, minoxidil stimulates prostaglandin E2 production, enhances prostaglandin E2 receptor expression, but inhibits prostacyclin production, thereby enabling hair follicles to grow continuously. *In vitro* minoxidil treatment in monocultures of various skin and hair follicle cell types stimulates cell proliferation. *In vitro* minoxidil treatment also resulted in a 0.22-fold change for 5 alpha-reductase, suggesting an anti-androgenetic effect of minoxidil to stimulate hair growth.

The diagram below illustrates the mechanism of action minoxidil, the active ingredient of CUP-MNDE and CU-40103:



Abbreviations: K: potassium; IL: interleukin; Ca: calcium; O_2: oxygen; VEGF: vascular endothelial growth factor; Wnt: wingless-related integration site; β-cat: beta-catenin; 5α-R2: 5 alpha-reductase; DHT: dihydrotestosterone; AR: androgen receptor

Source: Frost & Sullivan analysis

Competitive Advantages

We believe that CUP-MNDE and CU-40103 have the following advantages:

Promoting Hair Growth through Innovative Formulation and Enhanced Follicular Delivery

Compared to other topical forms, our minoxidil spray CUP-MNDE improves the solubility of minoxidil, which facilitates the sustained absorption of the active ingredient on the scalp to ensure accurate dosing and enhance transdermal penetration and follicular delivery. In addition, CU-40103 is a topical minoxidil foam, with the advantages of no dripping upon dispensing and easy to apply.

Hypoallergenic Formulation to Scalp and Reduced Adverse Effects (CUP-MNDE only)

CUP-MNDE employs a low concentration propylene glycol formulation technology that is less irritant and hypoallergenic to scalp. Propylene glycol is a common component of topical minoxidil products on the market. However, it is also a contact allergen that can occasionally cause immune contact urticaria and a skin irritant that may cause skin irritation and inflammation particularly in winter, especially for atopic subjects. The higher the concentration of propylene glycol, the greater the risk of allergy and irritation. Additionally, the presence of a high concentration of propylene glycol is also not typically appreciated by users because it renders a product oily and gives a "sticky" appearance to the hair and an unpleasant sensation to the touch. Thus, it is necessary to reduce the concentration of propylene glycol in minoxidil formulations. CUP-MNDE has lower propylene glycol concentration (20%) than the products with propylene glycol concentration of 56% marketed by competing companies, but maintains similar concentration of minoxidil in the dermis after application as compared to a competing product with higher propylene glycol concentration. A skin testing showed that with the unique formulation, CUP-MNDE causes less adverse effects such as skin irritation and allergy and improves the satisfaction of use and patient compliance. The superior safety profile and user satisfaction in texture gives CUP-MNDE potential advantages in clinical use.

Distribution

On June 1, 2021, we entered into a distribution agreement (the "**CUP-MNDE Agreement**") with Laboratoires Bailleul International S.A. ("**Laboratoires Bailleul**"). Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of CUP-MNDE in Mainland China. For more details, see "– Collaboration and Licensing Arrangements – CUP-MNDE Agreement."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CUP-MNDE and CU-40103 SUCCESSFULLY.

CU-40101: Phase I Clinical-Stage Topical Liniment of Small Molecule Hormone Receptor Agonist

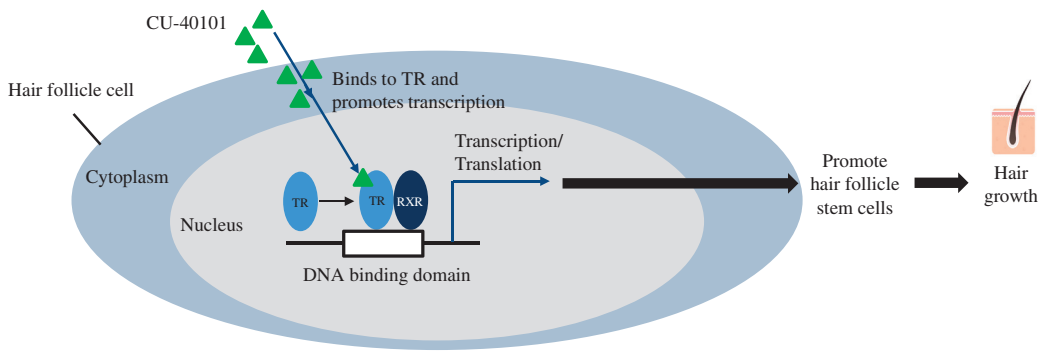
Overview

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 available 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 a 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.

Mechanism of Action

CU-40101 is a potent small molecule thyroid hormone receptor agonist. CU-40101 binds to thyroid hormone receptor in hair follicle cells and induces hair growth by promoting hair follicle stem cell to initiate hair growth, a programmed regeneration process that runs automatically once initiated. The skin is a recognized target of thyroid hormones. The biological activity of thyroid hormones is mediated through the nuclear thyroid hormone receptor. These effects are mediated in part through ligand-specific interactions of the thyroid hormone receptor with its partner retinoid X receptor and the binding of these transcription factors to specific promoter regions of the thyroid hormone response gene. The expression of thyroid hormone receptor is localized in the nuclei of human hair follicle outer hair root sheath and dermal papilla cells, suggesting a role for thyroid hormones in hair growth. Thyroid hormones have been shown to stimulate epidermal proliferation and hair growth in animals. On the other hand, hypothyroidism causes hair loss, with symptoms of lusterless, brittle hairs and increased percentage of resting hair follicles. Therefore, CU-40101 may be a novel, effective and safe therapeutic agent for the androgenetic alopecia.

The diagram below illustrates the mechanism of action of CU-40101:



Source: Frost & Sullivan analysis

Competitive Advantages

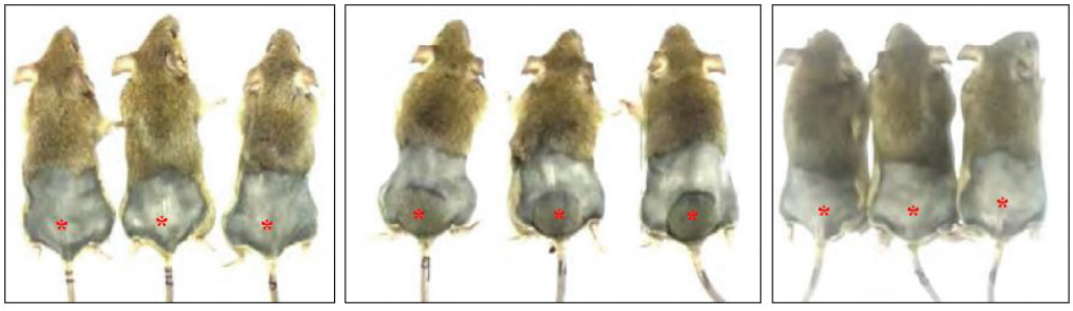
We believe that CU-40101 has the following advantages:

Stimulating Growth of Hair Follicles in Resting Phase

The pre-clinical *in vivo* efficacy studies in C3H mice have shown that CU-40101 is effective in stimulating growth of hair in resting phase in a dose-dependent manner when applied topically. Such results demonstrated the efficacy of CU-40101 in promoting the transition of dormant hair follicles from resting phase to growing phase. In the *in vivo* hair growth model in C3H mice, the hairs on the dorsal skin of C3H mice are in resting phase from about 6-14 weeks after birth. In the pre-clinical *in vivo* efficacy studies, the hairs cycle phase on the dorsal skin of C3H mice at about 7 weeks of age is in the resting phase, characterized by pink skin, and the hair on the lower back of the mice is shaved to prepare the skin for administration. The vehicle (propylene glycol/ethanol, 30/70, negative control) or test compounds, including CU-40101 and minoxidil, is applied to an area near the base of the tail. The figure below shows the gross appearance of representative mice in each group on the day 21 of treatment with the red asterisks indicating the center of the treated area. Application of CU-40101 to the dorsal skin of C3H mice induced hair growth prior to the next natural growth phase, presumably by activating hair follicles in resting phase into the growth phase. No significant treatment-related abnormalities were observed during the treatment. In comparison, hair growth was not observed in any mice in the vehicle control or minoxidil groups, suggesting that minoxidil had no effect at all on the hair follicles in resting phase of the mice experimental model.

The effects of CU-40101 on growth of hair in resting phase

Group 1: vehicle control Group 2: 0.05% CU-40101 Group 3: 5% minoxidil



Source: Company data

Furthermore, treatment for hairs in resting phase of C3H mice with three different concentrations (0.005%, 0.01%, 0.05% w/v) of CU-40101 showed that both 0.01% and 0.05% CU-40101 treatment groups started to grow hair after 3-5 days of administration. In contrast, 0.005% CU-40101 did not show signs of hair growth until 12 days after administration, with

a delay in reaching full hair. Thus, topical administration of CU-40101 to C3H mice was able to effectively stimulate hair growth in resting phase in a dose-dependent manner, suggesting a potentially novel, effective and safe therapeutic agent for androgenetic alopecia.

Favorable Safety Profile and Low Systemic Drug Exposure

Pre-clinical studies showed that topical administration of CU-40101 solution at doses of 0.28 and 1.4 mg/kg (0.05% and 0.25%) in British guinea pigs caused no skin or systemic allergic reactions. The *in vitro* and *in vivo* genotoxicity studies further showed negative results, sufficient to demonstrate that the compound does not pose a significant risk of genotoxicity. In addition, with a topical liniment formulation, CU-40101 is applied to the scalp directly and is poorly absorbed systematically with a short elimination half-life to reduce the systemic adverse effects or drug-drug interaction. The pre-clinical pharmacokinetic studies showed that after a single topical application of CU-40101 at 0.001-0.02 mg/mouse or 0.11-2.2 mg/pig, plasma CU-40101 concentrations were below the limit of quantification by 0.1 ng/mL. With such extremely low systemic exposure following topical application, the risk of CU-40101 to cause clinical drug-drug interaction is expected to be very low. It is an important advantage for patients to use CU-40101 in combination with other therapeutic drugs concomitantly.

Applicable to Female Patients

The completed pre-clinical studies support that CU-40101 can potentially be used in both male and female patients, in contrast with finasteride, which can only be used in male patients. Although male and female androgenetic alopecia patients have similar etiologies, some safety concerns of finasteride in female patients, especially in pregnant women, have been demonstrated in animal studies and clinical trials. As a result, finasteride is currently not indicated for use in female patients. CU-40101 has a different mechanism of action from finasteride, and based on current animal study results, no special safety signal has been detected in female animals. CU-40101 accordingly has the potential to be further developed to be used in female patients.

Licensing

On April 17, 2020, we entered into a licensing agreement (the "**CU-40101 Agreement**") with TechnoDerma Medicines Inc. ("**TechnoDerma**"). 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 scalp disease treatment. For more details, see "– Collaboration and Licensing Arrangements – CU-40101 Agreement."

Clinical Development Plan

We are currently conducting a Phase I clinical trial to evaluate the safety, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment formulation in adult male patients with androgenetic alopecia in China. We expect to enroll 62 patients, including 32

patients of single-dose dose escalation cohort and 30 patients of multi-dose dose escalation cohort. The primary endpoints for the Phase I trial are to evaluate the safety, immunogenicity, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment formulation. Additional endpoints include hair count change at target area. We enrolled the first patient in the Phase I clinical trial in September 2022 in China, and we expect to complete the Phase I clinical trial in the second quarter of 2024.

Material Communications with Competent Authorities

We filed an IND application for a Phase I clinical trial to evaluate the safety, tolerability and pharmacokinetics of single and multiple doses of CU-40101 liniment formulation with the NMPA on September 26, 2021, and received the NMPA approval to conduct Phase I clinical trial on December 17, 2021.

We had not received any relevant regulatory agency's objections to our clinical development plan as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-40101 SUCCESSFULLY.

CU-40104: Pre-clinical Stage Topical Dutasteride

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.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CU-40104 SUCCESSFULLY.

CUP-SFJH: Commercialized Hair Growth Serum

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 and reduce side effects.

On September 1, 2021, we entered into an agreement (the "**CUP-SFJH Agreement**") with Van Montfort Laboratories B.V. ("**VML**"). Pursuant to the CUP-SFJH Agreement, VML grants to us the direct and exclusive distribution rights within the Mainland China for CUP-SFJH. For more details, see "– Collaboration and Licensing Arrangements – CUP-SFJH Agreement."

SKIN DISEASES AND CARE

Current treatments for common skin diseases include systemic agents, topical therapies and physical therapy. However, due to drug resistance from long treatment duration, the lack of novel or effective treatments and the unclear pathology of skin diseases, current therapies are unlikely to have durable and consistent response and patients are generally prone to relapse. We are currently developing three skin disease products, including CU-10201 for the treatment of moderate to severe acne vulgaris, CU-10101 for the treatment of atopic dermatitis and CU-10401 for the treatment of psoriasis, to capture the growing market of skin diseases and care products in China. It is estimated that the skin diseases and care market will increase from RMB352.6 billion in 2021 to RMB493.3 billion in 2025, representing a CAGR of 8.8%, and further increase to RMB740.2 billion in 2030, representing a CAGR of 8.5% from 2025 to 2030, according to Frost & Sullivan. To complement our current skin diseases and care product candidates under development, we also engage third parties to manufacture and then sell certain skin care products for daily care and post-treatment maintenance in the PRC.

Key Product CU-10201: Phase III Clinical-Stage Topical Minocycline Foam

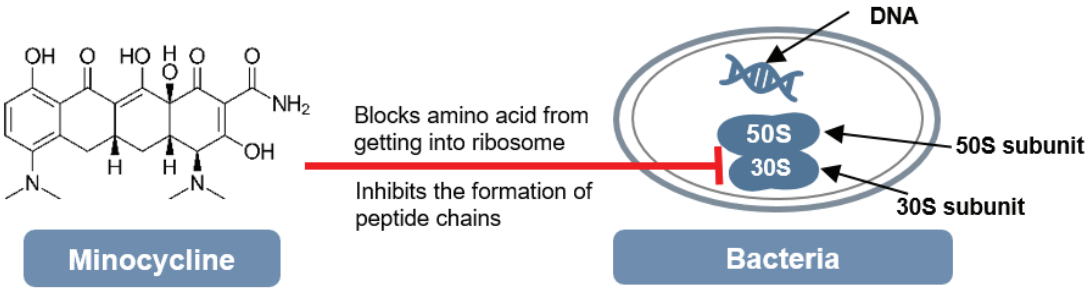
Overview

CU-10201 is the first and only topical minocycline approved for acne vulgaris treatment globally. 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 primarily 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.

Mechanism of Action

Minocycline is a widely applied antibiotic and can be used to treat a number of bacterial infections and skin diseases, including acne vulgaris. Minocyclines blocks amino acid from getting into ribosome such that the formation of peptide chains of bacteria is inhibited. Acne vulgaris has a multifactorial etiology including inflammation and infection. Obstruction of hair follicles and the accompanying sebaceous glands, follicular colonization by *Cutibacterium acnes* and production of multiple pro-inflammatory cytokines may lead to the formation of non-inflammatory and inflammatory lesions. Minocycline exhibits broad-spectrum antibacterial activity against a wide range of microorganisms including *C. acnes* and other reported pathogens in skin infections, such as *Staphylococcus aureus*, *Streptococcus spp.*, *Pseudomonas aeruginosa* and methicillin-resistant strains of *Staphylococcus epidermidis*. Minocycline also possesses anti-inflammatory properties that may help alleviate acne vulgaris by exhausting TNFα/INF-γ and downregulating pro-inflammatory cytokine secretion to inhibit apoptosis.

The diagram below illustrates the mechanism of action of CU-10201:



Source: Frost & Sullivan analysis

Market Opportunities

Acne vulgaris is a chronic inflammatory dermatosis notable for open or closed comedones and inflammatory lesions, such as papules, pustules, or nodules. Acne vulgaris is a common skin disease in particular in adolescents and young adults. It can cause significant physical and psychological morbidity, such as permanent scarring, poor self-image, depression and anxiety. According to Frost & Sullivan, the prevalence of acne vulgaris in China increased from 118.5 million in 2017 to 120.5 million in 2021, representing a CAGR of 0.4%, and is expected to reach 122.0 million in 2025, representing a CAGR of 0.3% from 2021 to 2025 and 123.1 million in 2030, representing a CAGR of 0.2% from 2025 to 2030, suggesting a large market size in China.

Treatment options include hormonal agents (anti-androgen treatments), topical therapies, systemic antibiotics and isotretinoin. However, the use of antibiotics, especially oral antibiotics, faces the rising problem of drug resistance, which not only undermines the clinical efficacy of acne treatment, but also leads to the emergence of other resistant bacteria strains through plasmid transmission of resistance genes, thus increasing the risk of multi-drug resistant infections such as upper respiratory tract infections and pneumonia. Other common topical therapies for acne including benzoyl peroxide, topical retinoids and various types of acids often cause some degree of skin irritation especially at early stage of use. These treatments need to be started with a lower dose and gradually increased over time. Such process can be time consuming, and many patients fail to build up skin tolerance or self-identify and apply the appropriate amount of drugs that exerts clinical efficacy while not inducing serious skin irritation. Failure in doing so leads to poor compliance to the therapy and hence lack of efficacy. Another treatment option for moderate to severe acne is oral isotretinoin with a variety of limitations, including side effects such as dry lips, dry eyes, depression, hair loss, birth defects, strict contraindication for pregnant females, and long duration of treatment. It usually takes months to show desired effects after administration and the patients may experience breakouts during initial stage due to the side effects.

Our Key Product CU-10201, is the first and only topical minocycline approved for acne vulgaris treatment globally. Minocycline is a tetracycline antibiotic used to treat a number of bacterial infections and has been shown to be effective in the treatment of acne vulgaris. Compared to other major anti-acne antibiotics, topical minocycline foam has fewer side effects, a lower rate of drug resistance, and likely higher patient compliance. In addition, the highly lipophilic nature of minocycline allows it to concentrate in hair follicles and sebaceous glands, resulting in more targeted and better efficacy. We believe CU-10201 holds the possibility of redefining the market landscape of acne vulgaris drugs in China.

Competitive Advantages

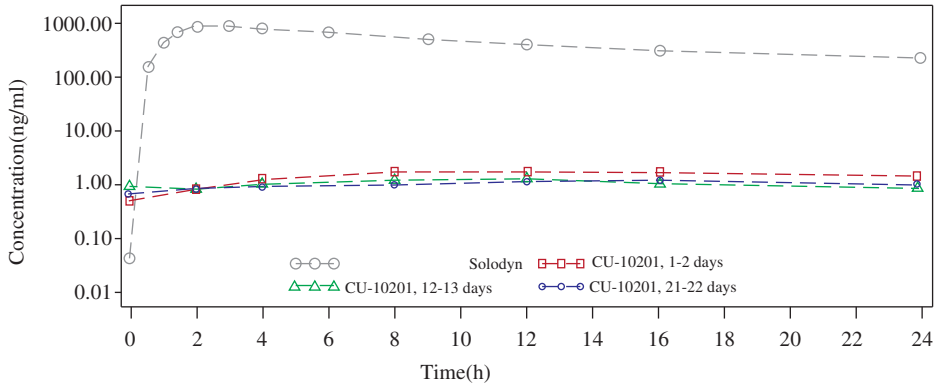
We believe CU-10201 has the following advantages:

Low Systemic Drug Exposure

CU-10201 is the foam form of 4% minocycline hydrochloride. A pharmacokinetic study comparing topical administration of CU-10201 and oral administration of solodyn, the minocycline hydrochloride extended-release tablet, showed that CU-10201 exhibited significantly lower systemic drug exposure. 30 subjects received a single dose of Solodyn (Stage 1) at approximately 1 mg/kg, and after one week, the subjects received CU-10201 (Stage 2) for 21 days, with topical administration of around 4g CU-10201 on face, neck, upper chest, upper back, shoulders and upper arms of subjects. Blood samples were collected for both stages to determine the minocycline plasma concentrations.

Compared to oral minocycline medication solodyn, the topical formulation of CU-10201 exhibited significantly lower systemic drug exposure, as indicated by the plasma drug concentration showed in the following figure. The relative bioavailability of minocycline of CU-10201 compared to solodyn was 0.126% on day 12 and 0.131% on day 21 based on Cmax, and 0.134% and 0.137% based on AUC. The systemic exposure amount of minocycline of daily administration of CU-10201 at a maximum dose of 4g for up to 21 days was 730-794 times lower than that of oral administration of solodyn at around 1 mg/kg minocycline.

Average plasma drug concentration of minocycline of acne patients after oral application of Solodyn® and topical application of CU-10201 – time curve (semi logarithmic ratio)



Source: Company data based on Phase III clinical trial of CU-10201 for moderate-to-severe acne vulgaris sponsored by Foamix

Strong Antibacterial Activity against C. Acnes and Low Incidence of Resistance

C. acnes plays an important role in the pathogenesis of acne vulgaris. CU-10201 has very broad-spectrum antibacterial activity against a variety of microorganisms, including *C. acnes*, and other microorganisms reported in various skin infections, such as *Staphylococcus aureus, Streptococcus spp.*, *Pseudomonas aeruginosa* and methicillin-resistant strains of *Staphylococcus epidermidis*. The following table showed the inhibition diameter of the *in vitro* antibacterial activity study. CU-10201 has the largest inhibition of diameter against all the above-mentioned bacteria strains among CU-10201, solvent (placebo) and fucidin. Fucidin is a topical antibiotic commonly used to treat inflammatory lesions in acne vulgaris and other bacterial skin infections.

Antibacterial activity *in vitro*: to compare CU-10201, Fucidin (fusidic acid) ointment and solvent – inhibition of diameter

Bacteria	CU-10201 Inhibition of diameter	Solvent Inhibition of diameter	Fucidin Inhibition of diameter
Staphylococcus aureus 6538	>40, >40, >40 mm	13, 21, 20 mm	>40, >40, >40 mm
Pseudomonas aeruginosa 9027	40, 40, 40 mm	0, 0, 0 mm	11, 12, 16 mm
Staphylococcus (MRSA) 43300	>40, >40, >40 mm	17, 18, 20 mm	40, 40, 38 mm
S. pyogenes abscess 19615	38, 43, 40 mm	12, 15, 11 mm	10, 12, 22 mm
Acne propionic acid bacillus 1182	32, 30, 35 mm	NA	NA

mm = mm; MRSA = methicillin-resistant staphylococcus aureus; NA = not applicable

Note: inhibition of diameter measured to be 0 = null; and 30 or higher = very effective.

Source: Company data

Based on a MIC_{90} study using a group of 102 clinical isolated strains of *C. acnes* with germline and genotypic diversity mainly from the U.S., the MIC_{90} value of CU-10201 was 0.25/0.5 μg/mL. CU-10201 was bacteriostatic against clinical isolated strains of *C. acnes* (n=7). In addition, spontaneous resistance to CU-10201 occurred at a frequency of $<1 \times 10^{-8}$ in seven *C. acnes* strains. After 15 consecutive passages of *C. acnes*, CU-10201 still had potent antibacterial activity against *C. acnes*. Therefore, *C. acnes* has low incidence of resistance to minocycline treatment.

Summary of Clinical Trial Results

The clinical pharmacology, efficacy and safety trials of CU-10201 have been conducted through a clinical development program consisting of 11 completed clinical trials conducted by Foamix. We are conducting a Phase III clinical trial for efficacy and safety in patients with moderate-to-severe acne vulgaris. Among these trials, CU-10201 was generally well-tolerated in patients and showed evidence of efficacy. We present the results of key clinical trials below.

Phase III Clinical Trial of CU-10201 for Moderate-to-Severe Acne Vulgaris Sponsored by us

Overview. This was a multi-center, randomized, double-blind, placebo-controlled Phase III clinical trial in patients ≥9 years old with moderate-to-severe acne vulgaris. The trial is designed to assess the efficacy and safety of the CU-10201 in China. The regulatory authority of this trial is the NMPA.

Trial design. The CU-10201 group was treated once-daily with CU-10201 by smearing the facial acne site for 12 consecutive weeks. The control group was treated once-daily with the vehicle by smearing the facial acne site for 12 consecutive weeks. The primary objective of the Phase III clinical trial was to test the safety and efficacy of CU-10201 against vehicle after 12-week treatment of acne. The primary efficacy endpoint of this clinical trial was the change of inflammatory lesion count against the baseline after 12-week treatment. The secondary efficacy endpoints of this clinical trial included the successful rate based on investigator general assessment (IGA) score after 12-week treatment, the change of non-inflammatory lesion count against the baseline after 12-week treatment and the change of inflammatory lesion count against the baseline after 4- and 8-week treatment. The safety endpoints included treatment emergent adverse events, clinical laboratory tests, physical examination, vital signs measurements, and local skin tolerance assessment scores (including erythema, dryness, peeling, and hyperpigmentation).

Trial status. We initiated the trial in April 2021 and 372 patients had been enrolled by end of June 2022. We are collecting clinical data, and no preliminary clinical result is available for analysis.

Phase III Clinical Trial of CU-10201 for Moderate-to-Severe Acne Vulgaris Sponsored by Foamix

Overview. This was a randomized, multi-center, double-blind, solvent-controlled, 2-arm, 12-week Phase III clinical trial of efficacy and safety for the treatment of patients with moderate to severe acne vulgaris in the U.S. The regulatory authority of this trial is the FDA.

Trial design. The patients were randomized to receive either CU-10201 or solvent treatments. The endpoints were to evaluate efficacy, including acne lesion count and investigator's global assessment. Additional efficacy endpoints included a subject satisfaction questionnaire with eight questions. The safety evaluation included treatment emergent adverse events, clinical laboratory tests, physical examination, vital signs measurements, and local skin tolerance assessment scores (including erythema, dryness, peeling, and hyperpigmentation).

Trial status. Foamix enrolled 1,488 patients aged between 9 to 66 years old and completed the clinical trial in 2018.

Safety data. The frequency of treatment emergent adverse events and other safety-related effects was low and no clinically significant trends were observed. The topical treatment with CU-10201 or the solvent topical treatment for 12 weeks was shown to be safe and well tolerated for patients with moderate to severe acne vulgaris. The majority of reported treatment

emergent adverse events were mild and not treatment-related. No other safety indicators (e.g., clinical laboratory tests, vital signs tests, physical examinations) demonstrated any safety concerns with CU-10201 topical treatment.

Efficacy data. In the analysis of the primary endpoint of change from baseline in inflammatory lesion counts, the estimated mean change from baseline to 12 weeks was 16.93 in the CU-10201 treatment group and 13.40 in the solvent treatment group. In the analysis of the primary endpoint of treatment success based on investigator's global assessment scores, the successful treatment rate at 12 weeks reached 30.80% in the CU-10201 treatment group and 19.63% in the solvent treatment group. In the subject satisfaction questionnaire with eight questions administered at 12 weeks, 31.8% of patients in the CU-10201 treatment group were satisfied and 34.9% were very satisfied with the product and its acne treatment effects, compared with 20.8% and 24.6% in solvent treatments group, respectively. The treatment with CU-10201 for 12 weeks was more effective than solvent treatment in reducing the number of inflammatory and non-inflammatory acne lesions, and achieved treatment success as evaluated by investigator's global assessment.

Licensing

On April 21, 2020, we entered into a licensing agreement (the "**CU-10201 Agreement**") with Foamix. Pursuant to the CU-10201 Agreement, Foamix grants to us an exclusive, royalty-bearing license, which includes 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 late 2021. VYNE Therapeutics Inc. had assigned the rights and obligations under the CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022. For more details about the agreement, see "– Collaboration and Licensing Arrangements – CU-10201 Agreement."

Clinical Development Plan

We are currently conducting a Phase III clinical trial for CU-10201, and we have commenced pilot commercialization of CU-10201 in Lecheng, Hainan. 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.

Material Communications with Competent Authorities

We filed an IND application to the Phase III clinical trial to assess the efficacy and safety of CU-10201 treating moderate-to-severe acne vulagris to NMPA in January 2021 and received IND approval in April 2021. The approval for pilot commercialization of CU-10201 from Hainan Medical Products Administration was received on July 27, 2021.

We had not received any relevant regulatory agency's objections to our clinical trials as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10201 SUCCESSFULLY.

CU-10101: Pre-clinical Stage Small Molecule Drug

Overview

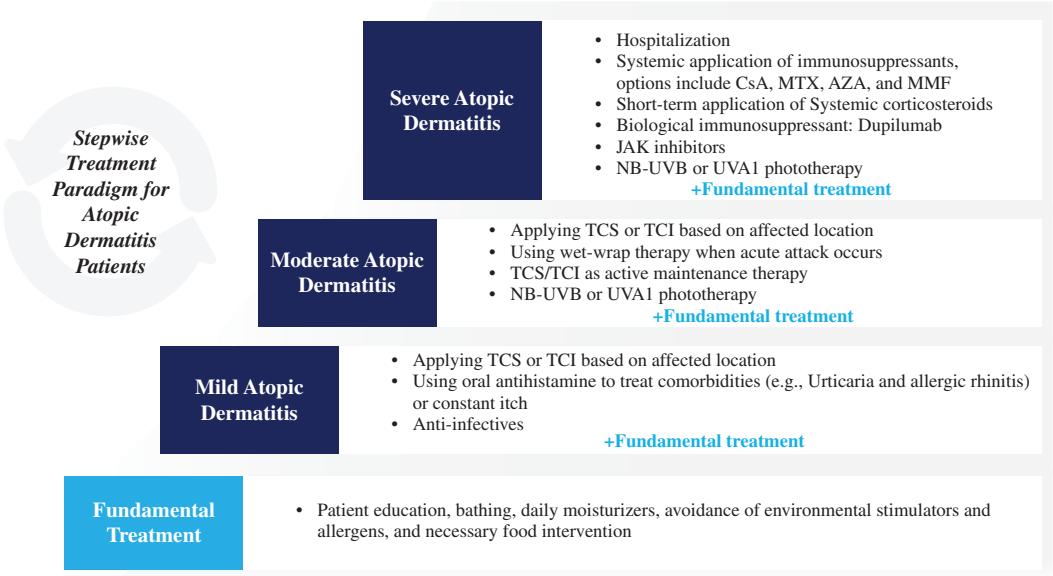
CU-10101 is a non-hormonal, small molecule innovative drug targeting atopic dermatitis. For atopic dermatitis, the therapeutic options are limited and mainly include corticosteroids, calcineurin inhibitors, systemic immunosuppressants, and targeted biologics and small-molecule drugs. Topical steroids 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 conducting the pre-clinical study of CU-10101. We plan to submit an IND application to the NMPA in the second quarter of 2024.

Market Opportunities

Atopic dermatitis offers a wide clinical spectrum ranging from minor forms such as pityriasis alba (dry depigmented patches) or hand eczema to major forms with erythrodermic rash. Pruritus and chronic or relapsing eczematous lesions with typical shape and distribution are the major symptoms. Atopic dermatitis can have a detrimental effect on the quality of life of patients and their families on social, academic, and occupational aspects due to strong and lasting itching and the appearance of dermatitis lesions. Atopic dermatitis places a considerable financial burden on patients, their families, and society as a whole through direct medical costs and decreased productivity. According to Frost & Sullivan, the prevalence of atopic dermatitis in China increased from 62.4 million in 2017 to 69.1 million in 2021, representing a CAGR of 2.6%, and is expected to reach 75.2 million in 2025, representing a CAGR of 2.2% from 2021 to 2025 and 81.7 million in 2030, representing a CAGR of 1.7% from 2025 to 2030, suggesting a large market size in China.

Current Treatment Paradigm and Unmet Clinical Needs

The following figure shows different treatments for atopic dermatitis:



**CsA: cyclosporine A; MTX: methotrexate; AZA: azathioprine; MMF: mycophenolate mofetil; TCS: topical corticosteroids; TCI: topical calcineurin inhibitors*

Source: Chinese Society of Dermatology, Frost & Sullivan analysis

The current atopic dermatitis treatment paradigm is facing multiple major challenges, including:

- *Insufficient efficacy affecting quality of life and mental wellness:* Atopic dermatitis is a chronic, relapsing skin disorder that has substantial negative impacts on patients' quality of life with social, occupational and academic impairments. Atopic dermatitis requires long-term management such as avoiding triggers, improving skin hydration, managing exacerbating factors, and reducing inflammation. Current medications, however, are unable to offer adequate efficacy and safety, especially for the younger patients who are more prone to mental health issues such as depression and anxiety.

- *Concern about side effects:* Topical and systemic medications that are commonly prescribed include corticosteroids and immunosuppressants despite the common side effects from topical steroids such as itching, redness, dryness, skin atrophy, striae, easy bruising and the common side effects from systemic steroids such as weight gain, frequent urination, mood swings, high blood pressure, worsen of diabetes, and higher risks of infections. Common side effects of systemic immunosuppressants include but are not limited to gastrointestinal reactions, allergic reactions, leukopenia, nephrotoxicity, hepatotoxicity, neurological abnormalities, increased risks of carcinoma. The side-effects are a major concern among patients who need to apply corticosteroids and immunosuppressants.

- *Low penetration of targeted therapy and lack of approved topical targeted drugs:* In China, the number of targeted drugs approved and the adoption of targeted therapies that have demonstrated to bring more clinical benefits than traditional medications in atopic dermatitis is still low. Among the targeted treatments approved, most of them are biologics that need to be subcutaneously injected on a regular basis, which lowers the patients' willingness to use and compliance with the treatments. Despite the convenience and relatively better patients compliance of topical treatments, there is only one targeted small molecule drug in topical formulation approved for atopic dermatitis in China.

- *Limitations of atopic dermatitis targeted therapies and targeted drugs for mild atopic dermatitis:* Currently, atopic dermatitis targeted drugs such as JAK and IL-4R inhibitors mainly focus on moderate to severe atopic dermatitis treatment. The applications of targeted drugs to treat mild atopic dermatitis are relatively rare. The oral JAK-targeted drugs approved in China and the topical JAK inhibitor approved in the U.S. were warned by the FDA about the potential adverse events such as serious infection, shingles and malignant tumor.

Innovative Solution

The following therapies have emerged as an innovative solution for atopic dermatitis:

- *Innovative targeted therapy:* Atopic dermatitis progression has a complicated mechanism with which multiple proteins are involved, such as IL-4, IL-13, IL-31, IL-33 and TSLP. Some of the pathways are well-developed with target drugs. IL-31 can bind to its receptor on sensory neurons to stimulate the nerves and induce pruritus. Nemolizumab, a humanized monoclonal antibody, can target the IL-31 receptor, showing great efficacy in reduction of pruritus in patients with moderate-to-severe atopic dermatitis, while no significant side-effects were reported in clinical trial. Due to atopic dermatitis patients have higher number of OX40L+, the OX40L-OX40 axis is deemed to be a crucial target for atopic dermatitis treatment. GBR 830 is an inhibitor of OX40 to decrease the expression of OX40 and OX40-L in the lesional skin, while maintain excellent safety and tolerance in Phase IIa clinical trial.

- *Topical targeted small molecules:* Topical targeted drugs of small molecules that can easily pass through skin barrier and target the individual pathways are likely to provide further therapeutic opportunities for patient benefit. Tapinarof cream, a kind of aryl hydrocarbon receptor (AhR) targeted topical therapy, has been approved to treat mild-to-moderate psoriasis in 2019. Currently, the topical use of tapinarof cream for atopic dermatitis has been undergoing Phase III clinical trials in China and it has a great potential to expand its indications to other immune-related diseases. Crisaborole ointment, a kind of PDE4 inhibitor, has been approved to treat atopic dermatitis in 2020. In addition, a number of topical target drug pipelines targeting JAK, PDE4, EGFR, IL-17 have been in clinical trials for the treatment of atopic dermatitis, psoriasis and vitiligo.

Competitive Advantages

We believe CU-10101 has the following advantages:

Promising Potency against Atopic Dermatitis

The in vitro cell model efficacy test results demonstrated that CU-10101 has favorable efficacy in several classic atopic dermatitis models, such as 3D epidermal skin model, macrophage inflammation model and keratinocyte model. In the Poly I:C+LPS stimulated 3D epidermal skin model (Epikutis®) test, four groups of the skin model were treated with 1) culture medium (for blind control group), 2) PolyI:C+LPS stimulation solution (for negative control group), 3) 0.01% dexamethasone (a corticosteroid hormone) or 50μM WY14643 (an agonist of peroxisomal proliferation activates receptors) (for positive control group) and 4) 0.0039mg/mL (25μL) and 0.001mg/mL (25μL) CU-10101 (for test group). The results showed that both 0.0039mg/mL and 0.001mg/mL CU-10101 improve tissue morphology, inhibit the secretion of thymic stromal lymphopoietin (TSLP) and enhance the expression of barrier-related proteins filaggrin (FLG) and loricrin (LOR), thus achieving soothing effects. The macrophage inflammation model test showed the anti-inflammation effects and soothing effects for CU-10101 by inhibiting IL-1β, IL-6, TNFα, PGE2 and NO levels, and the keratinocyte model test showed soothing effects by inhibiting TRPV1 (transient receptor potential cation channel subfamily V member 1) protein level. Thus, CU-10101 has soothing effects and anti-inflammation effects to potentially achieve favorable efficacy for atopic dermatitis treatment.

Optimized Formulation and Improved Atopic Dermatitis Patients' Skin Friendliness

The ointment formulation has been optimized to mitigate the photo-instability nature of the compound itself. Atopic dermatitis patients have impaired skin barrier function. The ointment dosage form is believed to improve skin barrier function. The topical dosage forms of approved atopic dermatitis medications include ointment, cream, gel and solution. Ointment is an oil-based semisolid preparation that comprises less than 20% water and volatiles, and more than 50% hydrocarbons, waxes, or polyols as the vehicle. Ointment is thicker and has a longer duration of action than other common dosage forms.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10101 SUCCESSFULLY.

CU-10401: Pre-clinical Stage Generic Tapinarof Cream

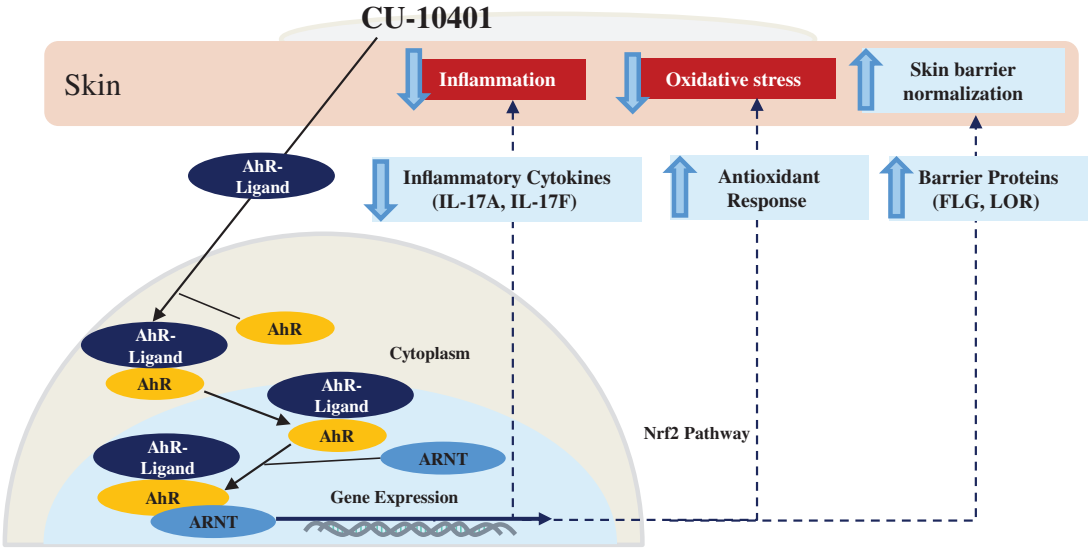
Overview

CU-10401, an 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.

Mechanism of Action

Tapinarof can act as an AhR-ligand to enter into the cell's cytoplasm once applied to the skin. AhR-ligand can bind and activate the AhR to translocate into the cell's nucleus. The ligand-activated AhR then heterodimerizes with the aryl hydrocarbon receptor nuclear translocator (ARNT) to form ligand-AhR-ARNT complex which can bind to DNA to modulate gene expression. In such a way, T helper type 17 cytokines can be significantly reduced to mediate inflammation. Meanwhile, antioxidant response is increased via NF-E2-related factor 2 (Nrf2) pathway as well as direct reactive oxygen species scavenging by tapinarof to decrease oxidative stress. Regulation of skin barrier protein expression such as filaggrin (FLG) and loricrin (LOR) upon the binding between ligand-AhR-ARNT complex and DNA can promote skin barrier normalization.



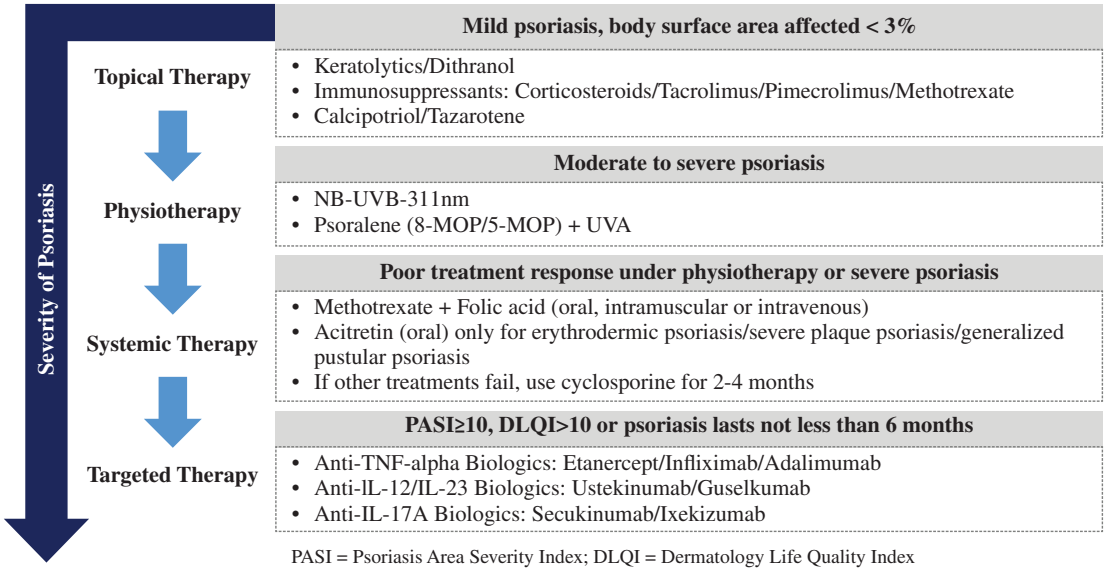
Source: Literature Review, Frost & Sullivan analysis

Market Opportunities and Competitive Advantages

Psoriasis is a common, chronic, systemic, immune-mediated inflammatory disease. It speeds up the division cycle of skin cells, causing cells to build up rapidly on the surface of the skin. The extra skin cells form scales and red patches that are itchy and sometimes painful. Psoriasis is a chronic disease that often comes and goes with no curative treatment. The main goal of current treatment is to offer symptoms relief and extend the relapse free duration. According to Frost & Sullivan, the prevalence of psoriasis in China increased from 6.5 million in 2017 to 6.7 million in 2021, representing a CAGR of 0.5%, and is expected to reach 6.8 million in 2025, representing a CAGR of 0.4% from 2021 to 2025 and 6.9 million in 2030, representing a CAGR of 0.2% from 2025 to 2030, suggesting a large market size in China.

Current Treatment Paradigm and Unmet Clinical Needs

The number of available topical therapies for psoriasis and their efficacy in controlling the disease are both relatively limited; however, most of the systemic medications have significant risk of serious side effects. As a result, treatment choice is made based on the stage and severity of the disease. As the condition worsens, different treatment options can be used alone or combined, including topical, physical, systemic and targeted therapies, as shown below.



Source: Literature review, Frost & Sullivan analysis

Current treatment options for moderate to severe psoriasis patients, or patients with inadequate disease control under currently available topical therapies, are phototherapy and systemic immune modulators, including biotherapeutics that target the T-cell function and that inhibit the activity of TNF-alpha. However, these therapies typically come with one or even more of the following shortcomings including higher cost, inconvenience to administer, serious systemic side effects and even toxicities. Patients are in great demand for a safe, effective, easy-to-use and ideally topical administered innovative therapy.

Innovative Solution

Tapinarof is the world's first AhR targeted non-steroidal small molecule chemical drug. The AhR is a ligand-dependent transcription factor with roles in the regulation of cytokine and skin-barrier protein expression and antioxidant activity, making it a therapeutic target for the treatment of inflammatory skin diseases and potentially other immunologic diseases. Tapinarof binds to and activates the AhR and has been shown to work by immune modulation, skin-barrier normalization, and antioxidant activity. The Janus kinase-signal transducer and activator of transcription pathway plays a major role in intracellular cytokine signaling in inflammatory processes involved in psoriasis. Although Janus kinase (JAK) 1-3 inhibitors have demonstrated efficacy in patients with moderate-to-severe psoriasis, safety concerns persist and an opportunity exists for novel oral therapies and topical therapies that are safe and efficacious in psoriasis. Tyrosine kinase 2 (TYK2) is a member of the JAK family of kinases and regulates signaling and functional responses downstream of the interleukin 12, interleukin 23, and type I interferon receptors. A deactivating TYK2 genetic variant, driving near-complete loss of function of IL-12, IL-23, and type I IFN signaling, is protective against autoimmunity and does not result in immunodeficiency. Therefore, TYK2 inhibition may be beneficial in the management of psoriasis. Selective, allosteric inhibition of TYK2 signaling may reduce the toxicities associated with pan-JAK inhibitors. Several novel TYK2 inhibitors are in development for moderate-to-severe psoriasis in China.

Competitive Advantages

The active ingredient of CU-10401, tapinarof, is an AhR targeted drug with mechanism of action involving immune modulation, skin-barrier normalization, and antioxidant activity. It is a non-steroidal small molecule chemical drug and carries a lower risk of adverse effects than topical corticosteroid or other systemic therapies. It has the potential to become a topical therapy with combined advantage in efficacy, safety, and treatment convenience. Compared with calcipotriol, another commonly used topical nonsteroidal agent, CU-10401 demonstrated a lower relapse rate (7.3% vs 8.5%) according to Consensus on the Treatment of Psoriasis with Benvitimod Cream.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-10401 SUCCESSFULLY.

LOCALIZED ADIPOSE ACCUMULATION MANAGEMENT MEDICATION

Core Product CU-20401: A Potential First-in-Class Recombinant Mutant Collagenase

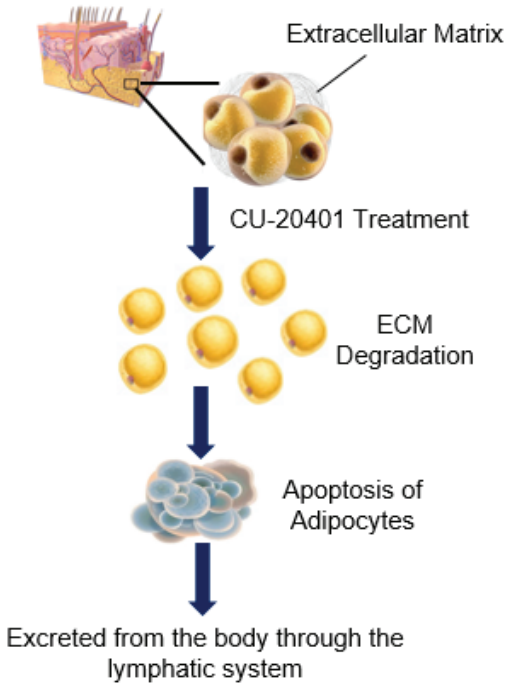
Overview

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 of CU-20401 on human subjects 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.

Mechanism of Action

Collagenases are enzymes that break the peptide bonds in collagen. Collagenase exists in various human tissues, including uterus, bones and wound-healing tissues, and can hydrolyze the peptide bonds in collagen. Human fat tissue mainly consists of adipocytes that are surrounded by and attached to the extracellular matrix mainly composed of collagen network. Once the collagen network is degraded by the collagenase, the fat cells are detached and isolated, losing the mechanical and physiological support by the extracellular matrix and consequently undergoing apoptosis. Local adipose tissue volume can hence be reduced in the area where the collagenase is administrated. CU-20401 is a recombinant mutant collagenase, with the glutamate on amino acid site 451 of wild-type collagenase mutated to aspartate (E451D). The E451D mutation does not affect the affinity of the collagenase to bind the substrate, but significantly reduces the rate to catalyze the breakdown of collagen. After subcutaneous administration, CU-20401 acts on and degrades the collagen in the targeted area, dispersing the aggregated adipocytes and leading to loss of support from the extracellular matrix and finally apoptosis, improving the skin laxity appearance. The enzymatic degradation of collagen by CU-20401 is relatively mild compared to wild-type collagenase, reducing the adverse effects of wild-type collagenase such as bruising and pain.

The diagram below illustrates the mechanism of action of CU-20401:



Source: Frost & Sullivan analysis

Market Opportunity and Competition

Current treatment for localized adipose accumulation includes, among others, localized adipose accumulation management medications, energy-based fat reduction procedures. Compared with other treatment procedures, localized adipose accumulation management medication is characterized by low invasiveness with high patient compliance, less postoperative pain, ease of use, and speedy recovery. The localized adipose accumulation management medication products' ingredients dissolve local fat and facilitate local fat metabolism, which is suitable for individuals who seek effective solutions to local fat accumulation that is not fully addressed by exercise and diet. Unlike other treatment procedures, localized adipose accumulation management medication product has fewer and milder adverse effects, does not require post-treatment massage or special care and has minimal downtime from normal life routines, which makes it more convenient for patients.

According to Frost & Sullivan, there are currently no approved localized adipose accumulation management medication products and CU-20401 has the potential to be the first approved localized adipose accumulation management medication product in China. We believe that CU-20401 is well-positioned to capture the growth of the localized adipose accumulation management medication market in China, which is expected to reach RMB3,927.1 million in 2030, according to the same source.

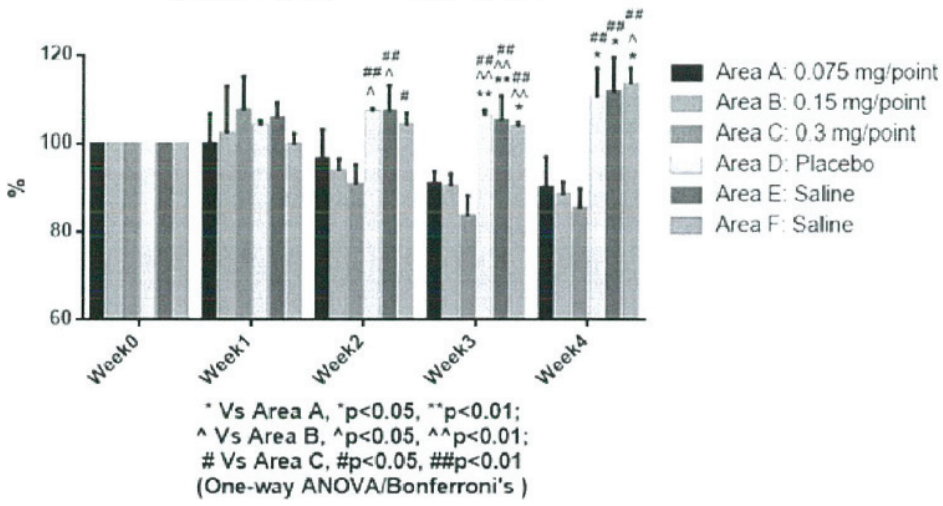
Competitive Advantages

We believe CU-20401 has the following advantages:

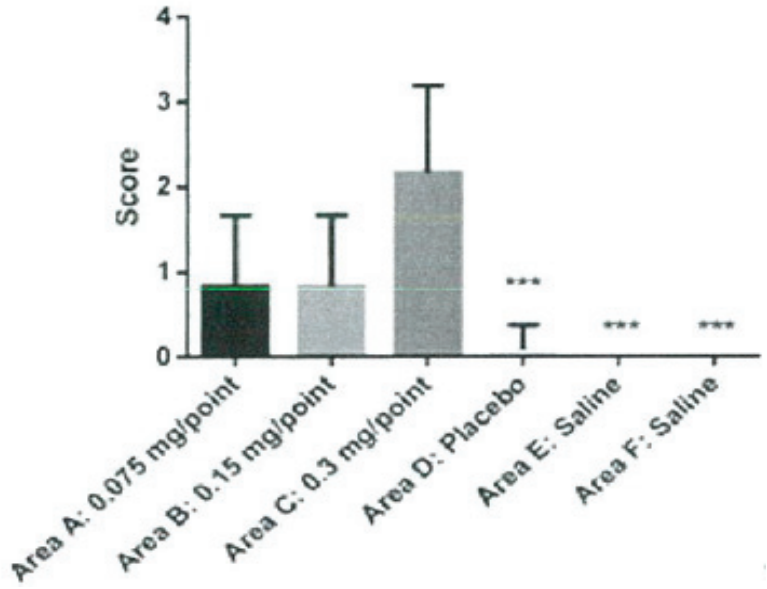
Effective in Reducing Adipose Accumulation

CU-20401 is effective to reduce excessive adipose accumulation in a dose-dependent manner. The pre-clinical animal study used the adipose tissue in the back of Bama mini-pigs to preliminary evaluate the efficacy of CU-20401. The back of Bama mini-pigs was divided to six parallel areas, each of which was subcutaneously injected of placebo, saline, and 0.075 mg, 0.15 mg or 0.3 mg dosages of CU-20401, respectively. The Bama mini-pigs were then examined weekly by ultrasound evaluation. As shown in the below figures, the results demonstrated that CU-20401 administration significantly reduced the thickness of adipose tissue. The dosages of 0.075 mg, 0.15 mg and 0.3 mg of CU-20401 reduced the thickness of adipose layer in Bama mini-pigs by 9.8%, 11.6% and 14.7% in the fourth week after administration, respectively, indicating that CU-20401 functions in a dose-dependent manner. In contrast, the adipose layer thickness in Bama mini-pigs injected with placebo or saline increased by more than 10% due to growing weights during the experiment period. Thus, the results suggested Bama mini-pigs receiving CU-20401 administration had a combined reduction in adipose thickness of more than 20%.

Relative Thickness of Each Area



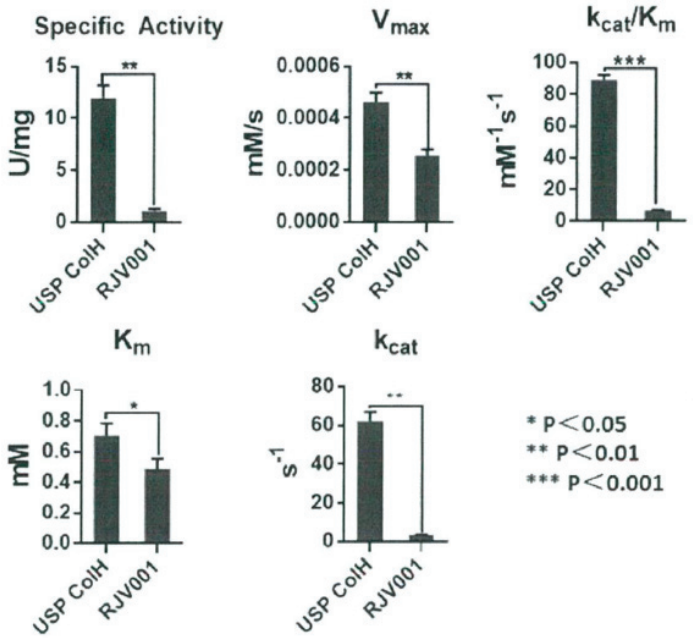
Fat Necrosis (0-4)



Source: Company data

Gentle Enzyme Activity and Reduced Adverse Effects

As a recombinant mutant collagenase, CU-20401 has similar enzyme affinity to bind substrates but a much lower catalytic rate, compared to the wild-type collagenase. The enzyme activity (collagenolytic activity) of CU-20401 is about 10% of that of the wild-type collagenase. A synthetic peptide "4-phenylazoxycarbonyl-Pro-Leu-Gly-Pro-D-Arg trifluoro acetate" was used as the substrate to determine the enzyme kinetic parameters for United States Pharmacopeia (USP) wild-type collagenase and CU-20401. As demonstrated by the following chart, CU-20401 had a significantly lower catalytic constant K_{cat} (the number of turnover reactions an enzyme catalyzes in unit time) but a comparable Michaelis-Menton constant K_m (the substrate concentration that renders the reaction rate equals to half of the maximum reaction rate, a reflection of enzyme affinity to combine with the substrate). The results indicate that CU-20401 has a comparable affinity to bind the substrate with mild and reduced catalytic activity, which means that it shears collagen more slowly than wild-type collagenase, thereby reducing the adverse effects such as pain, local tissue damage and bleeding.

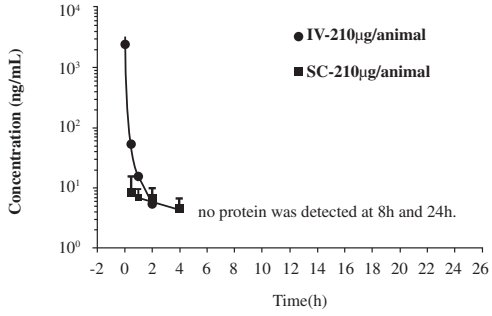


Note: USP ColH: USP collagenase II; CU-20401 (RVJ001): active pharmaceutical ingredients for pre-test batch of CU-20401

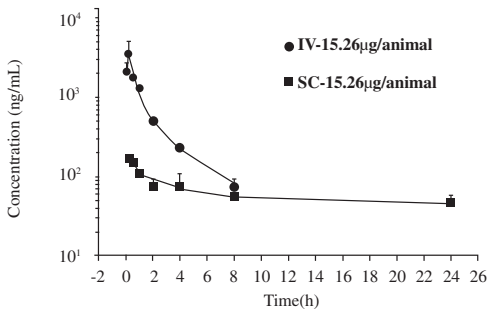
Source: Company data

Low Systemic Drug Exposure

CU-20401 exhibited very low systemic drug exposure in blood after subcutaneous or intravenous administration. In a pre-clinical animal study, Sprague Dawley rats and Bama mini-pigs were subcutaneously or intravenously injected with 210 μg per rat and 15.26 mg per mini-pig of CU-20401, respectively, and blood samples were collected via jugular veins. As showed in the following figures, after subcutaneous or intravenous administration of CU-20401, the drug concentration in blood of rats (left figure) and Bama mini-pigs (right figure) declined rapidly. The plasma concentration of CU-20401 in the rats after either subcutaneous or intravenous administration was extremely low and even undetectable at 8 hours and 24 hours post administration. Due to the extremely low systemic drug exposure and rapid clearance, it is impossible to calculate the clearance half-life. Similarly, after subcutaneous administration of CU-20401 in Bama mini-pigs, $T_{1/2}$ and T_{max} were approximately 21.19 hours and 0.25 hours, respectively. Furthermore, because the drug exposure after CU-20401 intravenous administration in the mini-pigs was also extremely low, it was impossible to calculate clearance-related parameters.



Sprague Dawley rats



Bama mini-pigs

Source: Company data

Summary of Clinical Trial Results

We designed two separate clinical trials for CU-20401 targeting submental adipose accumulation and abdominal adipose accumulation, respectively. We present the results of the clinical trials below.

Phase I Clinical Trial of CU-20401 for Submental Adipose Accumulation Sponsored by us

Overview. The Phase I clinical trial is a single-center, non-randomized, single-arm, dose study to evaluate the safety, PK characteristics, preliminary efficacy and immunogenicity of CU-20401 in different groups of adult subjects with excessive submental adipose accumulation aged between 18 to 65 years old in China. The primary endpoint of the Phase I clinical trial is to evaluate the safety of CU-20401 in the submental adipose accumulation subjects. The secondary endpoint of the Phase I clinical trial is to evaluate the pharmacokinetic profile, preliminary efficacy and immunogenicity of CU-20401 in the submental adipose accumulation subjects. The primary endpoints of the Phase I clinical trial have been reached, suggesting that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation. The Phase I clinical trial also has demonstrated preliminary efficacy of CU-20401 and the RP2D of CU-20401 should be 0.06mg/dose or 0.08mg/dose for the subsequent Phase II clinical trial in China.

Trial design. The Phase I clinical trial enrolled 49 subjects in total, 48 subjects received treatments and were divided into six cohorts (A1, A2, B1, B2, C1, C2) with eight subjects in each cohort. The cohorts would be treated with CU-20401, with a dosage design as set forth below. Safety evaluation indications included: vital signs, 12-lead electrocardiogram, clinical laboratory test indicators, physical examination, local skin reactions, and other adverse events. Efficacy evaluation indicators included: (i) CR-SMFRS to assess the proportion of subjects with submental fact (SMF) Grade $\leq$ 1, (ii) SLRS to assess the change in SMF skin laxity from baseline, (iii) PR-SMFRS to assess the change in SMF from baseline, and (iv) SSRS to assess the proportion of subjects with SMF score $\geq$3.

Cohorts	**Formulation** *(mg)*	**Dose** *(ml)*	**Concentration per dose** *(mg/ml)*	**Number of doses**	**Total dose** *(mg)*
A1	0.02	0.2	0.1	2	0.04
A2	0.04	0.2	0.2	2	0.08
B1	0.04	0.2	0.2	4	0.16
B2	0.06	0.2	0.3	4	0.24
C1	0.06	0.2	0.3	6	0.36
C2	0.08	0.2	0.4	6	0.48

Trial status. We initiated the trial in February 2022 and completed the Phase I clinical trial in November 2022.

Safety data. The most commonly reported treatment emergent adverse events (TEAEs) included edema, pain, tenderness, bruising and swelling, and erythema. The majority of subjects (43/48) had a Grade 1 TEAE related to CU-20401 and a few subjects (4/48) had a Grade 2 TEAE that had already been cured. Only one subject had a sub-Grade 3 TEAE related to CU-20401, namely reduced neutrophil count that had already been cured. All subjects had no serious adverse events, no TEAEs leading to withdrawal from the clinical trial, and no TEAEs leading to death, suggesting a good safety and tolerability profile for CU-20401.

Efficacy data. In day 28 after CU-20401 treatment, the efficacy profiles among six cohorts are set forth below.

Cohorts	CR-SMFRS proportion of subjects with SMF Grade≤1	PR-SMFRS decreased from baseline	SLRS decreased from baseline	SMF Score≥3	Proportion of subjects with at least 10% reduction in SMF from baseline
A1	62.5%	0.5±0.76	0.1±0.35	50.0%	0
A2	37.5%	0.8±0.71	0.1±0.35	75.0%	12.5%
B1	50.0%	1.3±0.71	0.1±0.35	50.0%	37.5%
B2	75.0%	0.8±0.71	0.6±0.52	50.0%	25.0%
C1	50.0%	1.0±0.53	0.6±0.52	50.0%	25.0%
C2	37.5%	0.6±0.74	0.3±0.46	37.5%	12.5%

Source: Company data (clinical study report)

Phase I Clinical Trial of CU-20401 for Abdominal Adipose Accumulation Sponsored by us

Overview. This was a single-center, open label, placebo-controlled, dose escalation Phase I clinical trial in healthy subjects aged between 21 to 50 years old in China. The primary objective was to assess the safety and tolerance of CU-20401 single-dose administration in healthy subjects. The secondary objectives included the parameters of pharmacokinetic and the assessment of immunogenicity of CU-20401 single-dose administration in healthy subjects. We initiated the trial in December 2021 and the trial design was subject to adjustment according to actual needs. As of the Latest Practicable Date, this trial was still actively recruiting subjects with no preliminary clinical results available for analysis.

Asset Transfer

On August 28, 2020, we entered into an asset transfer agreement (the "**CU-20401 Agreement**") with Rejuven Dermaceutical Co., Ltd., ("**Rejuven**"). 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 adipose accumulation management, cellulite repair, scar modification and other clinical and non-clinical applications. For more details, see "– Collaboration and Licensing Arrangements – CU-20401 Agreement."

Clinical Development Plan

We completed the Phase I clinical trial of CU-20401 for the treatment of submental adipose accumulation in November 2022 and are conducting another Phase I clinical trial for abdominal adipose accumulation. 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. The Phase II clinical trial is a multi-center, randomized, placebo-parallel controlled clinical trial. The primary objective of the Phase II clinical trial is to assess the efficacy of CU-20401 in subjects with submental adipose accumulation. The secondary objective of the Phase II clinical trial is the assessment of safety and immunogenicity of CU-20401 in subjects with submental adipose accumulation. The Phase II clinical trial plans to enroll 120 subjects, divided into three treatment cohorts and one control cohort, with 30 subjects in each cohort.

Material Communications with Competent Authorities

We filed an IND application for the Phase I and Phase II clinical trials to assess the safety of CU-20401 in treating submental adipose accumulation to the NMPA in May 2021. We received the IND approval for the Phase I and Phase II clinical trials for submental adipose accumulation in August 2021. According to communications with the CDE, we can proceed with Phase I and Phase II clinical trials so long as we obtain Ethics Committee approval and submit trial design via CDE website, both of which have been completed.

The Phase I clinical trial in China was completed in November 2022 and we, as the sponsor of the trial, and the principal investigators together determined the primary endpoints of the Phase I trial had been reached, and that CU-20401 is safe and well tolerated in subjects with submental adipose accumulation and has demonstrated preliminary efficacy. The RP2D of CU-20401 should be 0.06mg/dose or 0.08mg/dose for the subsequent Phase II clinical trial in China.

Since the primary endpoints of the Phase I trial were reached, no additional approval or confirmation for the Phase II clinical trial from the NMPA is required because the RP2D selected did not exceed the highest dose in the protocol originally approved by the NMPA. As advised by our PRC Legal Advisor and Frost & Sullivan, it is also uncommon for the NMPA to provide an affirmative confirmation or approval as we had obtained its IND approvals from the NMPA for Phase I and Phase II clinical trials. We expect to initiate the Phase II clinical trial in the third quarter of 2023.

We received IND approval from the NMPA for the Phase I clinical trial to assess the safety and tolerance of CU-20401 in treating abdominal adipose accumulation in August 2021.

We had not received any relevant regulatory agency's objections to our clinical development plans as of the Latest Practicable Date.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-20401 SUCCESSFULLY.

TOPICAL ANESTHESIA

Topical anesthesia offer better patient comfort and eliminate the needle use as well as the associated pain and risk of conventional local anesthesia, such as infection and distortion of wound and systemic absorption of anesthetics, demonstrating the potential for broad application in clinical use. Currently, only two topical anesthetics compound chemical products are approved in China and both of them are compounds of lidocaine and prilocaine. Existing compounded lidocaine and prilocaine topical anesthetics need plastic occlusion and have slow onset and short duration of action, which is not optimal for clinical use.

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 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 to the NMPA in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CU-30101 SUCCESSFULLY.

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 and a PRC company specializing in the R&D of pharmaceutical products in China. The term of the CU-20401 Agreement is 20 years from launch of the CU-20401, but we are entitled to continue all development and commercialization activities related to CU-20401 in Asia upon the expiration.

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. As of the Latest Practicable Date, all such intellectual property and information, including know-how, had been transferred to us. 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.

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 a 60-day prior 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 a written notice from the other party or within a mutually agreed upon period of time.

CU-40102 Agreement

On November 2, 2020, we entered into an agreement (the "**CU-40102 Agreement**") with Polichem S.A. ("**Polichem**"), a subsidiary of Almirall, S.A. (BME: ALM) ("**Almirall**"), an Independent Third Party and a global pharmaceutical company specializing in the research, development, manufacturing and marketing of pharmaceutical products. Its major focus is on skin-health pharmaceutical products with principal place of business in Barcelona, Spain.

Pursuant to the CU-40102 Agreement, Polichem grants 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 androgenic alopecia in Greater China.

Polichem will deliver to us the available documentation in its possession which is necessary for the purpose of obtaining the marketing authorization, price and reimbursement approval and other registrations, including data relating to chemical production of the API, in Greater China. As of the Latest Practicable Date, all such information, including know-how, had been granted to us. We will develop, obtain the marketing authorization and commercialize CU-40102 at our own costs and expenses and conduct the commercialization activities 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 earlier termination, the term for the CU-40102 Agreement is 15 years with automatic renewals. Polichem has the right to terminate the CU-40102 Agreement by serving written notice on us only upon the occurrence of breaches and which are not remedied within 90 calendar days including (a) if we fail to obtain the marketing authorization in accordance with the timetable; (b) if we fail to comply with the marketing obligation regarding the commercialization of the products; (c) if we fail to promote and/or sell the product for two consecutive calendar quarters; (d) if we fail to achieve the minimum sales for two consecutive marketing years or (e) certain insolvency events.

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 and a PRC company specializing in the R&D of pharmaceutical products. The term for the CU-40101 Agreement is 20 years from product launch.

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.

Unless terminated earlier, the CU-40101 Agreement will continue in full force and effect. An early termination of the CU-40101 Agreement can result from (i) a change in control of a party that materially affects or impedes that party's performance under the CU-40101 Agreement and the other party gives such party 10 days written notice to terminate the CU-40101 Agreement, (ii) 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-40101 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-10201 Agreement

On April 21, 2020, we entered into an agreement (the "**CU-10201 Agreement**") with Foamix, an Independent Third Party and a clinical stage specialty pharmaceutical company focused on developing and commercializing proprietary topical foams to address unmet needs in dermatology. Foamix has been conducting research, development, and commercialization of certain topical minocycline products. Its principal place of business located in Rehovot, Israel. Pursuant to the CU-10201 Agreement, Foamix grants to us an exclusive, royalty-bearing license, which includes 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 late 2021. VYNE Therapeutics Inc. had assigned rights and obligations of Foamix under the CU-10201 Agreement to Journey Medical Corporation effective as of January 12, 2022.

Pursuant to the CU-10201 Agreement, Foamix will provide us with Foamix know-how regarding CU-10201. Foamix and we will organize a joint development committee that will establish a reasonable process and schedule for the transfer of any additional Foamix know-how that subsequently becomes controlled by Foamix or its affiliates. As of the Latest Practicable Date, all such know-how had been provided to us. We conduct all regulatory activities in connection with the development and commercialization of CU-10201 in Greater China. We shall obtain and maintain all regulatory approvals and other relevant regulatory materials necessary to manufacture CU-10201 in Greater China. After we hold regulatory approvals and other relevant regulatory materials necessary for the development and commercialization of CU-10201 in Greater China, we shall be solely responsible for all regulatory activities, including making additional regulatory materials and obtaining additional regulatory approvals for CU-10201 from the NMPA in Greater China.

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 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 shall continue in full force and effect. Foamix has the right to terminate the CU-10201 Agreement by serving written notice on us if we materially breach our obligations under the CU-10201 Agreement and after receiving written notice identifying such material breach in reasonable detail, we fail to cure such material breach within 60 days from the date of such notice, provided that, such cure period shall be extended for up to an additional 60 days upon providing a written plan that reasonably demonstrates the need for such additional time and continuing to cure such breach.

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 and a pharmaceutical company specializing in the development and marketing of pharmaceutical products, food supplements and dermo-cosmetic products with principal place of business in Genève, Switzerland. Pursuant to the CUP-MNDE Agreement, Laboratoires Bailleul grants to us individual, direct and exclusive distribution rights to develop the distribution and marketing of 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.

During the first three years of the CUP-MNDE Agreement, we commit to minimum annual purchase volumes of 56,000, 158,000 and 259,000 units for the first, second and third year, respectively. We will carry out the promotion and sales of the products in accordance with the strategy validated by Laboratoires Bailleul. We promise to devote 20% of the pre-tax product sales to advertising and promotion. In the event that advertising and promotional expenses for any year were less than the percentage above, the shortfall must be expended in the course of the first quarter of the next year, with no impact on the advertising and promotional expenses which must be expended for next year.

Unless terminated earlier, the CUP-MNDE Agreement will continue in full force and effect in perpetuity. The agreement will be terminated as of right and without prior notice or compensation in the event of receivership, compulsory liquidation or legal settlement with any third party, in compliance with current legal and regulatory conditions and with the observance of any conditions of a public nature which might apply. If the minimum purchase obligation is not met by 80% of the stipulated annual purchase volume for two consecutive years, Laboratoires Bailleul will have the right to terminate the agreement unilaterally and attribute liability for the termination to us.

CUP-SFJH Agreement

On September 1, 2021, we entered into an agreement (the "**CUP-SFJH Agreement**") with Van Montfort Laboratories B.V. ("**VML**"), an Independent Third Party and a company specialized in the research, production and marketing of cosmetic products with principal place of business in Maastricht, the Netherlands. 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 Mainland China during the term and in pursuit of the CUP-SFJH Agreement.

In compensation for this exclusivity, we will purchase CUP-SFJH exclusively from VML and promise to develop the distribution and marketing of CUP-SFJH throughout Mainland China according to the marketing plans and investments to be proposed by us and validated yearly by VML. During the first three years of the CUP-SFJH Agreement, we commit to minimum annual volume of purchases of 20, 60 and 100 thousand units in the first, second and third year, respectively.

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 of the period underway. VML has the right to terminate the CUP-SFJH Agreement or decide at its sole discretion to cancel, instead of terminating, the territorial exclusivity of this agreement, at the end of a period of 90 days from the date that the written notice was sent by registered letter with return receipt requested specifying the pertinent failure(s) and/or breaches of contractual obligations.

OUR PLATFORM

We believe that fully-integrated capabilities are critical to our success in global competition. We have established a full capability platform including strong R&D capabilities, as well as manufacturing, regulatory affairs and commercialization capabilities targeted at dermatology industry. Our platform spans from the early phase of identifying demand, developing core technologies, managing clinical trials and product registrations, to the manufacturing and marketing of products. We believe that our integrated capabilities give us the agility to formulate our innovation, registration, commercialization and product optimization strategies that can navigate us through rapidly changing market needs, enabling us to improve pipeline viability and expedite product development cycle at lower costs. We believe that our proprietary and industry-leading CATAME^{TM} technology platform is rare on the market and will continue to drive our technology innovation and product development.

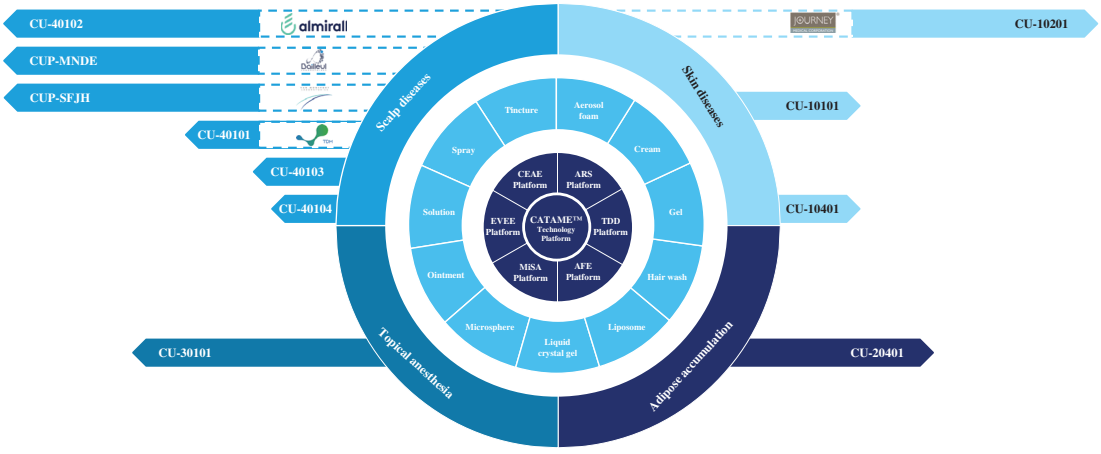
Research and Development

We have developed our clinical and pre-clinical pipeline through a combination of self-development and licensing arrangements. 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 has 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, quality control, 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.

CATAME™ Technology Platform

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 as shown in the chart below. Through the platform, we have built a competitive and highly differentiated product pipeline of creams, sprays, ointments, aerosol foams and other dosage forms.

The following chart summarizes the CATAME™ technology platform:



- *Colloidal-Emulsification-Active Encapsulation (CEAE) Platform.* We formulate active ingredients into suitable topical formulations on our CEAE platform.

- *Aerosol (ARS) Platform.* We develop aerosol foams for broader dermatology treatment through our ARS platform.

- *Transdermal Delivery (TDD) Platform.* We research and analyze the transdermal delivery characteristics of our active pharmaceutical ingredients in the formulation through our TDD platform.

- *Actives & Formulation Evaluation (AFE) Platform.* We evaluate the quality, stability as well as physicochemical properties of our formulations through our AFE platform. Equipped with a series of equipments, we are able to conduct analysis and testing for various products on multiple physicochemical indicators.

- *Micro/Nano-Particulates & Self-Assembly (MiSA) Platform.* We develop our micron and nano-sized particulars through our MiSA platform.

- *Ex vivo & Efficacy Evaluation (EVEE) Platform*. We evaluate coverage of our product on *ex vivo* or *in vivo* tissues on our EVEE platform. In addition, through the platform, we can also evaluate the physiological changes, such as elasticity, thickness and density, of the skin tissues after product administration.

The CATAME™ technology platform helps develop micron and nano-sized particulates, evaluate formulation quality and stability, and cutaneous pharmacokinetic analysis. Based on the CATAME™ technology platform, we have also successfully provided 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.

Drug Discovery and Pre-clinical Development

During the drug discovery stage, our R&D team focuses on exploring the activities of new chemical entities with disease targets, based on a thorough biological understanding of the disease. Our 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) screening and validation of compound with specific biological targets; (ii) analytical technology formulation and toxicology; and (iii) supporting systems including intellectual properties and quality assurance.

Clinical Development

Medical Team

Our medical team is led by our chief medical officer Mr. Zhu Qi. As of the Latest Practicable Date, our medical team consisted of 23 employees . Our medical team covers most of the key functions in the drug development process, from clinical development strategy, clinical development planning, setting up quality assurance and control system, to clinical trial design, clinical trial management, safety monitoring, data management, data analysis and programming, clinical supply, procurement.

Clinical Trial Design and Implementation

We have a dedicated medical team responsible for management of the clinical trials of our pipeline products. Our clinical trial personnel are responsible for the formulation of clinical trial design with CROs, selection of qualified clinical trial sites and monitoring of clinical trials to ensure that clinical trials comply with our protocols and the GCP standard.

During the Track Record Period, we cooperated with a number of PIs to conduct the clinical trials of our product candidates. To the best of our knowledge, none of them have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their respective associates. The PIs are responsible for conducting site-level clinical research activities according to our trial protocols and in accordance with laws, regulations, and the GCP Guideline, a quality standard for the overall conduct of the clinical trial. Each trial has a leading PI with primary responsibility to ensure compliance with trial protocol and good clinical practice over the entire trial. Through the trial process and with the assistance of CROs or SMOs, we closely monitor the trial activities, perform site audits, conduct an ongoing risk assessment and safety evaluation, review protocol deviated cases, and review clinical data to protect the safety of subjects and ensure the integrity of trial results. We collect and analyze trial data to prepare documentation for regulatory approvals of our product candidates.

Collaboration with CROs and SMOs

We collaborate with CROs and SMOs to conduct and support our pre-clinical and clinical studies in line with industry practice. We select our CROs and SMOs by weighing various factors, such as their qualifications, academic and professional experience, industry reputation and service fees. To the best of our Company's knowledge, none of them have any past or present relationships with our Group, our Directors, shareholders, senior management or any of their respective associates.

The pre-clinical CROs mainly provide us with services related to pre-clinical toxicity and safety evaluations, such as animal studies, of our product candidates in accordance with our study design and under our supervision. The clinical CROs and SMOs provide us with an array of services necessary for complex clinical trials in accordance with our trial design and under our supervision. CROs generally provide a comprehensive suite of services to assist us in implementing and managing clinical trials, including trial preparation, source data verification, clinical safety management, data management, and report preparation. The work scope of SMO is generally more limited to day-to-day site management. We choose to engage a CRO or SMO based on the complexity and workload of a specific trial. We closely monitor the work of our CROs and SMOs and provide specific directions to ensure the quality and efficiency of the trial execution. This approach allows us to leverage the experience of our in-house team to better focus on critical clinical trial elements, such as trial design, data analysis and decision making. All studies of our product candidates on humans are conducted in compliance with the applicable laws, regulations and in line with the industry standards. We believe our ability to conduct and work closely with CROs and SMOs to conduct pre-clinical studies and clinical trials helps us to shorten the time required for product development as well as generate the requisite data in an reliable and efficient way.

We mainly determine the service fees paid to the CRO in accordance with then prevailing market prices of similar services, the number of enrolled patients, the duration of the clinical trials, and the quality and contents of the services provided.

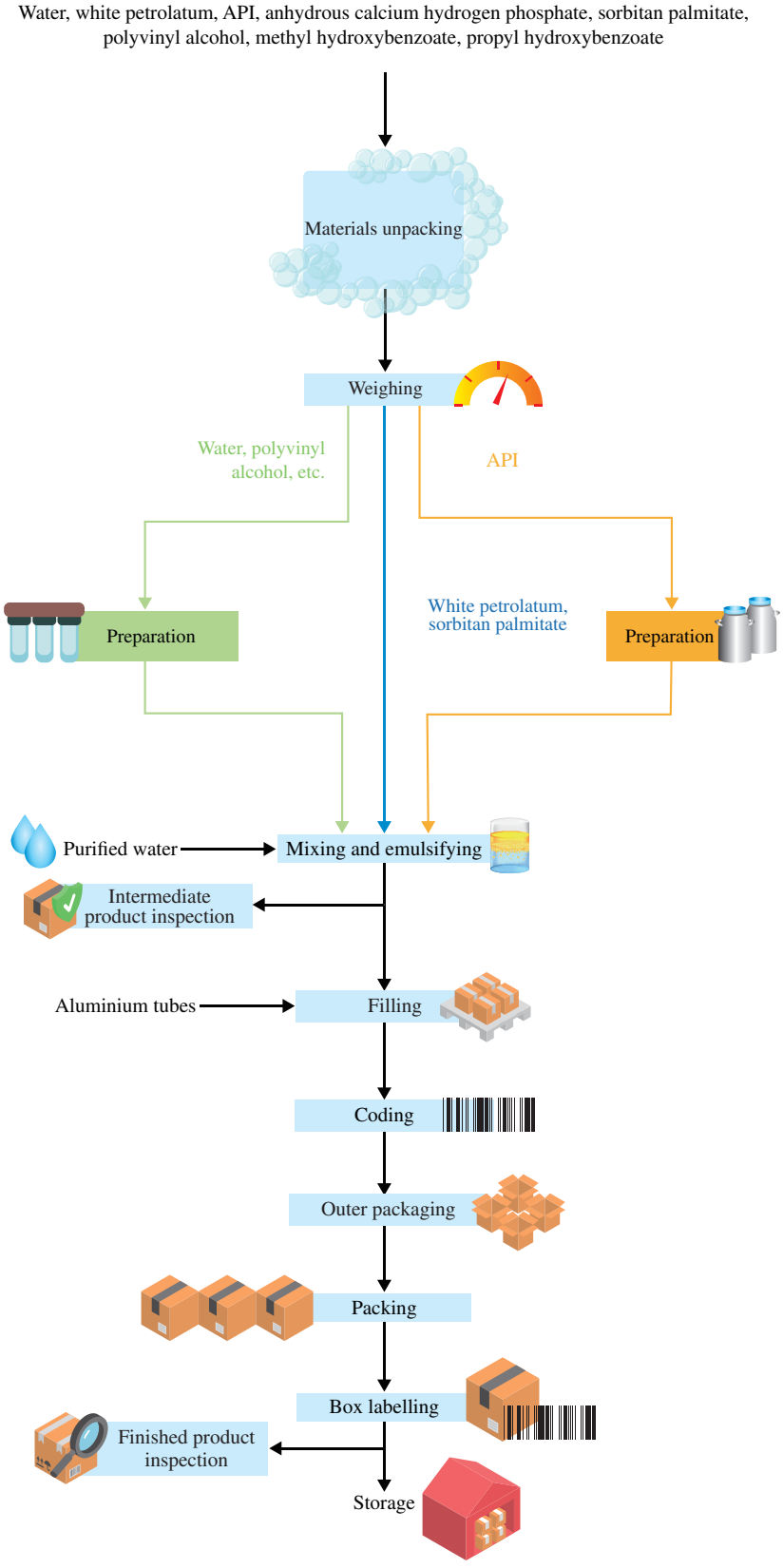
Manufacturing

Manufacturing Facilities

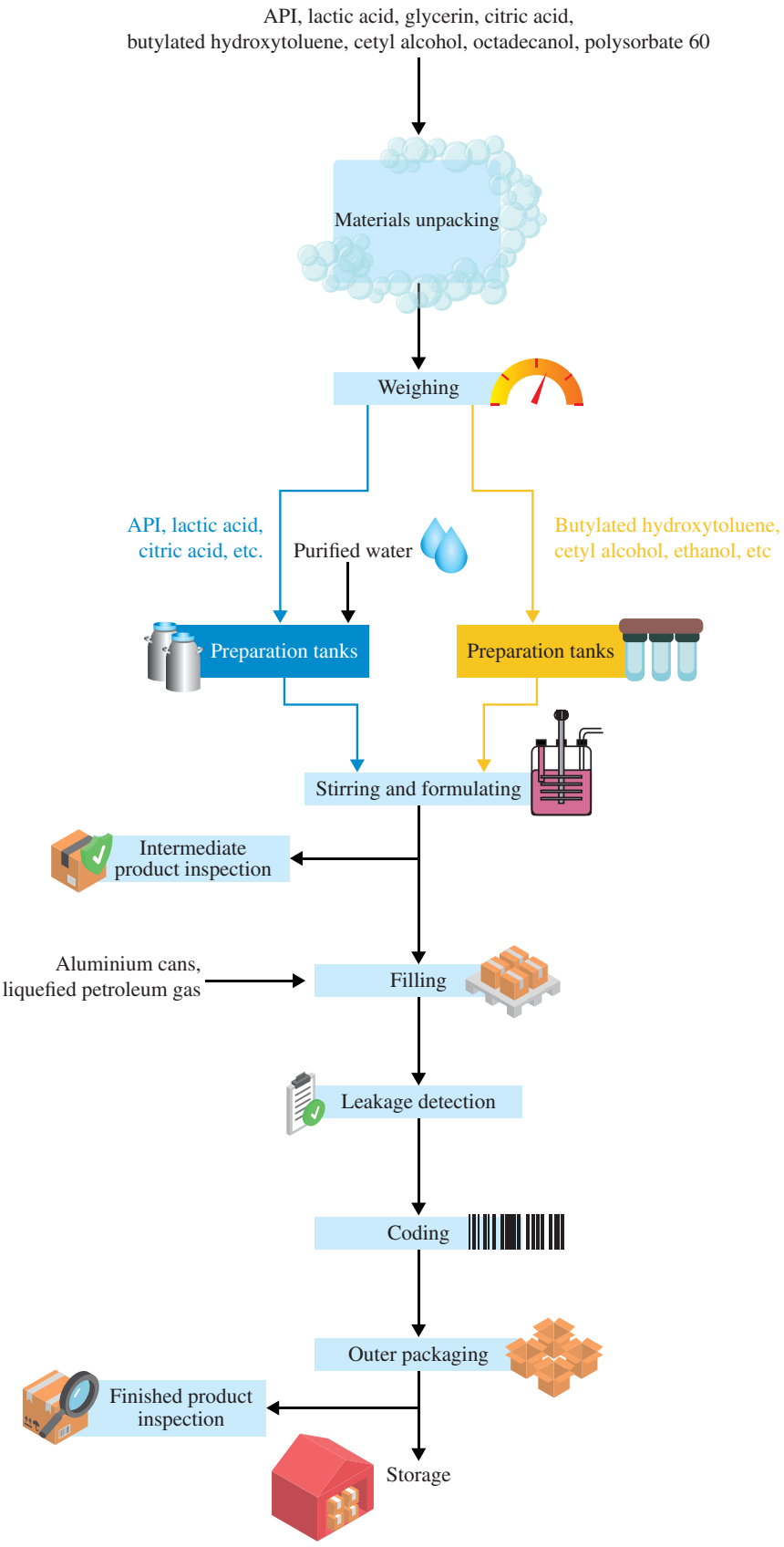
We are constructing three small-molecule formulation commercial-scale manufacturing facilities in Jiangsu province. The facilities will be equipped with three production lines comprehensively covering cream, ointment, aerosol, and foam products with a planned annual production capacity of approximately five million doses. The site is expected to commence operation in 2023. We believe that upon completion the production capacity of this factory can support our clinical trials and near-term commercialization plans for our drug candidates. The flow and control of the entire manufacturing process are designed to be compliant with the latest cGMP requirements so that our production can meet the clinical and marketing approval requirements of various drug regulatory authorities, including the NMPA, FDA and European Medicines Agency.

The flowchart below illustrates the designed manufacturing process of our products:

The Manufacturing Process of the Ointment Form



The Manufacturing Process of the Aerosol Foam



Collaboration with CDMO partners

We collaborate with our CDMO partners to manufacture a portion of our product candidates to supply for pre-clinical studies and clinical trials. We did not experience any product quality issues in respect of the products manufactured by our CDMO partners during the Track Record Period.

Under our agreement with our CDMO partners, the CDMO partners are required to perform its services according to the prescribed time frame as set out in the agreement. Usually, we pay the CDMO partners in installments, with a specified credit period. Our CDMO partners are responsible for manufacturing our required products in accordance with certain product specifications, in compliance with cGMP requirements (where applicable), our quality standards and other applicable laws and regulations. We retain all the intellectual property rights and grant our CDMO partners the right to use our intellectual property rights for such manufacturing and packaging activities during the contract period. We are entitled to inspect and audit our CDMO partner's manufacturing process.

We mainly determine the service fees paid to the CDMO in accordance with then prevailing market prices of similar services, the duration of the clinical trials, the number of products manufactured, and the quality and contents of the services provided.

Quality Assurance and Control

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with cGMP regulations and ICH Q10 guidance covering substantially every aspect of our operations including product R&D, procurement and manufacturing, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria and regularly conduct supplier audits which include documentation inspection and/or on-site inspection on such qualified suppliers to make sure our requirements are being consistently met. We conduct inspection on raw materials in accordance with our quality management standards.

Regulatory Affairs

Our regulatory affairs team manages the regulatory submission process for our product candidates, which requires filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. Our regulatory affairs team is responsible for the regulatory approval process including assembling application dossiers for IND and NDA, addressing inquiries from relevant authorities, conducting CMC and GMP compliance assessments for product candidates to ensure their compliance with relevant regulations. We possess rich knowledge and experience with regard to regulatory filings in China.

OUR SALES, DISTRIBUTION AND MARKETING

Commercialization Strategy

We operate an integrated commercialization model and we implement our marketing strategy primarily through online channel and offline channels. We plan to sell substantially all of our future commercialize products, including CU-40102 and CU-10201 through online and offline channels in China and overseas markets.

Online Channel

Online marketing has always been one of our strategic priorities. We have a dedicated marketing team with strong market insights focusing on the development of marketing campaigns on various e-commerce platforms and social media platforms such as Tmall, Douyin, Zhihu and Xiaohongshu. Our comprehensive online marketing campaign strategy typically consists of several key steps, including raising brand awareness through increasing exposure on top media, product recommendation, distribution of news feed ads on emerging media platforms, introducing traffic to e-commerce platforms displaying and selling our products, live streaming promotion and experience sharing. We intend to make investments in online content platforms to formulate targeted marketing strategies for our products and conduct online and offline promotion events and activities.

We collaborated with MCNs that represent or collaborate with the KOLs with whom we work to further promote our products online through live streaming sessions. The duration of the agreement with the MCNs typically less than 12 months. We are entitled to confirm the date and time of each live streaming session before each live streaming session. The agreement usually specifies the products to be promoted through the live streaming session, the KOL who will conduct the live streaming session, the retail price and the extent of discounts offered during each live streaming session and the commission rate and the amount of fixed service fees of the MCNs. We regularly monitor the publicity of KOL engaged by us and may replace any KOL who is found with deterioration of image or misconduct, including, but not limited to, inappropriate speech, unethical behavior or offense against the relevant laws and regulations. To our best knowledge and available public information, none of the KOLs we collaborated with had been under regulatory scrutiny and were suspended from KOL activities.

Offline Channel

Our offline channel is an important bridge for us to directly reach consumers nationwide. Our offline marketing targets medical institutions to reach distinct end customers. In particular our offline marketing efforts will be characterized by a strong emphasis on academic promotion, in order to promote and strengthen the awareness and recognition of our products and our brand among medical institutions. We plan to adopt a physician-targeted approach focused on direct and interactive communication with KOLs and PIs, who are renowned physicians and leading experts in our target therapeutic areas, as well as team heads and senior physicians in our target hospitals to promote the differentiating clinical aspects of our products.

Our Distribution Network

We have established a duo-channel distribution network to effectively reach our customers. Our distribution network includes direct sales and sales to distributors. Since we are a biotech company and our Core Product and Key Products are still under clinical development or pilot commercialization, our sales and distribution network is at its early stage of development, and may further evolve as our business expand and product portfolio develop. 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 substantially expand our sales network to mass market.

We directly sell our products, including CUP-MNDE and CUP-SFJH, to customers through online channel, the Tmall e-commerce platform. We generally allow our individual consumers to return or exchange our products in a condition suitable for a second sale within seven days from the delivery according to the relevant laws and regulations.

Sales to Distributors

We sell CUP-MNDE, CU-40102 and CU-10201 to wholesale distributors. As of the Latest Practicable Date, we had two distributors, both of which are, the independent third parties. To the best of our knowledge, during the Track Record Period and as of the Latest Practicable Date, none of our distributors is wholly owned or controlled by or has any past or present relationships or arrangements, including family relations, business, financing, guarantee and others, with our Company or our subsidiaries, their directors, shareholders, senior management or any of their respective associates, save for acting as a distributor of our products.

We sell CU-40102 and CU-10201 through a distributor in Hainan, which sells our products to a qualified medical institution in the Boao Pilot Zone for pilot commercialization. In addition to the direct sales of CUP-MNDE through Tmall e-commerce platform, we sell another portion of CUP-MNDE through a distributor in Hong Kong, which sells our products to a sub-distributor, JD Health (京東健康) e-commerce platform. The JD Health (京東健康) e-commerce platform sells our products to individual customers. We do not have direct contractual relationships with the sub-distributor.

We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and sales and marketing process. Through our collaboration with established distributors, we believe we can increase market penetration in lower-tiered cities.

Our Distributorship Network

We believe that our distributors with strong sale channel management capabilities as well as sales and distribution experience of product candidates for broader dermatology treatment and care can help us penetrate a broader customers and consumers base and increase our market share as well as enhance our brand awareness efficiently. During the Track Record Period and up to the Latest Practicable Date, we only had two distributors.

We typically enter into standard distribution agreements, which are sales and purchase agreements in nature, with our distributors with duration of two to three years. We generally do not have minimum purchase requirements, deposit and sales and performance targets to our distributors. The salient terms include contact term, pricing policy, payment and credit terms, logistics arrangement and warranty policies. Our payment terms is generally within 30 days from the agreed date of order or 10 working days from receipt of end-user payment. We only accept returns from distributors in cases where, for example, the product is unsalable or near expiration. During the Track Record Period and up to the Latest Practicable Date, we did not record any products returned from our distributors.

Distributors' Selection and Management

We select our distributors based on their experience and business performance in the broader dermatology treatment and care industry, particularly in distributing scalp diseases and care products and skin diseases and care products.

We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources cooperation with us and business development potential. In addition, we proactively manage our distributors to comply with the requirements of relevant laws and regulations. We require our distributors to have sufficient number of quality management personnel, and adequate sales channels resources.

We believe that our sales are driven by the actual consumer demand and therefore we are subject to minimal risk of channel stuffing in our distribution network, primarily because (i) we generally grant a short credit period to distributors; (ii) we only allow returns of products sold to distributors in certain circumstances; and (iii) we do not set minimum purchase requirements for distributors.

Prevention of Cannibalization

In order to manage the risk of cannibalization of sales among our distributors, we have adopted the following measures:

- ***Geographic restrictions***. We specify the designated distribution area for which our distributors are responsible in our distribution agreements with them. The agreements also prohibit distributors from selling our products outside their respective designated distribution areas without our prior written consent.

- ***Accountability policy***. For any action in breach of the distribution agreements, we may terminate the relevant distributors according to the terms of our distribution agreements with them.

- ***End customer monitoring***. Our two distributors focus on different distribution channels. The distributor in Hong Kong sells CUP-MNDE to JD Health (京東健康) e-commerce platform, and another distributor in Hainan sells CU-40102 and CU-10201 to a qualified medical institution in the Boao Pilot Zone for pilot commercialization.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material cannibalization or competition among our distributors within the same geographic area. Our Directors are of the view that the above measures are sufficient to mitigate potential cannibalization and competition among distributors.

Anti-corruption and Anti-bribery Measures

Our distributors are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not provide financing to any of our distributors except for credit terms we granted to them under the relevant distribution agreements. To the best of our knowledge, none of our employees and distributors was or has been the subject of, or otherwise involved in, complaints, investigations, or regulatory enquiries in relation to, any bribery or kickback arrangements during the Track Record Period and up to the Latest Practicable Date.

Due to effective management of our distributors and their inventory levels, our distributors did not materially breach our contract terms, and we did not have any material disputes with our distributors relating to the settlement of trade receivables during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we were not aware of any potential abuse or improper use of our name by our distributors, which could adversely affect our reputation, business operation or financial contribution.

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. In addition, our pricing strategies are also affected by the regulations and policies on the dermatological or pharmaceutical industry, including medical insurance reimbursement standards and regulation of medical and pricing practices.

As of the Latest Practicable Date, we did not observe any material negative effect or material fluctuation in our operations or the selling prices of the scalp diseases and care products and skin diseases and care products we offer due to the new pricing mechanism. For more details of risks associated with our product pricing, see "Risk Factors – Risks Relating to Manufacturing and Commercialization of Our Product Candidates – Failure to execute effective pricing strategy due to the government guidance or fiercer market competition could harm our ability to increase sales and erode our financial profits" in this Document.

*National Reimbursement Drug List ("**NRDL**") and National Essential Drug List ("**NEDL**")*

Currently, none of our commercialized products have been included into the NRDL or 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. Inclusion into the NRDL or NEDL is evaluated and determined by the relevant government authorities and we may face significant competition for successful inclusion. While products included in the NRDL or NEDL are typically generic and essential products, many innovative products have been included in the NRDL or NEDL in the past. Although we believe that the products are eligible for inclusion upon commercialization and meeting criterial of NRDL and NEDL, if we fail to have our products included in the NRDL or NEDL after commercialization, our sales channels may be limited and our revenue from commercial sales will be highly dependent on self-pay patients, which could make our products less competitive. We may need to seek alternatives such as commercial private insurance coverage of our products and need to expand our sales channels and explore new collaboration partnerships, such as engaging more distribution partners in China, to maximize the sales potential of our products and enhance our commercialization capability, especially on customer reach.

Two-Invoice System

Two-invoice system refers to the mechanism where only up to two invoices are issued along the chain of pharmaceutical product procurement, with one issued by the pharmaceutical manufacturer to the distributor, and the other issued by the distributor to the medical service providers. Compared with the pre-reform procurement model, the two-invoices system aims to eliminate multiple layers of distributors along the supply chain of pharmaceutical products and streamline the procurement process, thereby ensuring that the price of pharmaceutical products is reasonable and affordable for the public. The sales of our marketed products are also subject to the regulation of two-invoice system.

During the Track Record Period, the implementation of the two-invoice system did not have any material impact on our selling prices of products to the distributors.

INTELLECTUAL PROPERTY

Intellectual property rights are central to the success of our business. Our commercial future will depend, in part, on our ability to acquire and protect our intellectual property rights for commercially significant technologies, inventions and know-how. This could involve the acquisition of new patents, the defense of existing patents, and the protection of our trade secrets. We will also have to operate without infringing, misappropriating, or otherwise violating third parties' valid, enforceable 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 patents and patent applications in connection with our product candidates as of the Latest Practicable Date:

Related Product	Name of Patent	Jurisdiction	Status	Patent Expiration[1]	Market Commercial Rights of the Company
CU-20401	A recombinant variant collagenase preparation method and use thereof	Mainland China	Granted	2038-07-30	Exclusive
CU-40102	Spray dispenser	Mainland China	Pending	N/A	Exclusive[2]
		Hong Kong	Granted	2037-06-30	Exclusive[2]
CU-40102	Film-forming liquid formulations for drug release to hair and scalp	Hong Kong	Granted	2029-07-29	Exclusive[2]
CU-40101	Small molecule compound and synthesizing method and uses thereof	Mainland China	Granted	2034-08-14	Exclusive[3]
		Japan	Granted	2035-08-13	Exclusive[3]
CU-10101	A type of diphenylethylene derivative and use thereof	Mainland China	Granted	2033-10-14	Exclusive

Notes:

(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.

(2) We have the exclusive right to use these three patents and patent application in the field relating to androgenic alopecia.

(3) We have the exclusive right to use these two patents in the field of dermatology indications including scalp disease treatment.

The term of an individual patent may vary based on the countries/regions in which it is granted. The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/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 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 in-licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and the methods of manufacturing the same.

We rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality arrangements with contractors. We have entered into confidentiality and non-compete agreements with our key employees and employees involved in R&D, pursuant to which intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. We also have established an internal policy governing the confidentiality of all company information. Despite the measures we have taken to protect our intellectual property, our proprietary information may be obtained by unauthorized parties. For more details, see "Risk Factors – Risks Relating to Our Intellectual Property Rights" in this Document.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises as well as physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. For more details, see "Risk Factors – Risks Relating to Our Operations – Our internal information technology and other infrastructure, or those used by our CROs, SMOs, CMOs, CDMOs or other contractors or consultants, may fail or suffer security breaches" in this Document.

As of the Latest Practicable Date, we owned 99 registered trademarks and filed 50 trademark applications in Mainland China and Hong Kong. We can also seek trademark protection for our Company and our corporate logo in additional jurisdictions that are available and appropriate.

Nevertheless, we may not be able to identify all of the patent applications filed by other market players. Additionally, patent infringement claims often involve an analysis of complex legal and factual issues, the determination of which are often difficult to foresee. If any of our competitors alleges patent infringement claims against us before a court, there is no assurance that the judgment of the court regarding the patent infringement claims will be in our favor. Furthermore, new patents obtained by our competitors could threaten a product's continued life in the market even after it has already been introduced.

As of the Latest Practicable Date, we hold one patent in relation to our Core Product. Our Directors believe that such a patent has covered all the key characteristics of the Core Product for the PRC market and the Company's exposure to any objection or claim from other market players concerning similar technologies or features underlying their granted patents or patent applications is remote. To our best knowledge, we do not expect any legal impediment in obtaining approval for each pending patent application. During the Track Record Period and up to the Latest Practicable Date, we had not received or aware of any actual, pending or threatened patent infringement claims against us.

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 RMB177,000 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. We grant a credit term of 10 working days or 30 days to our customers. None of our two largest customers is our supplier. For more details, see "Risk Factors – Risks Relating to Our Reliance on Third Parties – We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flows and operations could be adversely affected".

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 five largest customers during the Track Record Period.

The tables below set forth certain information about our two largest customers in terms of revenue (in descending order) generated in 2021 and the six months ended June 30, 2022, respectively:

Customer	Years of relationship as of December 31, 2021	Background and business activities	Product sold	Credit term	Sales amount	Percentage of revenue
					For the year ended December 31, 2021 *(RMB'000, except percentages)*	
Customer A	One	Customer A is a reputable and leading provider of a suite of health and well-being products headquartered in Hong Kong	CUP-MNDE	30 days after for the second and subsequent purchases	381	18.7%

Customer	Years of relationship as of June 30, 2022	Background and business activities	Product sold	Credit term	Sales amount	Percentage of revenue
					For the six months ended June 30, 2022 *(RMB'000, except percentages)*	
Customer A	Two	Customer A is a reputable and leading provider of a suite of health and well-being products headquartered in Hong Kong	CUP-MNDE	30 days after for the second and subsequent purchases	139	21.1%
Customer B	Two	Customer B is an integrated regional pharmaceutical distribution company headquartered in Hainan	CU-40102; CU-10201	10 working days each month upon receipt of payment from end-users	38	5.8%

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.

In addition, we believe that adequate alternative sources for such suppliers exist, and we have developed alternative sourcing database for these suppliers. We will establish necessary relationships with alternative sources based on supply continuity risk assessment. We generally have credit periods of up to 30 days.

Below is a summary of the key terms of a typical agreement with our CROs, SMOs and CDMOs.

- *Services*. The CRO, SMO, or CDMO provides us with services such as implementing a clinical research project, manufacturing products for trial purpose as specified in the master agreement or work order.

- *Term*. The CRO, SMO or CDMO is required to perform its services according to the prescribed timeframe set out in the master agreement or a work order.

- *Payment*. We are required to make payments to the CRO, SMO, or CDMO according to the payment schedule agreed by the parties.

- *Confidentiality.* We and the CRO, SMO or CDMO agree to keep confidential any information in relation to the performance of the master agreement.

- *Intellectual Property.* We own all intellectual property derived from the clinical research project, and we are entitled to apply patent for such intellectual properties.

The tables below set forth certain information about our five largest suppliers in terms of total purchases during the Track Record Period:

Supplier	Years of relationship as of December 31, 2020	Credit term	Product or service supplied	Purchase amount For the year ended December 31, 2020 *(RMB'000, except percentages)*	Percentage of total purchases
Supplier A	One	25-100 days	R&D services; licensing	68,711	38.6%
Polichem S.A.	One	45 days for the first payment and 20 days for remaining payments	R&D services; licensing	33,232	18.7%
Rejuven Dermaceutical Co., Ltd.	One	20 working days	R&D services; asset transfer	20,000	11.2%
TechnoDerma Medicines Inc.	One	20 working days	R&D services; licensing	15,120	8.5%
Supplier B	Two	N/A	Human resources services	11,957	6.7%

Supplier	Years of relationship as of December 31, 2021	Credit term	Product or service supplied	Purchase amount	Percentage of total purchases
				For the year ended December 31, 2021 *(RMB'000, except percentages)*	
Supplier B	Three	N/A	Human resources services	34,978	28.2%
Supplier C	One	30 days	R&D services	14,702	11.8%
Supplier D	Three	20 working days	R&D services; licensing	10,000	8.1%
Supplier E	Two	six months for the first payment and one month for remaining payments	R&D services	7,784	6.3%
Hangzhou Tigermed Consulting Co., Ltd.	One	30 days	R&D services	6,232	5.0%

Supplier	Years of relationship as of June 30, 2022	Credit term	Product or service supplied	Purchase amount	Percentage of total purchases
				For the six months ended June 30, 2022 *(RMB'000, except percentages)*	
Supplier B	Four	N/A	Human resources services	26,614	25.3%
Supplier F	Less than one	45 days	R&D services; licensing	12,644	12.0%
Supplier C	Two	30 days	R&D services	12,548	12.0%
Supplier G	Two	30 working days	Decoration and electrical and mechanical engineering services	10,543	10.0%
Supplier H	Less than one	30 working days	Indoor design and decoration services	4,548	4.3%

COMPETITIONS

China's broader dermatology treatment and care market is competitive, characterized by rapid changes from technological advances and scientific discoveries. We have faced, and may continue to face, competition mainly from international and domestic pharmaceutical and biotechnology companies, academic institutions and public and private research institutions in the areas in which we primarily operate our current business and seek future expansion. See "Industry Overview" for more details of the competitive landscape of each relevant market regarding our pipeline products.

We believe our principal competitive advantages include fully-integrated capabilities, extensive technology platforms, comprehensive pipeline and seasoned management team. However, some of our current or future competitors may have longer operating history, higher market recognition and degree of acceptance, and stronger R&D, manufacturing and commercialization capabilities than us.

GOVERNMENT GRANTS, AWARDS AND RECOGNITIONS

The following table sets forth some of the important accreditations and awards we had received from the relevant authorities and organizations in China as of the Latest Practicable Date in recognition of our R&D capabilities:

Year	Accreditation/Award	Accreditation Organization
2021	The "Flying Phoenix Talent Plan" Entrepreneurial Leader Project ("飛鳳人才計劃"創業領軍人才專案)	Wuxi High-tech Zone (Xinwu District) Talent Work Leading Group Office (無錫高新區(新吳區)人才工作領導小組辦公室) Science and Technology Bureau of Wuxi High-tech Zone (Xinwu District) (無錫高新區(新吳區)科技局)
2021	Zhangjiang Science City Special Funds Policy (張江科學城專項資金政策)	Shanghai Zhangjiang Science City Construction Management Office (上海市張江科學城建設管理辦公室)
2022	The First Batch of Science and Technology-Based Small and Medium Enterprises of Jiangsu Province in 2022 (江蘇省2022年第1批入庫科技型中小企業)	Science and Technology Department of Jiangsu Province (江蘇省科技廳)
2022	The First Batch of Science and Technology-Based Small and Medium Enterprises of Shanghai in 2022 (上海市2022年第1批入庫科技型中小企業)	Shanghai Science and Technology Commission (上海市科學技術委員會)

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our principal insurance policies cover employee benefits liability and adverse events in clinical trials. We currently do not maintain insurance for environmental liability or property loss. For more details, see "Risk Factors – Risks Relating to our Operations – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources" in this Document.

We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period, we had not made or been the subject of any material insurance claims.

EMPLOYEES

As of the Latest Practicable Date, we had 157 employees in total. Among the 157 employees, 97 are stationed in our headquarters in Shanghai. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

Function	Number	Percentage of total
R&D	32	20.4%
Manufacturing and Quality Control	32	20.4%
Medical and Regulatory Affairs	31	19.7%
Sales, Marketing and Administration	62	39.5%
Total	157	100%

We enter into individual employment contracts with our employees covering salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. The contracts also typically include confidentiality and non-competition clauses.

To maintain our workforce's quality, knowledge, and skill levels, we provide continuing education and training programs, to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including bonuses and share-based compensation, particularly our key employees.

Our employees' remuneration comprises salaries, bonuses, provident funds, social security contributions, and other welfare payments. We have made contributions to our employees' social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds pursuant to applicable laws and regulations. Our PRC Legal Advisors have confirmed that we have complied with all material statutory social security insurance fund and housing fund obligations applicable to us under the PRC laws and regulations during the Track Record Period and as of the Latest Practicable Date.

LAND AND PROPERTIES

As of the Latest Practicable Date, we do not hold any real property. As of the Latest Practicable Date, we leased eight properties with an aggregate GFA of approximately 21,100.7 sq.m. 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.

The following table sets forth the details of our leased properties as of the Latest Practicable Date:

Usage	Location	GFA (sq.m)	Lease Term
Office	Jingan District, Shanghai	1,546.2	September 22, 2020 to January 7, 2026
R&D Site	Minhang District, Shanghai	6,253.4	July 21, 2022 to July 20, 2028
Manufacturing Plant, Office	Pudong New District, Shanghai	1,171.9	August 7, 2020 to August 7, 2023
Production Site	Wuxi, Jiangsu	11,123.0	October 1, 2021 to September 30, 2033
Office	Wuxi, Jiangsu	339.6	October 1, 2021 to September 30, 2023
Office	Dongcheng District, Beijing	176.8	November 1, 2021 to October 31, 2024
Office	Haidian District, Beijing	481.1	March 15, 2022 to September 15, 2023
Office (licensed property)	Kowloon, Hong Kong	8.7	June 1, 2022 to May 31, 2023

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Governance

We acknowledge our environmental protection and social responsibilities and are aware of the climate-related issues that may impact our Group's business operation. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon [**REDACTED**].

We have established a set of ESG policies ("**ESG Policy**") covered under relevant international standards. We endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. For environmental matters, we have adopted policies related to (i) reduction of greenhouse gas emissions, (ii) treatment of exhaust gas and solid waste, (iii) adoption of materials that cause minimum environmental concerns to the extent possible, and (iv) conservation of energy, among other aspects. We continue to promote work-life balance and create a positive workplace for all of our employees. For social matters, we have adopted policies related to (i) product quality, (ii) employee health, compensation and benefits, (iii) employee training, wellness and professional and personal development, and (iv) employee complaint handling, among other aspects. Our ESG Policy also sets out different parties' respective responsibilities and authority in managing the ESG matters. Our Board has overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group's performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board has established an ESG working group that comprises our executive Directors and management representatives. The ESG working group will have a specific focus on environmental matters, such as energy consumption, pollutants, greenhouse gas emissions and reporting, as well as waste management and recycling efforts. The ESG working group serves as a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; identifying and assessing ESG-related matters, including climate-related risks, by taking into consideration the metrics and targets stipulated in Appendix 27 to the Listing Rules and applicable laws, regulations and industry standards; managing how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group and the effectiveness of the ESG systems.

Potential Impacts of ESG-Related Risks

We are subject to various ESG related laws and regulations in China, and our operations are regularly inspected by local government authorities. During the Track Record Period and up to the Latest Practicable Date, we have not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

In view of the nature of our business, to the best knowledge of our directors, the climate change will not have any major impact on our business operation. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material impact on our business operations, strategies or financial performance as a result of environmental, social and climate-related issues.

Potential transition risk may result from a lower-carbon economy, which entails climate-related regulations and policy change and reputational risk. Currently, the National Development and Reform Commission and the Ministry of Ecology and Environment have jointly issued the Opinions on Further Strengthening the Cleanup of Plastic Pollution, laying out a five-year roadmap to restrict the use, production and sale of plastic products by 2020, 2022, and 2025, respectively. Our Group will work with the suppliers to comply with such regulations, and we will monitor the scope to ensure our works meet the expectations of the regulators.

Set forth below summarizes the climate-related risks our Group identified over the short, medium and long term.

	Risks	**Potential Impacts**
Short term (current annual reporting period)	• Sustained elevated temperature	• Reduced revenue from damage to assets, disruption to third-party logistic providers or third-party manufacturers
Medium term (one to three years)		• Increased operating expenses
Long term (four to ten years)	• Change in climate-related regulations	• Increased cost of inventories sold due to policy changes
	• Shifts in customer preferences	• Reduced demand for goods and services

Strategies in addressing ESG-related risks

We will adopt various strategies and measures to identify, assess, manage and mitigate environmental, social and climate-related risks, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis.
- discussing among management from time to time to ensure all the material ESG areas are recognized and reported.
- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered.
- organizing a specific ESG risk management process to identify and consider ESG risks and opportunities separate from other business risks and opportunities.
- setting targets for environment KPI, including with regard to emission, pollution and other impact on the environment aimed at reducing emissions and natural resource consumption.

We will adopt comprehensive measures to mitigate environmental impact from our business, strategy and financial performance in the near, medium and long term, as summarized below:

Focus area	Key measures
Exhaust gas management	• Adopt exhaust gas treatment system and install active carbon filters
Greenhouse gas management	• Increase the use of clean energy
	• Use energy efficient equipment
Sewage management	• Install sewage treatment system
Solid waste management	• Require proper handling and disposal of solid waste
	• Set up hazardous waste storage sites in accordance with relevant standards and establish standardized hazardous waste management system
	• Engage qualified third-party suppliers for solid waste disposal

Focus area	Key measures
Energy and resource conservation	• Improve energy-saving features such as energy-saving transformers • Conserve water by recycling rain water and installing low-flow valves

Our Group will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess or engage an external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee, and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks and risks monitored as part of the standard operating processes to ensure the appropriate mitigations are in place of the regular management reviews.

The decision to mitigate, transfer, accept or control risk is influenced by various factors such as government regulation, transportation network and public perception. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the environmental, social and climate-related risks and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

Metrics and Targets

We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our business and manufacturing operations:

Resource consumption

- *Electricity consumption.* We have monitored our electricity consumption levels and implement measures to improve energy efficiency since 2021. For the years ended December 31, 2021 and the six months ended June 30, 2022, our electricity consumption levels were 765,628.7 kWh and 440,120.2 kWh, respectively.

- *Water consumption.* We have monitored our water consumption levels and implement measures to promote water conservation since 2021. For the years ended December 31, 2021 and the six months ended June 30, 2022, our water consumption levels were 908.3 m^3 and 493.0 m^3, respectively.

Pollutant management

- *Greenhouse gas discharge.* We have monitored our greenhouse gas ("**GHG**") discharge levels on a periodic basis since 2021. For the years ended December 31, 2021 and the six months ended June 30, 2022, our GHG emissions were approximately 445.3 ton of CO_2 equivalent and 261.5 ton of CO_2 equivalent, respectively. Such exhaust gas was properly treated prior to discharge.

- *Hazardous waste discharge.* We have monitored our hazardous waste discharge levels on a periodic basis since 2021. For the years ended December 31, 2021 and the six months ended June 30, 2022, our hazardous waste discharge levels were approximately 11.5 tons and 5.6 tons, respectively.

Our Board will set targets for each material KPIs at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon [**REDACTED**]. The relevant targets on material KPI will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the ESG-related KPIs, we have taken into account our respective historical consumption or discharge levels during the Track Record Period, and have considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. We will make continuous efforts in working towards the target of reducing our electricity and water consumption, gas emissions and hazardous wastes discharge per thousand dollars of R&D expense by 5% in 2023.

Our total cost of compliance with environmental protection and health and safety laws and regulations for 2020, 2021 and the six months ended June 30, 2022 was approximately RMB4,850, RMB104,080 and RMB49,000, respectively. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees' healthy and safe environment. We implement safety guidelines to set out information about potential safety hazards and procedures for operating in the manufacturing facilities. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees.

Our PRC Legal Advisors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident or fatality and had been in compliance with the relevant PRC laws and regulations in all material aspects.

PERMITS, LICENSES AND OTHER APPROVALS

As of the Latest Practicable Date, our PRC Legal Advisors confirmed we had obtained all requisite licenses, approvals and permits from relevant PRC authorities that are material to our operations in the PRC, and such licenses, permits and certifications all remain in full effect. For more details regarding the laws and regulations to which we are subject, see "Regulatory Overview" in this Document. We had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. To the best knowledge of our PRC Legal Advisors, there is no material legal impediment in renewing such licenses, permits, approvals and certificates as they expire in the future as long as we are in compliance with applicable laws, regulations and rules. 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 maintenance and renewal of our material licenses, permits, approvals and certificates.

The following table sets forth the details of our material licenses, permits and approvals as of the Latest Practicable Date:

Licenses/Permit	Issuing Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2021LP00444) ((藥物臨床試驗批准通知書) (編號: 2021LP00444))	NMPA	April 6, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP01553) ((藥物臨床試驗批准通知書) (編號: 2021LP01553))	NMPA	September 27, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02036) ((藥物臨床試驗批准通知書) (編號: 2021LP02036))	NMPA	December 17, 2021	N/A

Licenses/Permit	Issuing Authority	Grant Date	Expiry Date
Notice of Approval for Clinical Drug Trials (No. 2021LP02037) ((藥物臨床試驗批准通知書) (編號: 2021LP02037))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02038) ((藥物臨床試驗批准通知書) (編號: 2021LP02038))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP02039) ((藥物臨床試驗批准通知書) (編號: 2021LP02039))	NMPA	December 17, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2021LP01219) ((藥物臨床試驗批准通知書) (編號: 2021LP01219))	NMPA	August 4, 2021	N/A
Notice of Approval for Clinical Drug Trials (No. 2022LP00366) ((藥物臨床試驗批准通知書) (編號: 2022LP00366))	NMPA	March 7, 2022	N/A
Notice of Approval for Clinical Drug Trials (No. 2022LP01808) ((藥物臨床試驗批准通知書) (編號: 2022LP01808))	NMPA	November 1, 2022	N/A
Pharmacy and Poisons Ordinance Wholesale Dealer Licence (No. 72/2A/2022) ((藥劑業及毒藥條例批發商牌照) (編號: 72/2A/2022))	Pharmacy and Poisons Board	October 3, 2022	October 2, 2023

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or threatened legal or administrative proceedings. We are committed to maintaining the standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

Legal Compliance

Our PRC Legal Advisors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all material applicable PRC laws and regulations. Our Directors confirmed that we were not involved in any material or systemic non-compliance incidents.

Our compliance team is responsible for building, developing and improving our compliance management system to ensure our compliance culture is embedded into everyday workflow. The team conducts compliance training for target groups and identifies, assesses, and reports compliance risks and expectations in a timely manner. Our compliance team will also work with the senior management team to monitor and evaluate the effectiveness of our compliance function and structure to ensure that we comply with the applicable laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in our business operations, and we believe that risk management is important to our success. For more details, see "Risk Factors – Risks Relating to Our Operations." Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system.

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and

- attend training sessions by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [**REDACTED**] in Hong Kong.

Internal Control

We have employed an independent internal control consultant to assess our internal control system in connection with the [**REDACTED**]. The internal control consultant has conducted a review procedure on our internal control system in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. We had improved our internal control system by adopting and implementing a series of new internal control policies. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

We have also appointed external legal counsels to advise us on compliance matters, such as compliance with the regulatory requirements on clinical R&D, which is also monitored by our regulatory and quality assurance team. Under our whistle-blowing policy, we make our internal reporting channel open and available for our employees to report, on an anonymous basis, any non-compliance incidents and acts, including bribery and corruption. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings. We have also established anti-bribery guidelines and compliance requirements. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

We plan to provide our Directors, senior management, and relevant employees with continuous training programs and updates regarding the relevant PRC and U.S. laws and regulations regularly to proactively identify any concerns and issues relating to any potential non-compliance.

Anti-bribery

We maintain strict anti-corruption policies among our employees and distributors. We believe we will be less affected by the increasingly stringent measures taken by the PRC government to correct corruptive practices in the pharmaceutical industry. We strictly prohibit bribery or other improper payments in our business operations. This prohibition applies to all business activities, anywhere globally, whether involving government officials or healthcare professionals. Improper payments prohibited by this policy include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Requests for false invoices or payment of unusual, excessive or inadequately described expenses are rejected and promptly reported. Misleading, incomplete or false entries in our books and records are never acceptable. We will also ensure that future commercialization team personnel comply with applicable promotion and advertising requirements, including restrictions on promoting drugs for unapproved uses or patient populations and limitations on industry-sponsored scientific and educational activities.

Data Privacy Protection

We have established procedures to protect the confidentiality of patients' data. We usually require our personnel to collect and safeguard personal information in their possession. According to the GCP and relevant regulations, access to clinical trial data has been strictly limited to authorized personnel. Additionally, we require external parties and internal employees involved in clinical trials to comply with confidentiality requirements. Data are to be used only for the intended use, as agreed by the patients and consistent with the informed consent form.

DIRECTORS

Upon [**REDACTED**], our Board will consist of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Date of Joining the Group	Date of Appointment as a Director	Roles and Responsibilities
Ms. Zhang Lele (張樂樂)	44	Executive Director and CEO	September 1, 2019	May 12, 2020	Responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group
Mr. Huang Yuqing (黃雨青)	32	Executive Director and CFO	May 10, 2021	November 15, 2022	Responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group
Dr. Chen Lian Yong (陳連勇)	60	Non-executive Director and chairman of our Board	July 3, 2019	August 23, 2019	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Dr. Xie Qin (謝沁)	42	Non-executive Director	August 23, 2019	August 23, 2019	Responsible for providing strategic advice and recommendations on the operations and management of the Group

Name	Age	Position	Date of Joining the Group	Date of Appointment as a Director	Roles and Responsibilities
Mr. Huang Xiao (黃瀟)	37	Non-executive Director	August 26, 2020	August 26, 2020	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Ms. Yang Yunxia (楊雲霞)	49	Non-executive Director	August 26, 2020	August 26, 2020	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Mr. Chung Ming Kit (鍾明杰)	45	Independent non-executive Director	[●]	[●]	Responsible for supervising and providing independent advice on the operations and management of the Group
Mr. Tao Tak Yan Dennis (陶德仁)	46	Independent non-executive Director	[●]	[●]	Responsible for supervising and providing independent advice on the operations and management of the Group
Mr. Ye Xiaoxiang (葉曉翔)	48	Independent non-executive Director	[●]	[●]	Responsible for supervising providing independent advice on the operations and management of the Group

Executive Directors

Ms. Zhang Lele (張樂樂), aged 44, is our founder. She was appointed as our Director on May 12, 2020 and was re-designated as our executive Director on November 15, 2022. Ms. Zhang has been serving as our CEO since September 1, 2019, and as the chief executive officer of Cutia Shanghai, Aurora Cutis and Cutia Wuxi since September 2019, November 2020 and December 2020 respectively. Ms. Zhang has been serving as a director of Cutia HK, Cutia Shanghai, Aurora Cutis and Cutia Wuxi since June 2020, November 2020, November 2020 and December 2020 respectively. Ms. Zhang is responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group.

Ms. Zhang has worked in the pharmaceutical industry for approximately 20 years, accumulating a wealth of first-hand experience in the industry with a proven track record of success. Prior to joining the Group, Ms. Zhang served as an assistant business development manager at Shanghai Novartis Trading Co., Ltd (上海諾華貿易有限公司) from June 2008 to June 2011. She has worked in Eisai China Inc. (衛材(中國)藥業有限公司), which is wholly owned by Eisai Co., Ltd, a Japanese pharmaceutical company listed on the Tokyo Stock Exchange (stock code: 4523) as the head of optimization and development department responsible for business development, sales and marketing training from September 2014 to February 2015 and the head of strategic alliances responsible for sales of products from strategic alliances from March 2015 to September 2016. From October 2016 to April 2019, she has served as the head of strategic projects department in Santen Pharmaceutical (China) Co., Ltd. (參天製藥(中國)有限公司) where she was responsible for overall management.

Ms. Zhang obtained a bachelor's degree in pharmaceutical preparations from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2000, and a master's degree in pharmacology from Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in the PRC in July 2005.

Mr. Huang Yuqing (黃雨青), aged 32, was appointed as our executive Director on November 15, 2022. Mr. Huang has been serving as our CFO since May 10, 2021. Mr. Huang is responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group.

Prior to joining the Group, Mr. Huang had served as the lead analyst for Greater China Healthcare Research at Jefferies Hong Kong Limited from February 2017 to March 2018. He was recognized as one of the Top Three Best Analysts in the healthcare industry by the Institutional Investor All-China Research Team Survey in 2017. From March 2018 to October 2019, he worked in Kintor Pharmaceutical Limited (開拓藥業有限公司), a clinical-stage novel drug developing company listed on the Stock Exchange (stock code: 9939), as the chief financial officer and chief business officer. He had also worked at Harvest Global Investments Limited (嘉實國際資產管理有限公司), with his last position as an analyst from May 2020 to May 2021.

Mr. Huang obtained a bachelor's degree in communication studies from Fudan University (復旦大學) in the PRC in July 2014.

Non-executive Directors

Dr. Chen Lian Yong (陳連勇), aged 60, was appointed as our Director and the chairman of our Board on August 23, 2019, and was re-designated as our non-executive Director on November 15, 2022. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Dr. Chen has more than 20 years of experience in the life sciences and medical-related industries. He is currently the founding managing partner and chief executive officer of 6 Dimensions Capital (通和毓承), the private equity fund management company under which the Controlling Shareholders are managed. He has been the founder and managing partner of Frontline BioVentures (Hong Kong) Limited since 2012 and a partner at Eight Roads Capital Advisors (Hong Kong) Limited (formerly known as FIL Capital Management (Hong Kong) Limited) from May 2008 to March 2014, as well as an executive director and general manager of Frontline BioVentures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) since September 2013.

Dr. Chen was a director of Shanghai Hile Bio-Technology Co. Ltd. (上海海利生物技術股份有限公司), a veterinary biological product manufacturer listed on the Shanghai Stock Exchange (stock code: 603718), from December 2014 to April 2021, and he was a non-executive director of Hua Medicine (華領醫藥), a company primarily engaged in drug development business and listed on the Hong Kong Stock Exchange (stock code: 2552), from January 2015 to March 2022. He has been the chairman of Ocumension Therapeutics (歐康維視生物), a company primarily engaged in ophthalmic therapies and listed on the Hong Kong Stock Exchange (stock code: 1477), since May 2018 and was re-designated from executive director to non-executive director with effect from July 20, 2021. He was a non-executive director of CStone Pharmaceuticals (基石藥業), an immuno-oncology drugs and molecularly targeted drugs manufacturer listed on the Hong Kong Stock Exchange (stock code: 2616), from August 2018 to July 2021, and has been a director of 111, Inc. (111集團), an internet medical and health company listed on the Nasdaq Stock Market (stock code: YI), since May 2019. From February 2019 to July 2021, Dr. Chen served as a director in Brii Biosciences (Shanghai) Co., Ltd. (騰盛博藥醫藥技術(上海)有限公司), a subsidiary of Brii Biosciences Limited, a biotechnology company listed on the Hong Kong Stock Exchange (stock code: 2137).

Dr. Chen obtained a bachelor's degree in chemistry from Peking University (北京大學) in the PRC in July 1984. He obtained his Ph.D. in chemistry with grand distinction from the Catholic University of Louvain in Belgium in June 1991. He conducted postdoctoral research in chemistry at the Massachusetts Institute of Technology in the United States from August 1991 to December 1992.

Dr. Xie Qin (謝沁), aged 42, was appointed as our Director on August 23, 2019, and was re-designated as our non-executive Director on November 15, 2022. She is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Dr. Xie has more than 10 years of experience in the pharmaceuticals-related industry. Prior to joining the Group, Dr. Xie has served as a senior investment manager in Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a company primarily engaged

in pharmaceutical industry and listed on both the Shanghai Stock Exchange (stock code: 601607) and the Hong Kong Stock Exchange (stock code: 2607), from November 2010 to December 2012. From September 2013 to December 2015, she had served as a business development manager in Huizheng (Shanghai) Pharmaceutical Technology Co., Ltd. (輝正(上海)醫藥科技有限公司), a subsidiary of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), a pharmaceutical company listed on the Shanghai Stock Exchange (stock code: 600267). From January 2016 to August 2017, she had served at 6 Dimensions Venture Consultant (Shanghai) Co., Ltd. (毓承投資諮詢(上海)有限公司). Since September 2017, she has worked in Frontline Bioventures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) with her current position as a partner.

Dr. Xie obtained a bachelor's degree in clinical medicine from the Xi'an Jiaotong University (西安交通大學) in the PRC in July 2003. She then received her master's degree in pharmacology and doctorate degree in pharmacology from University of Oxford in the United Kingdom in September 2004 and April 2011, respectively.

Mr. Huang Xiao (黃瀟), aged 37, was appointed as our Director on August 26, 2020, and was re-designated as our non-executive Director on November 15, 2022. He is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Prior to joining the Group, Mr. Huang has been serving at YF Capital (雲鋒基金) with his current position as managing director since May 2015. He currently serves as a director in more than ten private companies, most of which are focusing on medical or technology industry, such as CBMG Holdings, Microport Cardiac Rhythm Management Limited, Sironax Ltd. and Livzon Biologics Limited.

Mr. Huang obtained a bachelor's degree in life science from Tsinghua University (清華大學) in the PRC in August 2007, and a doctor's degree in cell biology from Yale University in the United States in December 2012.

Ms. Yang Yunxia (楊雲霞), aged 49, was appointed as our Director on August 26, 2020, and was re-designated as our non-executive Director on November 15, 2022. She is primarily responsible for providing strategic advice and recommendations on the operations and management of the Group.

Ms. Yang is a partner of Sequoia Capital China. Prior to joining Sequoia Capital China in May 2015, Ms. Yang successively served as an investment manager and a vice president in Legend Capital Co., Ltd. (君聯資本管理股份有限公司) from April 2011 to May 2015. From December 2009 to April 2011, she worked in Johnson & Johnson, a company listed on the New York Stock Exchange (stock code: JNJ). Ms. Yang served as a director in Burning Rock Biotech Limited, a company listed on NASDAQ (stock code: BNR). From June 2019 to February 2021, Ms. Yang served as a director in Adagene Inc., a clinical-stage biotech company listed on NASDAQ (stock code: ADAG).

Ms. Yang obtained a master's degree in clinical science from Tongji Medical University (同濟醫科大學) (currently known as Tongji Medical College of Huazhong Technology University (華中科技大學)) in the PRC in July 1997, and a master's degree of business administration from Duke University in the United States in May 2009.

Independent Non-executive Directors

Mr. Chung Ming Kit (鍾明杰), aged 45, has been appointed as an independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

Mr. Chung has over 20 years of experience in finance, accounting and management. He served as an auditor at Deloitte Touche Tohmatsu (德勤會計事務所) from September 2001 to April 2006. From June 2006 to March 2008, he served as the financial executive manager of Tomoike Industrial (HK) Ltd. (香港友池有限公司), a subsidiary of CDW Holding Limited (CDW控股有限公司), a company listed on the Singapore Exchange Securities Trading Limited (stock code: BXE). He worked in China Medical Technologies Inc. (中國醫療技術公司), a company previously listed on Nasdaq Stock Market (stock code: CMED) and delisted on February 2012, from April 2008 to January 2012, with his last position held as the group financial controller. And he worked at I.T. Limited, a company previously listed on the Hong Kong Stock Exchange (stock code: 999) and delisted on April 2021 due to privatization, from April 2012 to January 2014, with his last position held as the financial controller. From January 2014 to July 2017, he served as the chief financial officer and company secretary in China Fordoo Holdings Limited (中國虎都控股有限公司) (currently known as China Anchu Energy Storage Group Limited (中國安儲能源集團有限公司)), a menswear company listed on the Hong Kong Stock Exchange (stock code: 2399). From July 2017 to July 2019, he worked at New World Department Store China Limited (新世界百貨中國有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 825), where his last position was the chief financial officer. From September 2020 to September 2022, he served as the financial controller in Arredamenti Company Limited, and has been a non-executive director in Arredamenti Company Limited since September 2022. Since September 2022, he also has been a chief financial officer in Computime Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 320).

Mr. Chung obtained a bachelor's degree of business administration in accounting from Hong Kong University of Science and Technology in Hong Kong in November 2001. He obtained a certificate of membership from the Hong Kong Institute of Certified Public Accountants in January 2005 and then a fellow in October 2014. He was qualified as a chartered financial analyst in September 2008, granted by the Board of Governors of CFA Institute.

Mr. Tao Tak Yan Dennis (陶德仁), aged 46, has been appointed as an independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

From March 2004 to August 2010, Mr. Tao worked at Morgan Stanley Asia Limited with his last position as the executive director in the research division. Mr. Tao has been serving as the principal of Anta Capital Management Limited, where he was responsible for asset allocation and risk managements for off-shore investments since August 2010. He has also been serving as the vice president in ANTA Investment Limited, a subsidiary of ANTA Sports Products Limited, a sporting goods manufacturer listing on the Hong Kong Stock Exchange (stock code: 2020), where he was responsible for merger, acquisition and capital market affairs, since March 2016.

Mr. Tao obtained a bachelor's degree of arts from University of California, Berkeley in the United States in May 1998. He was qualified as a chartered financial analyst in September 2003, granted by the Board of Governors of CFA Institute.

Mr. Ye Xiaoxiang (葉曉翔), aged 48, has been appointed as an independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

From October 2003 to March 2016, Mr. Ye held various positions at Eisai China Inc., a company wholly owned by Eisai Co., Ltd, a Japanese pharmaceutical company listed on the Tokyo Stock Exchange (stock code: 4523), including legal manager, senior director of the department of legal and compliance, and head of administration division, where he was mainly responsible for legal and compliance affairs. Since April 2016, Mr. Ye has been working in Eisai China Holding Ltd., a company wholly owned by Eisai Co., Ltd, where he served as a vice president and general counsel of China region.

Mr. Ye obtained a bachelor's degree in engineering from Southwest Jiaotong University (西南交通大學) in the PRC in July 1996. He obtained a master's degree in law from Nankai University (南開大學) in the PRC in July 2003. He obtained the Certificate of National Legal Professional Qualification issued by the Ministry of Justice of the PRC in September 2002, and the Certificate of Patent Agent Qualification issued by the China National Intellectual Property Administration in March 2003.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this Document, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are [**REDACTED**] on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Ms. Zhang Lele (張樂樂)	44	Executive Director and CEO	September 1, 2019	September 1, 2019	Responsible for overall strategic planning, business direction, operational management, and supervision of the senior management of the Group
Mr. Huang Yuqing (黃雨青)	32	Executive Director and CFO	May 10, 2021	May 10, 2021	Responsible for overall strategic planning, investment and financing, mergers and acquisitions, capital markets and investor relations of the Group

Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Mr. Zhu Qi (朱琦)	50	Chief medical officer	September 9, 2019	September 9, 2019	Responsible for clinical operations, medical, pharmacovigilance, clinical pharmacology, statistics and data management, and medical support for product development and lifecycle management of the Group
Dr. Lei Lei (雷磊)	38	Senior vice president of research and development department	January 10, 2020	January 10, 2020	Responsible for the overall research and development work of the Group
Ms. Zhang Chunna (張春娜)	44	Senior vice president of regulatory affairs department	October 10, 2019	October 10, 2019	Responsible for the development and registration of the Company's products, the establishment and compliance management of product lines and research and development platforms of the Group
Ms. Xu Jingxin (徐靜欣)	44	Senior vice president of manufacturing and quality control department	December 1, 2020	December 1, 2020	Responsible for the Company's quality management system and production operations, including the project management and daily management of the plant under construction in Wuxi, the PRC

Name	Age	Position	Date of Joining the Group	Date of Appointment as a member of senior management of the Group	Roles and Responsibilities
Mr. Wu Jiaru (鄔佳儒)	39	Senior vice president of finance and integrated management department	August 5, 2019	August 5, 2019	Responsible for decision making and executive oversight of finance, information technology and procurement operations

Ms. Zhang Lele (張樂樂), aged 44, is our founder, executive Director and CEO. For more details of her biography, see "– Directors – Executive Directors" above.

Mr. Huang Yuqing (黃雨青), aged 32, is our executive Director and CFO. For more details of his biography, see "– Directors – Executive Directors" above.

Mr. Zhu Qi (朱琦), aged 50, joined our Group on September 9, 2019 and has been serving as the chief medical officer of our Group since then. He is primarily responsible for clinical operations, medical, pharmacovigilance, clinical pharmacology, statistics and data management, and medical support for product development and lifecycle management of the Group.

Mr. Zhu has more than 20 years of experiences in the medical industry. Prior to joining our Group, Mr. Zhu worked in Shanghai Johnson & Johnson Pharmaceuticals Ltd. (上海強生製藥有限公司) from August 2001 to May 2005. He then worked in Shanghai Roche Pharmaceuticals Limited (上海羅氏製藥有限公司) from May 2005 to July 2006 and worked in Nanjing Organon Pharmaceutical Co., Ltd. Shanghai Branch (南京歐加農製藥有限公司上海分公司) from August 2006 to April 2007. From May 2007 to September 2010, Mr. Zhu worked in Baxter (China) Investment Co., Ltd. (百特(中國)投資有限公司), where he is responsible for medical affairs in Hong Kong and Mainland China. He then served as director of medical affair in Shandong Bausch & Lomb Freda Pharmaceutical Co., Ltd, a subsidiary of Bausch + Lomb Corporation, a company listed on the New York Stock Exchange (stock code: BLCO), and Biogen Idec Pharmaceutical Consultancy (Shanghai) Company Limited (百健艾迪醫藥諮詢(上海)有限公司), from October 2010 to March 2013. From September 2013 to September 2015, he worked in AbbVie Pharmaceutical Trading (Shanghai) Co., Ltd. (艾伯維醫藥貿易(上海)有限公司) as a medical affair associate director. Mr. Zhu also served as a medical affair director in the Shanghai branch of Wyeth Pharmaceutical Co., Ltd. (惠氏製藥有限公司上海分公司) from September 2015 to January 2018 and in Menarini (China) Investment Co. (美納裏尼(中國)投資有限公司) from February 2018 to August 2019.

Mr. Zhu obtained a bachelor's degree in Chinese medicine and a master's degree in Chinese medicine Surgery from Shanghai University of Traditional Chinese Medicine (上海中醫藥大學) in the PRC in July 1995 and July 2001, respectively. He also obtained a master's degree of business administration from the Joint MBA program of Shanghai University of Finance and Economics-Webster University (上海財經大學-美國韋伯斯特大學合作培養工商管理碩士項目) in the PRC in December 2005.

Dr. Lei Lei (雷磊), aged 38, joined our Group on January 10, 2020 as the senior director of research and development department, and has been serving as the senior vice president of research and development department of our Group since September 2022. He is primarily responsible for the overall research and development work of the Group.

Dr. Lei has over 10 years of experiences in the development of medical/pharmaceutical products. Prior to joining the Group, Dr. Lei served as a senior product development engineer responsible for development of medical products in 3M Medical Devices and Materials Manufacturing (Shanghai) Co., Ltd (明尼蘇達礦業製造醫用器材(上海)有限公司) from October 2012 to January 2017. From January 2017 to January 2020, he worked as a senior scientist and then a principal scientist in Shanghai Johnson & Johnson Pharmaceuticals Ltd. (上海強生製藥有限公司).

Dr. Lei obtained a bachelor's degree in Pharmaceutical Engineering and master's degree in Biochemistry and Molecular Biology from Southwest Jiaotong University (西南交通大學) in the PRC in July 2006 and in December 2008, respectively. He also obtained a doctor's degree in Pharmaceutical Science from Shanghai Jiao Tong University (上海交通大學) in the PRC in January 2013. He has been a member of the Industrial Pharmaceutics Group of the Shanghai Pharmaceutical Society 2020 Pharmaceutics Special Committee (上海市藥學會2020藥劑學專委會工業藥劑學組) since June 2021.

Ms. Zhang Chunna (張春娜), aged 44, joined our Group on October 10, 2019 as the vice president of regulatory affairs department, and has been serving as the senior vice president of regulatory affairs department our Group since September 2022. She is primarily responsible for the development and registration of the Company's products, the establishment and compliance management of product lines and research and development platforms of the Group.

Ms. Zhang has more than 15 years of experiences in the research and development pharmaceutical industry. Prior to joining the Group, Ms. Zhang served as an intermediate research and development staff in Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院有限公司) from April 2004 to March 2006. From April 2006 to December 2009, she served as a department director in Beijing Hanmi Pharmaceutical Co., Ltd. (北京韓美藥品有限公司) where she was mainly responsible for development and manufacture of new drugs. From January 2010 to November 2010 and from November 2010 to October 2019, she served as a manager of product development department in Senju Pharmaceutical Co., Ltd Beijing Office (日本千壽製藥株式會社北京代表處) and Senju Pharmaceutical Science & Technology (Beijing) Co., Ltd. (千壽製藥科技(北京)有限公司), where she was mainly responsible for product development and regulatory affairs.

Ms. Zhang obtained a bachelor's degree with a major in pharmacy (Japanese) from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2001, and a master's degree of medicine from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2004.

Ms. Xu Jingxin (徐靜欣), aged 44, joined our Group as vice president of manufacturing and quality control department on December 1, 2020 and has been serving as the senior vice president of manufacturing and quality control department of our Group since January 2022. She is primarily responsible for the management of the Company's quality management system and production operations, including the project management and daily management of the plant under construction in Wuxi, the PRC.

Ms. Xu has more than 20 years of experiences in quality management of medical products. Prior to joining the Group, Ms. Xu worked in Pfizer Pharmaceutical (Wuxi) Co., Ltd. (輝瑞製藥(無錫)有限公司), a subsidiary of Pfizer Inc., a company listed on the New York Stock Exchange (Stock Code: PFE), with her last position as a quality assurance manager from July 2001 to April 2010. She then served as various positions responsible for policy and strategy planning for quality improvement in Wuxi plant of AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康製藥有限公司), a subsidiary of AstraZeneca plc, listed on London Stock Exchange (stock code: ZAN), from April 2010 to September 2018. She then served as a quality manager responsible for policy and strategy planning for quality improvement in Japanese Yonehara plant of AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康製藥有限公司) from September 2018 to February 2019. From February 2019 to November 2020, she also worked in BeiGene (Suzhou) Co., Ltd. (百濟神州(蘇州)生物科技有限公司) (currently known as SuGene Pharmaceuticals (Suzhou) Co., Ltd.), a subsidiary of BeiGene, Ltd. listed on the Stock Exchange (stock code: 6160), the NASDAQ (stock code: BGNE) and the Shanghai Stock Exchange (stock code: 688235) where she first served as a director of excellent quality operations management in China and then a quality manager.

Ms. Xu obtained a bachelor's degree with a major in pharmacy (Japanese) from Shenyang Pharmaceutical University (瀋陽藥科大學) in the PRC in July 2001.

Mr. Wu Jiaru (鄔佳儒), aged 39, joined our Group on August 5, 2019 as the finance manager, and has been serving as the senior vice president of finance and integrated management department of our Group since November 1, 2022. He has served as a supervisor of Aurora Cutis from November 2020 to April 2021. He is primarily responsible for decision making and executive oversight of finance, information technology and procurement operations.

Prior to joining the Group, Mr. Wu served as a senior system controller in Giti Tire (China) Investment Company Ltd. (佳通輪胎(中國)投資有限公司), where he was mainly responsible for improvement and execution of financial policy, from October 2013 to February 2019. From February 2019 to July 2019, he served as a reporting expert in KaVo-Sybron Dental (Shanghai) Co. Ltd. (卡瓦盛邦(上海)牙科醫療器械有限公司) where he was mainly responsible for analysis of financials as well as improvement and execution of financial system and operation process.

Mr. Wu obtained a bachelor's degree in accounting from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2008. He was qualified as US Certified Public Accountant by Guam Board of Accountancy in March 2019.

COMPANY SECRETARY

Ms. Chan Sze Ting (陳詩婷) has been appointed as the company secretary of the Company on November 15, 2022. Ms. Chan currently serves as an associate director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Chan has over 16 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of laws degree from the University of London.

CORPORATE GOVERNANCE

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The audit committee of the Company comprises three members, namely Mr. Chung Ming Kit (鍾明杰), Mr. Ye Xiaoxiang (葉曉翔) and Mr. Tao Tak Yan Dennis (陶德仁), with Mr. Chung Ming Kit (鍾明杰) being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules) as chairman of the audit committee. The primary duties of the Company's audit committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The remuneration committee of the Company comprises three members, namely Mr. Ye Xiaoxiang (葉曉翔), Dr. Chen Lian Yong (陳連勇) and Mr. Chung Ming Kit (鍾明杰), with Mr. Ye Xiaoxiang (葉曉翔) as chairman of the remuneration committee. The primary duties of the Company's remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The nomination committee of the Company comprises three members, namely Dr. Chen Lian Yong (陳連勇), Mr. Tao Tak Yan Dennis (陶德仁) and Mr. Chung Ming Kit (鍾明杰), with Dr. Chen Lian Yong (陳連勇) as chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

Board diversity

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, educational background, industry experience and professional experience. Our Directors have balanced mix of gender, knowledge, skills and experiences, including management, strategic planning, law, finance, investment, healthcare and technology industries. They obtained degrees in various areas such as biology, medicine, pharmacology, business administration, engineering, law, and accounting. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon [**REDACTED**], our Board comprises six male members and three female members, and we expect to maintain such gender ratio at the Board level going forward. After [**REDACTED**], the nomination committee will revisit the board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board's consideration in the future to ensure that gender diversity can be maintained. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Corporate Governance Code

We aim to achieve high standard of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a non-competition agreement with our key management members and technical personnel. We normally enter into an employment contract with our key management members and technical personnel with a term of one year. Below sets forth the key terms of these contracts we enter into with our key management members and technical personnel.

Confidentiality

Scope of confidential information: Information the employee shall keep confidential includes but is not limited to: products, technical, business and operational information of the Group, or any of its suppliers or customers, and any other confidential information owned by any other third parties to whom our Group owes confidentiality obligations, that the employee may produce, obtain or otherwise acquire or have access to during the course of his employment by the Company but have not yet gone into public.

Confidential obligation: The employee (i) shall keep confidential information in confidence, and take reasonable and good faith precautions to prevent any unauthorized use or disclosure of the confidential information; (ii) without our Group's written consent, shall not keep any forms of carriers that record the confidential information, and ought to return all our Group's property, including but not limited to any forms of carriers, to our Group upon the departure of the employee or our Group's request.

Confidential period: The confidentiality obligation shall continue to be in effect during the course of employment and after the departure of the employee.

Ownership of intellectual work products

Acknowledgment: The employee acknowledges and agrees that our Group shall own (i) all sorts of intellectual work products that the employee produces during the course of his or her employment with our Group; (ii) all sorts of intellectual work products related to our Group's business and products that the employee produces by mainly using the working conditions, confidential information and/or any other preferential conditions provided by our Group; and (iii) any invention or creation that the employee produces within one year after his or her departure from our Group, provided that the work products relate to any task assigned to the employee or are otherwise within the employee's scope of work.

Non-competition

Term and Scope: The non-competition obligation is effective during the course of employment and for a period of two (2) years thereafter. The employee shall bear the non-competition obligation him or her self, and cause and procure his or her affiliates (including but not limited to, his or her spouse, children, brothers and sisters, parents, relatives by law, grandparents, grandchildren, uncles, aunts and cousins) to also keep non-competition obligation.

Non-competition obligation: The employee shall not, and shall cause and procure that his/her affiliates shall not, without the prior written consent of the Company, directly or indirectly, carry on or be in any way interested in any and all business worldwide, which competes or proposes to compete with the Group's business, whether (i) in the capacity of sole proprietorship, shareholding, investing, partnership, licensors or in any other way; (ii) by acting as a consultant (or provide consultancy service or similar service), employee or officer in any capacity in such business or providing technical, commercial or professional advice to such business; (iii) by supplying any product or service of the same type as or similar to or competitive with any product or service supplied by the Group to any person who is a customer of the Group; or (iv) by manufacturing, marketing, selling and distributing products worldwide that are identical to or compete with any products of such business, or in any way compete with the Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf and share-based payment. Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

The aggregate amount of remuneration to our Directors for the two years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 were RMB14.3 million, RMB27.0 million and RMB6.6 million, respectively. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB66.5 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this Document.

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.

The aggregate amount of remuneration to our five highest paid individuals (including Director and chief executive) for the two years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 were RMB22.8 million, RMB42.8 million and RMB26.9 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments.

For more details on remuneration of our Directors and the highest paid individuals, see Notes 9 and 10 to the Accountants' Report.

COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- 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 shares issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the [**REDACTED**] and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan, 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 to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	**Capacity/Nature of interest**	**Total number of Shares/underlying Shares held as of the Latest Practicable Date**	**Approximate percentage of interest in our Company on the Latest Practicable Date** *(%)*	**Approximate percentage of interest in our Company upon completion of the [REDACTED]** *(%)*
6 Dimensions LP[3]	Beneficial owner	12,354,342	21.85	[**REDACTED**]
6 Dimensions Affiliates[3]	Beneficial owner	650,229	1.15	[**REDACTED**]
6 Dimensions Capital GP, LLC[3]	Interest in controlled corporation	13,004,571	23.00	[**REDACTED**]
Suzhou 6 Dimensions[1]	Beneficial owner	12,103,200	21.40	[**REDACTED**]
Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) ("**Tongyu Investment**")[1]	Interest in controlled corporation	12,103,200	21.40	[**REDACTED**]
Suzhou Frontline II[1]	Beneficial owner	5,187,085	9.17	[**REDACTED**]
Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) ("**Fuyan VC**")[1]	Interest in controlled corporation	5,187,085	9.17	[**REDACTED**]
Suzhou Yunchang Investment Consulting Co., Ltd. (蘇州蘊長投資諮詢有限公司) ("**Yunchang Investment**")[1]	Interest in controlled corporation	17,290,285	30.57	[**REDACTED**]
Mr. Chen Ziqing[1]	Interest in controlled corporation	17,290,285	30.57	[**REDACTED**]
Aurora Cutis Limited[2]	Beneficial owner	10,853,568	19.19	[**REDACTED**]
Futu Trustee Limited[2]	Interest in controlled corporation	10,853,568	19.19	[**REDACTED**]

Substantial Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held as of the Latest Practicable Date	Approximate percentage of interest in our Company on the Latest Practicable Date *(%)*	Approximate percentage of interest in our Company upon completion of the [REDACTED] *(%)*
YF Dermatology Limited[4]	Beneficial owner	8,000,000	14.15	[REDACTED]
Yunfeng Fund III, L.P. ("**Yunfeng LP**")[4]	Interest in controlled corporation	8,000,000	14.15	[REDACTED]
Yunfeng Investment III, Ltd. ("**Yunfeng GP**")[4]	Interest in controlled corporation	8,000,000	14.15	[REDACTED]
Yunfeng Capital Limited ("**Yunfeng Capital**")[4]	Interest in controlled corporation	8,000,000	14.15	[REDACTED]
Mr. Yu Feng[4]	Interest in controlled corporation	8,000,000	14.15	[REDACTED]
SCC Growth V 2020-C, L.P. ("**Sequoia Capital China Growth**")[5]	Beneficial owner	6,857,143	12.13	[REDACTED]
SC China Growth V Management, L.P. ("**SCC Growth V**")[5]	Interest in controlled corporation	6,857,143	12.13	[REDACTED]
SC China Holding Limited ("**SC China**")[5]	Interest in controlled corporation	6,857,143	12.13	[REDACTED]
SNP China Enterprises Limited[5]	Interest in controlled corporation	6,857,143	12.13	[REDACTED]
Mr. Neil Nanpeng Shen[5]	Interest in controlled corporation	6,857,143	12.13	[REDACTED]
Fidelity China Special Situations PLC[6]	Beneficial owner	1,077,459	1.91	[REDACTED]
Fidelity Funds[6]	Beneficial owner	3,349,849	5.92	[REDACTED]
Fidelity Investment Funds[6]	Beneficial owner	118,491	0.21	[REDACTED]
FIL Investment Management (Hong Kong) Limited[6]	Interest in controlled corporation	4,545,799	8.04	[REDACTED]
FIL Limited[6]	Interest in controlled corporation	4,545,799	8.04	[REDACTED]
Pandanus Partners L.P.[6]	Interest in controlled corporation	4,545,799	8.04	[REDACTED]
Pandanus Associates Inc.[6]	Interest in controlled corporation	4,545,799	8.04	[REDACTED]

Notes:

1. Suzhou 6 Dimensions is a limited partnership whose general partner is Tongyu Investment. As such, under the SFO, Tongyu Investment is deemed to be interested in the Shares held by Suzhou 6 Dimensions.

   Suzhou Frontline II is a limited partnership whose general partner is Fuyan VC. As such, under the SFO, Fuyan VC is deemed to be interested in the Shares held by Suzhou Frontline II.

   Tongyu Investment and Fuyan VC are limited partnerships whose general partner is Yunchang Investment, which is wholly-owned by Mr. Chen Ziqing. As such, under the SFO, each of Yunchang Investment and Mr. Chen Ziqing is deemed to be interested in the Shares held by Suzhou 6 Dimensions and Suzhou Frontline II.

2. Upon exercise of the options and delivery of the share awards granted under the [**REDACTED**] Equity Incentive Plan, a total of 10,853,568 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]) under the options and share awards granted under the [**REDACTED**] Equity Incentive Plan will be issued to Aurora Cutis Limited, a company incorporated in BVI and wholly owned by Futu Trustee Limited (the "**Trustee**"), the trustee of of Aurora Cutis Employee Trust (the "**Trust**"), the trust set up by the Company to facilitate the administration of the [**REDACTED**] Equity Incentive Plan. Pursuant to the trust deed of the Trust, all options and share awards will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the [**REDACTED**] Equity Incentive Plan. By virtue of the SFO, Futu Trustee Limited is deemed to be interested in the options and share awards held by Aurora Cutis Limited.

3. 6 Dimensions LP and 6 Dimensions Affiliates are limited partnerships whose general partner is 6 Dimensions Capital GP, LLC. As such, under the SFO, 6 Dimensions Capital GP, LLC is deemed to be interested in Shares held by 6 Dimensions LP and 6 Dimensions Affiliates.

4. YF Dermatology Limited is a private company controlled by Yunfeng LP, whose general partner is Yunfeng GP. Yunfeng GP is solely managed by Yunfeng Capital, which in turn is ultimately controlled by Mr. Yu Feng. As such, under the SFO, each of Yunfeng LP, Yunfeng GP, Yunfeng Capital and Mr. Yu Feng is deemed to be interested in the Shares held by YF Dermatology Limited.

5. The general partner of Sequoia Capital China Growth is SCC Growth V whose general partner is SC China. SC China is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. As such, under the SFO, each of SCC Growth V, SC China, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the Shares held by Sequoia Capital China Growth.

6. Fidelity China Special Situations PLC, Fidelity Investment Funds and Fidelity Funds, are advised or sub-advised by FIL Investment Management (Hong Kong) Limited, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. As such, under the SFO, each of FIL Investment Management (Hong Kong) Limited, FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc is deemed to be interested in Shares held by Fidelity China Special Situations PLC, Fidelity Funds and Fidelity Investment Funds.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid immediately following completion of the [**REDACTED**].

As of the Latest Practicable Date, our authorized share capital was US$50,000 divided into 500,000,000 Shares, consisting of (i) 459,460,609 ordinary Shares, (ii) 10,000,000 Series A-1 Preferred Shares, (iii) 4,285,714 Series A-2 Preferred Shares, (iv) 20,571,428 Series B Preferred Shares, and (v) 5,682,249 Series C Preferred Shares, of a par value of US$0.0001 each.

Upon the completion of [**REDACTED**], our authorized share capital will be US$50,000 divided into [**REDACTED**] Shares, consisting of (i) [**REDACTED**] ordinary Shares, (ii) [**REDACTED**] Series A-1 Preferred Shares, (iii) [**REDACTED**] Series A-2 Preferred Shares, (iv) [**REDACTED**] Series B Preferred Shares, and (v) [**REDACTED**] Series C Preferred Shares, of a par value of [**REDACTED**] each.

As of the Latest Practicable Date, our issued share capital consisted of (i) 16,009,142 ordinary Shares, (ii) 10,000,000 Series A-1 Preferred Shares, (iii) 4,285,714 Series A-2 Preferred Shares, (iv) 20,571,428 Series B Preferred Shares, and (v) 5,682,249 Series C Preferred Shares, of a par value of US$0.0001 each.

Each of the Preferred Shares will be converted into Shares on a one-to-one basis by way of re-designation and re-classification upon [**REDACTED**].

Assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan, the share capital of our Company immediately after the [**REDACTED**] will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares** *(US$)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	[**REDACTED**]	[**REDACTED**]
Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan, the share capital of our Company upon completion of the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares *(US$)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	[**REDACTED**]	[**REDACTED**]
Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional, that the [**REDACTED**] of Shares pursuant to the [**REDACTED**] are made, and that the [**REDACTED**] takes place as described above. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

RANKING

The [**REDACTED**] Shares are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be [**REDACTED**] (including all Preferred Shares re-designated into Shares upon completion of the [**REDACTED**]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances Under which General Meetings are Required

Our Company has only one class of Shares, namely ordinary Shares, each of which carries the same rights as the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) subdivide its Shares into shares of smaller amount; (iv) cancel any shares which have not been taken; (v) make provision for the allotment and issue of shares; (vi) change the currency of denomination of share capital; and (vii) reduce its share premium account. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For more details, see "Summary of the Constitution of Our Company and Cayman Companies Act – Articles of Association – Shares – Alteration of Capital" in Appendix III.

General Mandate to Issue Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

(a) 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(b) the total number of Shares repurchased by our Company pursuant to the authority referred to in the sub-section headed "Potential Changes to Share Capital – General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

(c) the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.

General Mandate to Repurchase Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

(c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and General Information – Further Information About Our Company – Restrictions on Repurchase of Our Own Securities" in Appendix IV to this Document for more details on the general mandates to issue and repurchase Shares.

EQUITY INCENTIVE PLANS

We have adopted the [**REDACTED**] Equity Incentive Plan and the [**REDACTED**] Equity Incentive Plan, the principal terms of which are summarized in the paragraphs headed "Statutory and General Information – Further Information about Our Company – Equity Incentive Plans" in Appendix IV.

The total number of Shares to be issued under the [**REDACTED**] Equity Incentive Plan shall not exceed 14,035,862 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), representing approximately 24.82% and [**REDACTED**] in the total issued Shares of our Company as of the Latest Practicable Date and upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan), respectively. The aggregate number of Shares underlying the [**REDACTED**] Equity Incentive Plan will not exceed 10% of the total number of issued Shares as of the [**REDACTED**] (excluding any Shares which may be issued pursuant to exercise of the [**REDACTED**]) without Shareholders' approval, being [**REDACTED**] Shares.

You should read the following discussion and analysis in conjunction with our audited 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.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis 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 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.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which includes all standards and interpretations issued by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information.

The historical financial information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the reporting period.

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. The following are the principal factors that have affected, and we expect will continue to affect, our business, financial condition, results of operations and prospects.

Our Ability to Successfully Develop and Commercialize Our Product Candidates

Our business and results of operations depend on our ability to successfully develop our drug candidates. 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. Our business and results of operations depend on our drug candidates demonstrating favorable safety and efficacy clinical trial results, and our ability to obtain the requisite regulatory approvals for our drug candidates to initiate clinical trials, or to advance to the next stage of clinical development. Whether our drug candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our drug candidates in time, are crucial for our business and results of operations.

Our business and results of operations also depend on our ability to commercialize our drug candidates. Our ability to generate revenue from our drug candidates is dependent on our ability to obtain regulatory approvals, establish manufacturing capabilities and sales channels, and undertake extensive sales and marketing efforts. The commercialization may require significant marketing efforts before we generate any revenue from product sales. We have adopted a well-tailored commercialization strategy to penetrate the broader dermatology treatment and care market in China. We believe that our commercialization capabilities will continue to be robust driven by our deep expertise in sales and marketing, close collaboration with e-commerce platforms, and sales and distribution network. However, if we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected.

Our Cost Structure

Our results of operations and financial conditions are significantly affected by our cost structure, which primarily consists of R&D costs, administrative expenses and selling and distribution expenses.

Since our inception, we have focused our resources on our R&D activities, particularly as we advance the clinical development of our clinical assets, continue R&D of our pre-clinical assets and initiate additional clinical trials of, and seek regulatory approvals for, these and other future drug candidates.

R&D activities are central to our business. Our R&D costs primarily consist of staff costs, share-based payment expenses, licensing-in expenses, third-party contracting costs, depreciation and amortization and others. At this time, it is difficult to estimate or know for certain, the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our drug candidates. This is due to the numerous risks and uncertainties associated with developing and commercializing such drug candidates. We expect R&D costs to increase for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates and as we initiate additional clinical trials on these drug candidates.

Our selling and distribution expenses primarily consist of staff costs, share-based payment expenses, marketing expenses and others. Given our robust pipeline, especially our two products at commercial stage and another two product candidates at the pilot commercial stage, we are in the process of expanding our sales and marketing team in anticipation of current products and potential product launches in the coming years.

Our administrative expenses primarily consist of staff costs, share-based payment expenses, consulting fees, depreciation and amortization and others. We also expect our administrative expenses to increase in future periods to support our products and development efforts and support any commercialization activities with respect to our drug candidates. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity financing. Going forward, as our products achieve greater recognition and adoption by physicians and hospitals, and our product candidates successfully receive regulatory approvals and commence commercialization, we expect to fund our operations at least in part with revenue generated from sales of our commercialized products. However, with the continuing expansion of our business, we may require further funding through public or private [**REDACTED**], debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS 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 are believed to be reasonable under the circumstances. We have not materially 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, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this Document.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the

effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of Products

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products to the specific location and upon the confirmation by the customer.

Right of Return

For contracts which provide a customer with a right to return the products within a specific period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Other Income

Bank interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Research and Development Costs

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Project development expenditure which does not meet these criteria is expensed when incurred. During the Track Record Period, all expenses incurred for R&D activities were expensed when incurred.

Fair Value Measurement

We measure certain financial instruments at fair value at the end of each of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The

fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and maximizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the historical financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the historical financial information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting period.

During the Track Record Period, we had certain financial liabilities categorized within Level 3 fair value measurement, which included the convertible redeemable preferred shares measured at fair value through profit or loss ("**FVTPL**"). Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, are disclosed in Note 29 of the Accountants' Report set out in Appendix I to this Document.

In relation to the valuation of the Level 3 financial liabilities, with reference to the "Guidance note on directors' duties in the context of valuations in corporate transactions" issued by the SFC, our Directors have adopted the following procedures: (i) reviewing the

terms of the relevant agreements and documents regarding the financial liabilities; (ii) engaging an independent valuer to perform valuation procedures with necessary financial and non-financial information and discussing with the valuer on the relevant assumptions; (iii) obtaining sufficient understanding of the valuation model, methodologies and techniques on which the valuation is based; and (iv) reviewing the valuation works and results and the financial statements prepared in accordance with IFRS. Based on the above procedures, our Directors are of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. In addition, our Directors are satisfied with the valuation work for the Level 3 financial liabilities performed during the Track Record Period.

Share-Based Payments

We operate an equity incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

We recognize the cost of equity-settled transactions in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that we commit to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortized Cost (Debt Instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade and other payables and convertible redeemable preferred shares.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial Liabilities at FVTPL

Financial liabilities at FVTPL include convertible redeemable preferred shares which are designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities. Details of our convertible redeemable preferred shares as at FVTPL are included in Note 21 to the Accountants' Report in Appendix I to this Document.

Financial Liabilities at Amortized Cost

After initial recognition, financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Leases

We assess at contract inception whether a 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.

Group as a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use Assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	12 years
Office premises	1.5 to 6 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Our lease liabilities are presented in a separate line on the consolidated statements of financial position.

(c) Short-term Leases and Leases of Low-value Assets

We apply the short-term lease recognition exemption to our short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Significant Accounting Judgements and Estimates

Research and Development Costs

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalized and deferred in accordance with the accounting policy for research and development costs in Note 2.3 to the Accountants' Report in Appendix I to this Document. Determining the amounts to be capitalized requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialized and bring economic benefits to us.

Accrual of Research and Development Costs

We rely on contract research organizations, clinical site management operators, and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor our ongoing clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each of the reporting period requires the management to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

Fair Value of Convertible Redeemable Preferred Shares

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires us to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as of the end of each of the reporting period were RMB1,638,600,000, RMB2,242,924,000 and RMB2,417,576,000, respectively. For more details, see Note 21 to the Accountants' Report in Appendix I to this Document.

Fair Value of Share-based Payment Transactions

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, we use a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24 to the Accountants' Report in Appendix I to this Document.

DESCRIPTION OF SELECTED COMPONENTS OF 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)

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
			(unaudited)	
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)
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)

Revenue

During the Track Record Period, substantially all of our revenue was generated from the sale of our scalp disease and care products, skin disease 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 sources and expand our revenue sources upon the commercialization of our products and product candidates. During the Track Record Period, all of our revenue was derived from customers located in Greater China.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of purchase costs and logistics costs related to our scalp disease and care products and skin disease and care products and certain skin care products for daily care and post-treatment maintenance.

Gross Profit and Gross Profit Margin

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.

Other Income and Gains

During the Track Record Period, our other income primarily consisted of interest income and government grants. The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for expenditure arising from research and clinical trial activities. Our interest income comprises (i) bank interest income and (ii) deemed interest income from loans to employees and related parties. In 2020, 2021 and the six months ended June 30, 2022, we recorded other income of RMB0.6 million, RMB9.4 million and RMB3.6 million, respectively.

During the Track Record Period, our gains primarily consisted of net foreign exchange gains, gain on termination of a lease contract and fair value gains on financial assets at FVTPL. We did not record any gains in 2020. In 2021 and the six months ended June 30, 2022, we recorded gains of RMB0.2 million and RMB54.8 million, respectively. The following table summarizes a breakdown of our other income and gains in absolute amounts for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
			(Unaudited)	
Other income				
Government grants	–	3,185	–	–
Bank interest income	609	6,081	3,000	2,844
Deemed interest income from loans to employees	–	3	–	56
Deemed interest income from loans to related parties	–	29	–	306
Others	4	62	37	419
	613	9,360	3,037	3,625

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
			(Unaudited)	
Gains				
Foreign exchange gains, net	–	–	–	53,090
Gain on termination of a lease contract	–	157	157	–
Fair value gains on financial assets at FVTPL	–	–	–	1,731
	–	157	157	54,821
	613	9,517	3,194	58,446

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses consisted of staff costs, share-based payment expenses, marketing expenses and others. We did not record any selling and distribution expenses in 2020. In 2021 and the six months ended June 30, 2022, our selling and distribution expenses amounted to RMB6.3 million and RMB6.0 million, respectively. The following table sets forth a breakdown of our selling and distribution expenses in absolute amounts and as percentages of the total selling and distribution expenses for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2020		2021		2021		2022	
	(RMB in thousands except for percentages)							
					(Unaudited)			
Staff costs	–	–	2,065	32.8%	532	50.1%	2,981	49.9%
Share-based payment expenses	–	–	41	0.7%	–	–	717	12.0%
Marketing expenses	–	–	4,039	64.2%	494	46.6%	1,799	30.1%
Others	–	–	147	2.3%	35	3.3%	479	8.0%
Total	–	–	6,292	100%	1,061	100%	5,976	100%

Research and Development Costs

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. The following table below sets forth a breakdown of our R&D costs in absolute amounts and as percentages of the total R&D costs for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2020		2021		2021		2022	
	(RMB in thousands except for percentages)							
					(Unaudited)			
Staff costs	7,434	4.6%	23,157	20.9%	10,991	21.9%	16,031	19.2%
Share-based payment expenses	5,781	3.6%	10,908	9.9%	6,783	13.5%	20,973	25.1%
Licensing-in expenses	140,962	87.0%	19,434	17.6%	10,717	21.4%	12,644	15.1%
Third-party contracting costs	2,980	1.8%	45,173	40.9%	17,733	35.4%	27,076	32.5%
Depreciation and amortization	1,402	0.9%	6,891	6.2%	2,291	4.6%	5,094	6.1%
Others	3,366	2.1%	4,995	4.5%	1,625	3.2%	1,646	2.0%
Total	161,925	100%	110,558	100%	50,140	100%	83,464	100%

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of staff costs, share-based payment expenses, consulting fees, depreciation and amortization and others. In 2020, 2021 and the six months ended June 30, 2022, we recorded administrative expenses of RMB27.9 million, RMB64.7 million and RMB41.1 million, respectively. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2020		2021		2021		2022	
	(RMB in thousands except for percentages)							
					(Unaudited)			
Staff costs	7,177	25.7%	19,314	29.8%	7,334	23.2%	18,230	44.3%
Share-based payment expenses	14,241	51.0%	30,161	46.6%	19,491	61.8%	16,902	41.1%
Consulting fees	4,365	15.6%	7,810	12.1%	1,976	6.3%	1,889	4.6%

	Year ended December 31,				Six months ended June 30,			
	2020		2021		2021		2022	
	(RMB in thousands except for percentages)							
					(Unaudited)			
Depreciation and amortization	904	3.2%	2,902	4.5%	1,066	3.4%	2,202	5.4%
Others	1,225	4.5%	4,558	7.0%	1,681	5.3%	1,924	4.6%
Total	27,912	100%	64,745	100%	31,548	100%	41,147	100%

Fair Value Gains/(Losses) on Convertible Redeemable Preferred Shares

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 "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**].

Other Expenses

During the Track Record Period, our other expenses comprised of foreign exchange losses, net, and fair value losses on financial assets at FVTPL. The table below summarizes a breakdown of our other expenses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
			(Unaudited)	
Foreign exchange losses, net	52,076	23,028	9,297	–
Fair value losses on financial assets at FVTPL	4,558	5,196	1,372	–
	56,634	28,224	10,669	–

Finance Costs

During the Track Record Period, our finance costs consisted of interest on bank borrowings and interest on lease liabilities. In 2020, 2021 and the six months ended June 30, 2022, we recorded finance costs of RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. The table below summarizes a breakdown of our finance costs in absolute amounts and as percentages of the total finance costs for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2020		2021		2021		2022	
	(RMB in thousands except for percentages)							
					(unaudited)			
Interest on bank borrowings	391	65.3%	–	–	–	–	–	–
Interest on lease liabilities	208	34.7%	559	100%	168	100%	608	100%
Total	599	100%	559	100%	168	100%	608	100%

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.

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Track Record Period. No Hong Kong profits tax was provided for as we did not generate any assessable profits arising in Hong Kong during the Track Record Period.

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "**CIT Law**"), our subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Our revenue increased by RMB0.5 million from RMB0.2 million for the six months ended June 30, 2021 to RMB0.7 million for the same period of 2022, primarily due to an increase in sales of our scalp disease and care products and skin disease and care products and certain skin care products for daily care and post-treatment maintenance.

Cost of Sales

Our cost of sales increased by RMB0.1 million from RMB0.1 million for the six months ended June 30, 2021 to RMB0.2 million for the same period of 2022, primarily due to an increase in the sales of our products in the six months ended June 30, 2022.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB0.4 million from RMB66.0 thousand for the six months ended June 30, 2021 to RMB0.5 million for the same period of 2022. The increase in gross profits is primarily driven by (i) increased revenue and (ii) structure change of our product mix. Our gross profit margin increased from 41.5% for the six months ended June 30, 2021 to 68.8% for the six months ended June 30, 2022.

Other Income and Gains

Our other income increased by RMB0.6 million from RMB3.0 million for the six months ended June 30, 2021 to RMB3.6 million for the same period of 2022. This increased was primarily due to an increase in deemed interest income from loans to employees and related parties in the six months ended June 30, 2022. We recorded gains of RMB0.2 million and RMB54.8 million for the six months ended June 30, 2021 and for the same period of 2022, respectively. This change was primarily due to the net foreign exchange gains in the six months ended June 30, 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB4.9 million from RMB1.1 million for the six months ended June 30, 2021 to RMB6.0 million for the same period of 2022, primarily due to the increase in staff costs from the expansion in online marketing activities on e-commerce and social media platforms to further drive online direct sales.

Research and Development Costs

Our R&D costs increased by RMB33.4 million, or 66.5%, from RMB50.1 million for the six months ended June 30, 2021 to RMB83.5 million for the same period of 2022, primarily due to (i) an increase in the number of our R&D personnel in the six months ended June 30, 2022, (ii) an increase in share-based payment expenses from new grants under the [**REDACTED**] Equity Incentive Plan in December 2021 and February 2022, and (iii) an overall increase in expenditures for our clinical and pre-clinical R&D activities as we advanced more product candidates along their respective development stages.

Administrative Expenses

Our administrative expenses increased by RMB9.6 million, or 30.4%, from RMB31.5 million for the six months ended June 30, 2021 to RMB41.1 million for the same period of 2022, primarily due to an increase in our total headcount of administrative staff in line with our business expansion plan.

Fair Value Gains/(Losses) on Convertible Redeemable Preferred Shares

Our fair value losses on convertible redeemable preferred shares increased from RMB35.1 million for the six months ended June 30, 2021 to RMB174.7 million for the six months ended June 30, 2022. This increase was primarily attributable to the increase in the fair value of our preferred shares in line with the increase of our valuation in 2022.

Other Expenses

Our other expenses decreased significantly from RMB10.7 million for the six months ended June 30, 2021 to nil for the six months ended June 30, 2022, as a result of the unrealized net foreign exchange gains in fluctuations in foreign currency exchange rates.

Finance Costs

Our finance costs increased by RMB0.4 million from RMB0.2 million for the six months ended June 30, 2021 to RMB0.6 million for the same period of 2022. This increase was primarily due to an increase in interest on lease liabilities.

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

Other Income and Gains

Our other income increased by RMB8.8 million, from RMB0.6 million in 2020 to RMB9.4 million in 2021. This increase was primarily due to an increase in the government grants and bank interest income. We did not record any gains in 2020, while we recorded gains of RMB0.2 million in 2021 from gain on termination of a lease contract.

Selling and Distribution Expenses

We did not record any selling and distribution expenses in 2020, while we recorded RMB6.3 million in 2021, as we commenced our sales and distribution activities in 2021.

Research and Development Costs

Our R&D costs decreased by RMB51.3 million, or 31.7%, from RMB161.9 million in 2020 to RMB110.6 million in 2021, primarily due to a decrease in licensing-in expenses as most upfront payments were incurred in 2020, partially offset by the increase in third-party contracting costs, and an increase in the number of our R&D personnel.

Administrative Expenses

Our administrative expenses increased by RMB36.8 million from RMB27.9 million in 2020 to RMB64.7 million in 2021, primarily due to an increase in our total headcount of administrative staff in line with our business expansion and the increase in the share-based payment expenses resulted from the new grant of [**REDACTED**] Equity Incentive Plan in 2021.

Fair Value Gains/(Losses) on Convertible Redeemable Preferred Shares

Our fair value gains/(losses) on convertible redeemable preferred shares changed from a gain of RMB46.5 million for 2020 to a loss of RMB120.3 million for 2021. This change was primarily attributable to (i) the fluctuations in foreign currency exchange rates and (ii) the increase in the fair value of our preferred shares in line with the increase of our valuation in 2021.

Other Expenses

Our other expenses decreased from RMB56.6 million in 2020 to RMB28.2 million in 2021, as a result of the unrealized net foreign exchange losses due to fluctuations in foreign currency exchange rates.

Finance Costs

Our finance costs remained relatively stable in 2020 and 2021.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE 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)

NET CURRENT ASSETS

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
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

	As of December 31,		As of June 30,	As of October 31,
	2020	2021	2022	2022
	(RMB in thousands)			
				(Unaudited)
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.

Inventories

Our inventories primarily consist of raw materials, finished goods and goods in transit. Our inventory increased by RMB10.2 million from RMB1.8 million as of December 31, 2021 to RMB12.0 million as of June 30, 2022 primarily due to an increased balance of goods in transit in inventories in the first half of 2022 as we purchased certain scalp diseases and care products from overseas distribution partners in preparation for commercialization in China.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Raw materials	–	698	450
Finished goods	–	1,106	1,931
Goods in transit	–	–	9,604
Total	**–**	**1,804**	**11,985**

As of October 31, 2022, approximately RMB1.3 million, or 11.0% of our inventories as of June 30, 2022 had been utilized or sold. Since some of our inventories, including scalp diseases and care products, are purchased in relatively large quantities at once from overseas distribution partners in preparation for commercialization in China, our inventory days are driven increased.

Prepayments, Other Receivables and Other Assets (Current)

Our prepayments, other receivables and other assets primarily consists of rental deposits, deemed prepaid remuneration to employees, prepayments, other receivables, value-added tax recoverable and deferred issue costs.

The following tables set forth the breakdown of prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Current:			
Rental deposits	465	457	1,368
Deemed prepaid remuneration to employees	–	53	219
Prepayments	1,337	20,642	18,256
Other receivables	27	1	65
Value-added tax recoverable	–	–	579
Deferred issue costs	–	–	1,624
	1,829	21,153	22,111

Our current prepayments, other receivables and other assets increased from RMB1.8 million as of December 31, 2020 to RMB21.2 million as of December 31, 2021, and further increased to RMB22.1 million as of June 30, 2022. This increase was primarily attributable to the increase in prepayments amount to suppliers as a result of our enhanced R&D efforts for our drug candidates.

As of October 31, 2022, RMB3.7 million, or 16.6% of our prepayments, other receivables and other assets as of June 30, 2022 were settled.

Financial Assets at FVTPL

Our financial assets at FVTPL at the end of each reporting period mainly represented short-term investments issued by reputable banks. For more details regarding our financial assets at FVTPL, see Note 18 to the Accountants' Report set forth in Appendix I to this Document. The financial product portfolio could be subject to impact of macroeconomic environment conditions, and we monitor the portfolio mix closely. For more details, see "Risk Factors – Risks Relating to Our Financial Position and Need for Additional Capital – Our results of operations, financial condition, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss and related valuation uncertainty."

The table below sets forth the financial products purchased as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Financial products	138,635	405,492	220,196

We monitor and control the investment risks associated with our portfolio of financial products with a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. There are members from our Board and senior management, as well as our finance department, who have extensive experience in managing the financial aspects of enterprise's operations. Our Board determines our investment strategies. Prior to making any material investments in financial products or modifying our existing investment portfolio, the proposal shall be reviewed and approved by our chief executive officer.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash in hand and at bank and short term time deposits. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of us, and earn interest at the respective short term time deposit rates.

As of December 31, 2020, December 31, 2021 and June 30, 2022, our cash and cash equivalents amounted to RMB300.2 million, RMB203.1 million and RMB575.7 million, respectively. Our cash and cash equivalents increased significantly as of June 30, 2022 primarily due to the withdrawal of time deposits over three months and financial assets at FVTPL. The following table below sets forth a breakdown of our cash and cash equivalents by currency type as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Cash and cash equivalents	300,170	203,130	575,697
Denominated in			
RMB	4,563	3,530	441,249
USD	295,607	199,600	134,448

Trade and Other Payables

Our trade and other payables primarily consist of accrued expenses for R&D services, payables for purchase of items of property, plant and equipment, salary and bonus payables and accrued [**REDACTED**] expenses. Our trade and other payables increased by RMB0.3 million, or 2.3%, from RMB15.2 million as of December 31, 2020 to RMB15.5 million as of December 31, 2021, and further increased by RMB19.3 million, or 123.8%, from RMB15.5 million as of December 31, 2021 to RMB34.8 million as of June 30, 2022, primarily due to an increase of salary and bonus payables, payables for purchase of items on property, plant and equipment and accrued [**REDACTED**] expenses.

The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Trade payables	306	335	44
Accrued expenses for research and development services	12,038	7,329	9,518
Payables for purchase of items of property, plant and equipment	680	608	14,716
Other payables	189	1,781	665
Salary and bonus payables	1,666	4,856	4,629
Other taxes payable	309	626	713
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	15,188	15,535	34,767

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Within 3 months	306	265	37
3 to 12 months	–	70	–
Over 12 months	–	–	7
Total	306	335	44

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through equity financing. Our primary uses of cash are to fund the R&D activities of our Core Product and other product candidates, administrative expenses and other recurring expenses.

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

Operating Activities

Our net cash used in operating activities consists primarily of loss before tax, as adjusted by (i) non-cash items and (ii) movements in working capital.

For the six months ended June 30, 2022, our net cash used in operating activities was RMB97.5 million, which was primarily attributable to our loss before tax of RMB251.6 million, adjusted for non-cash items and movements in working capital. Positive adjustments primarily included: (i) fair value losses on convertible redeemable preferred shares of

RMB174.7 million and (ii) share-based payment expenses of RMB38.6 million. Negative adjustments primarily included: (i) net foreign exchange gains of RMB53.1 million and (ii) increase in inventories of RMB10.2 million.

In 2021, our net cash used in operating activities was RMB159.9 million, which was primarily attributable to our loss before tax of RMB319.6 million, adjusted for non-cash items and movements in working capital. Positive adjustments primarily included: (i) fair value losses on convertible redeemable preferred shares of RMB120.3 million, (ii) net foreign exchange losses of RMB23.0 million and (iii) share-based payment expenses of RMB41.1 million. Negative adjustments primarily included the increase in prepayments, other receivables and other assets of RMB28.1 million.

In 2020, our net cash used in operating activities was RMB172.7 million, which was primarily attributable to our loss before tax of RMB199.9 million, adjusted for non-cash items and movements in working capital. Positive adjustments primarily included: (i) net foreign exchange losses of RMB52.1 million and (ii) share-based payment expenses of RMB20.0 million. Negative adjustments primarily included: (i) fair value gains on convertible redeemable preferred shares of RMB46.5 million, and (ii) increase in prepayments, other receivables and other assets of RMB3.5 million.

Investing Activities

For the six months ended June 30, 2022, our net cash generated from investing activities was RMB431.5 million, which was primarily attributable to withdrawal of time deposits of RMB779.0 million and withdrawal of financial assets at FVTPL of RMB409.9 million, partially offset by (i) placement of time deposits of RMB468.5 million, (ii) placement of financial assets at FVTPL of RMB222.9 million and (iii) purchases of items of property, plant and equipment of RMB58.7 million.

In 2021, our net cash used in investing activities was RMB410.7 million, which was primarily attributable to placement of time deposits of RMB257.2 million and placement of financial assets at FVTPL of RMB536.0 million, partially offset by withdrawal of time deposits of RMB154.2 million and withdrawal of financial assets at FVTPL of RMB263.9 million.

In 2020, our net cash used in investing activities was RMB743.0 million, which was primarily attributable to placement of time deposits of RMB679.5 million and purchase of items of property, plant and equipment of RMB19.5 million.

Financing Activities

For the six months ended June 30, 2022, our net cash used in financing activities was RMB3.7 million, primarily as a result of lease payments of RMB2.3 million and payment for rental deposits of RMB0.9 million.

In 2021, our net cash generated from financing activities was RMB480.8 million, primarily as a result of proceeds from issue of convertible redeemable preferred shares of RMB484.0 million and and partially offset by lease payments of RMB3.1 million.

In 2020, our net cash generated from financing activities was RMB1,232.0 million, primarily as a result of proceeds from issue of convertible redeemable preferred shares of RMB1,234.6 million and partially offset by lease payments of RMB1.1 million and payment for rental deposits of RMB1.1 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	As at 31 December		As at 30 June	
	2020	2021	2021	2022
	RMB in thousands			
			(Unaudited)	
R&D expenses				
R&D costs for Core Product Candidate				
– Staff cost	257	3,289	1,878	2,120
– Licensing-in expenses	18,868	4,717	4,717	–
– Third-party contracting costs	114	11,444	2,718	1,921
– Others	24	1,079	631	232
Total R&D expenses for Core Product	19,263	20,529	9,944	4,273
R&D costs for our other product candidates				
– Staff cost	6,644	18,491	8,989	14,328
– Licensing-in expenses	122,094	14,717	6,000	12,644
– Third-party contracting costs	3,457	49,653	27,073	22,999
– Others	2,245	5,649	2,715	2,866
Total R&D expenses	153,703	109,039	54,721	57,110
Workforce employment cost[(1)]	6,516	24,399	7,344	26,478
Non-income taxes and royalties	–	–	–	–
Others[(2)]	6,013	18,958	4,601	13,963
Product marketing	–	4,187	529	2,043
Total cash operating cost	166,232	156,583	67,195	99,594

Notes:

(1) Workforce employment costs represented non-R&D staff costs, mainly including salaries and social insurances.

(2) Mainly consisted of purchase of raw materials, [**REDACTED**] expense, traveling expense and other miscellaneous costs.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available, including cash and cash equivalents, time deposits over three months and the estimated net [**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 selling and distribution expense, R&D costs, administrative 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 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**] range 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.

RELATED PARTY TRANSACTIONS

The below table sets forth the transactions with related parties during the Track Record Period.

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
			(Unaudited)	
Loans to				
Ms. Zhang Lele	–	7,687	–	–
Mr. Wu Jiaru	–	357	–	958
Mr. Zhu Qi	–	1,132	–	1,409
Ms. Zhang Chunna	–	629	–	1,337
Dr. Lei Lei	–	223	–	1,317
Ms. Xu Jingxin	–	115	–	1,373
	–	10,143	–	6,394

	Year ended December 31,		Six months ended June 30,	
	2020	2021	2021	2022
	(RMB in thousands)			
Deemed prepaid remuneration to				
Ms. Zhang Lele	–	3,440	–	–
Mr. Wu Jiaru	–	158	–	577
Mr. Zhu Qi	–	508	–	848
Ms. Zhang Chunna	–	286	–	805
Dr. Lei Lei	–	106	–	793
Ms. Xu Jingxin	–	62	–	827
	–	4,560	–	3,850
	–	14,703	–	10,244
Deemed interest income from loans to				
Ms. Zhang Lele	–	22	–	189
Mr. Wu Jiaru	–	1	–	17
Mr. Zhu Qi	–	3	–	41
Ms. Zhang Chunna	–	2	–	27
Dr. Lei Lei	–	1	–	17
Ms. Xu Jingxin	–	–	–	15
	–	29	–	306

The below table sets forth the outstanding balances with related parties during the Track Record Period as of the dates indicated:

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Amount due from related parties:			
Loan to related parties:			
Non-trade in nature and non-current			
Ms. Zhang Lele	–	7,709	7,898
Mr. Wu Jiaru	–	358	1,333
Mr. Zhu Qi	–	1,135	2,585
Ms. Zhang Chunna	–	631	1,995
Dr. Lei Lei	–	224	1,558
Ms. Xu Jingxin	–	115	1,503
	–	10,172	16,872

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Deemed prepaid remuneration to related parties			
Ms. Zhang Lele	–	3,418	3,229
Mr. Wu Jiaru	–	157	717
Mr. Zhu Qi	–	505	1,312
Ms. Zhang Chunna	–	284	1,062
Dr. Lei Lei	–	105	881
Ms. Xu Jingxin	–	62	874
	–	4,531	8,075
	–	14,703	24,947
Analysed into:			
Current portion	–	498	827
Non-current portion	–	14,205	24,120

The maturity date of the loan borrowed by Ms. Zhang Lele is September 1, 2029. The maturity dates of the loans borrowed by key management personnel fall between August 5, 2029 and February 28, 2032.

Our Directors confirm that our related party transactions during the Track Record Period were on an arm's length basis and in the aggregate 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. Details of our transactions with and the outstanding balances with related parties during the Track Record Period are set out in Note 27 to the Accountants' Report included in Appendix I to this document.

INDEBTEDNESS

The following table sets forth the breakdown of our lease liabilities and convertible redeemable preferred shares 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 liabilities:				
Lease liabilities	3,767	3,715	3,351	7,927
Non-current liabilities:				
Convertible redeemable preferred shares	1,638,600	2,242,924	2,417,576	2,472,582
Lease liabilities	5,385	22,816	22,721	45,539
Total	**1,647,752**	**2,269,455**	**2,443,648**	**2,526,048**

Except as discussed above, we did not have any other 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.

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 December 31, 2020 to 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 December 31, 2021 to 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.

CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the Track Record Period.

	As of December 31,		As of June 30,
	2020	2021	2022
	(RMB in thousands)		
Contracted, but not provided for:			
Acquisition of property, plant and equipment, and other intangible assets	6,980	10,229	80,105

CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included purchases of items of property, plant and equipment and purchases of items of other intangible assets. We funded our capital expenditures during the Track Record Period mainly from equity financing.

We plan to fund our planned capital expenditures using our cash and cash equivalents and the net [**REDACTED**] received from the [**REDACTED**]. For more details, see "Future Plans and Use of [**REDACTED**]." We may reallocate the funds to be utilized on capital expenditure based on our ongoing business needs.

CONTINGENT LIABILITIES

As of December 31, 2020 and 2021 and June 30, 2022, we did not have any contingent liabilities. We confirm that as of 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.

MARKET RISK DISCLOSURE

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

The credit risk of our financial assets, which comprise cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For more details, see Note 30 to the Accountants' Report set forth in Appendix I to this Document.

Liquidity Risk

We monitor and maintains a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations in cash flows.

For more details, see Note 30 to the Accountants' Report set forth in Appendix I to this Document.

Foreign Currency Risk

We are exposed to currency risk primarily through which give rise to cash balances that is denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars. For more details, see Note 30 to the Accountants' Report set forth 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. 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 divided 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.

DISTRIBUTABLE RESERVES

As of June 30, 2022, 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$[**REDACTED**] (including (i) [**REDACTED**] commission, incentive fees and [**REDACTED**] fees of approximately HK$[**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**] range), which represents approximately [**REDACTED**]% of the gross [**REDACTED**] we expect to receive from this [**REDACTED**] assuming no Shares are [**REDACTED**] 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.

[**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 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.

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.

OUR CONTROLLING SHAREHOLDERS

As of the date of this Document, 6 Dimensions LP, 6 Dimensions Affiliates, Suzhou Frontline II and Suzhou 6 Dimensions will be interested in approximately 21.85%, 1.15%, 9.17% and 21.40% of the total issued share capital of our Company, respectively. As the respective investment committee of each of the 6 Dimensions Entities comprises of the same members and the investment decisions of the 6 Dimensions Entities are ultimately under the control of such members, the 6 Dimensions Entities, which will be in aggregate interested in approximately [**REDACTED**] of the total issued share capital of our Company immediately after the completion of [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan), will constitute our Controlling Shareholders upon [**REDACTED**]. For more details of 6 Dimensions Entities, see "History, Development and Corporate Structure – [**REDACTED**] Investments".

CLEAR DELINEATION OF BUSINESS

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.

To the best knowledge of our Directors, none of the Controlling Shareholders or their respective close associates holds 10% or more equity interests, individually or collectively, in any company whose products are the same as the Core Product and key products of our Company, or whose business competes or is likely to compete, directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. For more details, see "Directors and Senior Management".

As of the Latest Practicable Date, Dr. Chen Lian Yong and Dr. Xie Qin, being non-executive Directors of our Company, are partners of 6 Dimensions Capital (通和毓承), the private equity fund management company under which our Controlling Shareholders are managed and act as directors, supervisors and/or advisors in companies invested by the Controlling Shareholders or their affiliated entities respectively. Other than above, there is no overlapping of directors or senior management between our Company and our Controlling Shareholders and their close associates.

Despite the aforementioned overlapping Directors, our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

- Dr. Chen Lian Yong and Dr. Xie Qin as non-executive Directors are responsible for supervising the management of our Board, but are not involved in the day-to-day management or operations of our business. Therefore, their positions in the Controlling Shareholders or their close associates will not affect the day-to-day management of our business;

- each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;

- our daily management and operations are carried out by our executive Directors and an independent 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;

- none other two non-executive Directors, our executive Directors and senior management team holds any directorships or management positions in, or represents interests of, our Controlling Shareholders;

- we have three independent non-executive Directors which (i) account for one-third of the Board; (ii) do not and will not hold any directorships or management positions in our Controlling Shareholders and (iii) possess requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company;

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and

- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. For more details, see "– Corporate Governance Measures".

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. In addition, we have also established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Our Directors believe that, upon [**REDACTED**], our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders or their close associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders or their close associates.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers. Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders or their associates will not vote on the relevant resolutions;

- our Company has established internal control mechanisms to identify connected transactions. If our Company enters into connected transactions with our Controlling Shareholders or any of their associates upon [**REDACTED**], our Company will comply with the applicable Listing Rules;

- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

- our Controlling Shareholders 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;

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

- we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as 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 that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after [**REDACTED**].

FUTURE PLANS

For more details of our future plans, see "Business – Strategies."

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 clinical development activities as well as registration filings, post-approval studies and costs and expenses of R&D staff and activities of our Core Product CU-20401. We expect to initiate a Phase II clinical trial for submental adipose accumulation in the third quarter of 2023. We also expect to initiate a Phase II and Phase III trials for abdominal adipose accumulation and submit registration filings. CU-20401 has the potential to become the first localized adipose accumulation management medication launched in China;
  - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to enable the local production of CU-20401 in Mainland China;
  - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used for the commercial launch of CU-20401.
- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to fund the continuing research and development activities of our Key Products, CU-40102 and CU-10201, including the planned clinical trials and the preparation of registration filings:
  - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to fund the continuing clinical development activities and future milestone payments of CU-40102,

    - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used to fund the continuing clinical development activities and future milestone payments of CU-10201,

- 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 other scalp disease treatment and scalp care products,

    - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for other skin disease treatment and skin care products,

    - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for topical anesthesia products,

- 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 non-Core products:

    - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for commercialization spending related to non-Core Products and continuing to enhance our omni-channel sales and distribution network, and implementing our science- and knowledge-driven marketing activities to raise our brand recognition:

        - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for expanding our sales and marketing team and channel coverage by: (i) recruiting sales representative to cover more reputable Class III Grade A dermatology hospitals in China; (ii) hosting academic conferences in China to promote our products and brand recognition among physicians, and (iii) conducting online and offline promotion and educational activities such as product demonstrations and physicians training programs;

        - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for expanding our sales and marketing team and channel coverage by: (i) investing online content platforms; (ii) conducting online and offline promotion events and activities; (iii) expansion of distributor network.

    - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for construction of our manufacturing facilities and continue to enhance our production capacities in line with the expansion of our product pipeline.

- 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**], for expansion of our CATAME^{TM} platform and explore other potential innovative platform technology;

  - Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], for strategically in-license potential market-leading and differentiated candidates with a focus in assets that fulfill market unmet needs and are complementary to our candidate portfolio.

- Approximately HK$[**REDACTED**], representing [**REDACTED**]% of the [**REDACTED**], will be used for working capital and other general corporate purposes.

The above allocation of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

If the [**REDACTED**] is exercised in full, and net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional net [**REDACTED**] to the above purpose in the proportions stated above.

To the extent that the net [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of the Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**].

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CUTIA THERAPEUTICS, GOLDMAN SACHS (ASIA) L.L.C. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Cutia Therapeutics (the "**Company**") and its subsidiaries (together, the "Group") set out on pages I-[●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020 and 2021, and the six months ended 30 June 2022 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020 and 2021 and 30 June 2022 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-[●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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 purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and 2021 and 30 June 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of Interim Comparative Financial Information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2020	Year ended 31 December 2021	Six months ended 30 June 2021	Six months ended 30 June 2022
		RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*5*	–	2,038	159	658
Cost of sales		–	(428)	(93)	(205)
Gross profit		–	1,610	66	453
Other income and gains	*5*	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	*6*	(56,634)	(28,224)	(10,669)	–
Finance costs	*8*	(599)	(559)	(168)	(608)
[**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
LOSS BEFORE TAX	*7*	(199,928)	(319,581)	(125,415)	(251,613)
Income tax expense	*11*	–	–	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(199,928)	(319,581)	(125,415)	(251,613)
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)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic (RMB)	*13*	[(12.14)]	[(19.96)]	[(7.83)]	[(15.72)]
Diluted (RMB)	*13*	[(12.88)]	[(19.96)]	[(7.83)]	[(15.72)]

Consolidated Statements of Financial Position

	Notes	As at 31 December 2020 RMB'000	2021 RMB'000	As at 30 June 2022 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	15,368	26,242	69,269
Right-of-use assets	*15*	8,353	24,547	22,812
Other intangible assets		–	217	124
Amounts due from related parties	*27*	–	14,205	24,120
Prepayments, other receivables and other assets	*16*	9,105	27,945	57,648
Total non-current assets		32,826	93,156	173,973
CURRENT ASSETS				
Inventories	*17*	–	1,804	11,985
Trade receivables		–	–	104
Prepayments, other receivables and other assets	*16*	1,829	21,153	22,111
Amounts due from related parties	*27*	–	498	827
Financial assets at fair value through profit or loss ("**FVTPL**")	*18*	138,635	405,492	220,196
Time deposits over three months	*19*	677,842	769,648	470,392
Cash and cash equivalents	*19*	300,170	203,130	575,697
Total current assets		1,118,476	1,401,725	1,301,312
CURRENT LIABILITIES				
Trade and other payables	*20*	15,188	15,535	34,767
Lease liabilities	*15*	3,767	3,715	3,351
Total current liabilities		18,955	19,250	38,118
NET CURRENT ASSETS		1,099,521	1,382,475	1,263,194
TOTAL ASSETS LESS CURRENT LIABILITIES		1,132,347	1,475,631	1,437,167
NON-CURRENT LIABILITIES				
Lease liabilities	*15*	5,385	22,816	22,721
Deferred income		400	400	400
Convertible redeemable preferred shares	*21*	1,638,600	2,242,924	2,417,576
Total non-current liabilities		1,644,385	2,266,140	2,440,697
Net liabilities		(512,038)	(790,509)	(1,003,530)
EQUITY				
Equity attributable to owners of the parent				
Share capital	*22*	11	11	11
Deficits	*23*	(512,049)	(790,520)	(1,003,541)
Total deficits		(512,038)	(790,509)	(1,003,530)

Consolidated Statements of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the parent								
	Ordinary share capital *RMB'000*	**Preferred share capital** *RMB'000 (note 21)*	**Share premium*** *RMB'000*	**Share option reserve*** *RMB'000*	**Other reserve*** *RMB'000*	**Accumulated losses*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total deficits** *RMB'000*
At 1 January 2020	5	4	35,281	313	–	(14,264)	21,339	97,078	118,417
Loss and total comprehensive loss for the year	–	–	–	–	–	(170,111)	(170,111)	(29,817)	(199,928)
Recognition of share-based payment expenses *(note 24)*	–	–	–	20,022	–	–	20,022	–	20,022
Redemption rights granted to Series A Convertible Preferred Shareholders *(note 21)*	–	(4)	(23,872)	–	(206,305)	73,680	(156,501)	–	(156,501)
Redemption rights attached to Series A Convertible Preferred Share purchase options granted to non-controlling shareholders *(note 21)*	–	–	–	–	(257,926)	–	(257,926)	(36,122)	(294,048)
Ordinary shares issued upon exercise of purchase options of ordinary share granted to non-controlling shareholders *(note 21)*	6	–	247,747	–	(216,614)	–	31,139	(31,139)	–
At 31 December 2020	11	–	259,156	20,335	(680,845)	(110,695)	(512,038)	–	(512,038)

Year ended 31 December 2021

	Ordinary share capital *RMB'000*	Share premium* *RMB'000*	Share option reserve* *RMB'000*	Other reserve* *RMB'000*	Accumulated losses* *RMB'000*	Total deficits *RMB'000*
At 1 January 2021	11	259,156	20,335	(680,845)	(110,695)	(512,038)
Loss and total comprehensive loss for the year	–	–	–	–	(319,581)	(319,581)
Recognition of share-based payment expenses *(note 24)*	–	–	41,110	–	–	41,110
At 31 December 2021	11	259,156	61,445	(680,845)	(430,276)	(790,509)

Six months ended 30 June 2022

	Ordinary share capital *RMB'000*	Share premium* *RMB'000*	Share option reserve* *RMB'000*	Other reserve* *RMB'000*	Accumulated Losses* *RMB'000*	Total deficits *RMB'000*
At 1 January 2022	11	259,156	61,445	(680,845)	(430,276)	(790,509)
Loss and total comprehensive loss for the period	–	–	–	–	(251,613)	(251,613)
Recognition of share-based payment expenses *(note 24)*	–	–	38,592	–	–	38,592
At 30 June 2022	11	259,156	100,037	(680,845)	(681,889)	(1,003,530)

* The deficits accounts comprised of RMB(512,049,000), RMB(790,520,000) and RMB(1,003,541,000) in the consolidated statements of financial position as at the end of each of the Relevant Periods.

Six months ended 30 June 2021

	Ordinary share capital *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total deficits *RMB'000*
At 1 January 2021	11	259,156	20,335	(680,845)	(110,695)	(512,038)
Loss and total comprehensive loss for the period (unaudited)	–	–	–	–	(125,415)	(125,415)
Recognition of equity-settled share option expenses *(note 24)* (unaudited)	–	–	26,274	–	–	26,274
At 30 June 2021 (unaudited)	11	259,156	46,609	(680,845)	(236,110)	(611,179)

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	Six months ended 30 June 2021 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(199,928)	(319,581)	(125,415)	(251,613)
Adjustments for:					
Interest income	5	(609)	(6,113)	(3,000)	(3,206)
Finance costs	8	599	559	168	608
Depreciation of property, plant and equipment	7	550	5,772	1,636	4,494
Depreciation of right-of-use assets	7	1,756	3,868	1,638	2,944
Amortization of other intangible assets	7	–	153	83	93
Gain on termination of a lease contract	5	–	(157)	(157)	–
Fair value losses/ (gains) on financial assets at FVTPL	5, 6	4,558	5,196	1,372	(1,731)
Fair value (gains)/losses on convertible redeemable preferred shares	7	(46,529)	120,330	35,089	174,652
Net foreign exchange losses/(gains)	5, 6	52,076	23,028	9,297	(53,090)
Share-based payment expenses	7	20,022	41,110	26,274	38,592
		(167,505)	(125,835)	(53,015)	(88,257)
(Increase)/decrease in prepayments, Other receivables and other assets		(3,543)	(28,126)	(8,264)	542
Increase in amounts due from related parties		–	(4,531)	–	(3,544)
Increase in inventories		–	(1,804)	(561)	(10,181)
Increase in trade receivables		–	–	–	(104)
(Decrease)/ increase in trade and other payables		(2,011)	419	(6,023)	4,002
Increase in deferred income		400	–	–	–
Net cash flows used in operating activities		(172,659)	(159,877)	(67,863)	(97,542)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		257	1,517	176	2,250
Purchases of items of property, plant and equipment		(19,549)	(24,319)	(10,668)	(58,691)
Purchases of items of other intangible assets		–	(1,569)	(392)	–
Advances of loans to related parties		–	(10,143)	–	(6,394)
Advances of loans to employees		–	(1,087)	–	(3,314)
Placement of time deposits		(679,510)	(257,226)	–	(468,461)
Withdrawal of time deposits		–	154,226	25,000	779,040
Placement of financial assets at FVTPL		(1,246,996)	(535,966)	(5,460)	(222,904)
Withdrawal of financial assets at FVTPL		1,202,846	263,914	8,315	409,931
Net cash flows (used in)/from investing activities		(742,952)	(410,653)	16,971	431,457

	Notes	Year ended 31 December 2020	2021	Six months ended 30 June 2021	2022
		RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of convertible redeemable preferred shares	*21*	1,234,580	483,994	–	–
Proceeds from exercise of share purchase options granted to non-controlling shareholders	*21*	98,416	–	–	–
Proceeds from exercise of ordinary share options	*21*	6	–	–	–
Acquisition of non-controlling interests	*21*	(98,422)	–	–	–
New bank loan		23,500	–	–	–
Repayment of the bank loan		(23,500)	–	–	–
Bank loan interest paid	*8*	(391)	–	–	–
Payment for rental deposits		(1,082)	(411)	–	(904)
Proceeds from rental deposits refund		–	263	263	–
Lease payments	*15*	(1,129)	(3,085)	(1,073)	(2,276)
Issue costs paid		–	–	–	(530)
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

Statements of Financial Position of the Company

	Notes	As at 31 December 2020	2021	As at 30 June 2022
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*1*	530,418	670,210	1,024,789
Total non-current assets		530,418	670,210	1,024,789
CURRENT ASSETS				
Prepayments, other receivables and other assets	*16*	–	679	1,938
Amount due from a subsidiary		24	24	24
Financial assets at FVTPL	*18*	138,635	385,415	69,839
Time deposits over three months	*19*	652,490	769,648	470,392
Cash and cash equivalents	*19*	1,957	2,394	334,384
Total current assets		793,106	1,158,160	876,577
CURRENT LIABILITIES				
Trade and other payables	*20*	–	–	4,482
Amounts due to subsidiaries	*27*	–	641	2,121
Total current liabilities		–	641	6,603
NET CURRENT ASSETS		793,106	1,157,519	869,974
TOTAL ASSETS LESS CURRENT LIABILITIES		1,323,524	1,827,729	1,894,763
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares	*21*	1,638,600	2,242,924	2,417,576
Total non-current liabilities		1,638,600	2,242,924	2,417,576
Net liabilities		(315,076)	(415,195)	(522,813)
EQUITY				
Share capital	*22*	11	11	11
Deficits	*23*	(315,087)	(415,206)	(522,824)
Total deficits		(315,076)	(415,195)	(522,813)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate Information

Cutia Therapeutics (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019. The registered office address of the Company is Grand Pavilion Commercial Centre, Suite 24, 802 West Bay Road, P.O. Box 10281, Grand Cayman KY1-1003, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in 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 at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	*Indirect*	
Cutia Therapeutics (HK) Limited ("**Cutia HK**") (科笛生物醫藥(香港)有限公司) *(note a)*	Hong Kong 30 May 2019	USD1	100%	–	Commercialising dermatoses pharmaceutical products
Cutia Therapeutics (Shanghai) Co., Ltd.* ("**Cutia Shanghai**") (科笛生物醫藥(上海)有限公司) *(note b)*	Mainland China 3 July 2019	USD90,086,747	–	100%**	Developing dermatoses pharmaceutical products
Aurora Cutis Medical Technology (Shanghai) Co., Ltd.* ("**Aurora Cutis**") (晨笛醫藥科技(上海)有限公司) *(note c)*	Mainland China 11 November 2020	USD8,000,000	–	100%	Commercialising dermatoses pharmaceutical products
Cutia Therapeutics (Wuxi) Co., Ltd.* ("**Cutia Wuxi**") (科笛生物醫藥(無錫)有限公司) *(note c)*	Mainland China 4 December 2020	USD100,000,000	–	100%	Developing and commercialising dermatoses pharmaceutical products

Notes:

a. The financial statements of this entity for the years ended 31 December 2020 and 2021 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by the Hong Kong Institute of Certified Public Accountants were audited by Tai Wan Sang & Co., certified public accountants registered in Hong Kong.

b. The statutory financial statements of this entity for the years ended 31 December 2020 and 2021 prepared in accordance with Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the People's Republic of China ("**PRC**").

c. The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with Accounting System for Business Enterprises were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC.

* The English names of these companies registered in the PRC represent the best effort made by the directors of the Company to directly translate their Chinese names as they did not register any official English names.

** In November 2020, Suzhou 6 Dimensions Venture Capital Partnership L.P. ("**Suzhou 6D**") and Suzhou Frontline BioVentures Venture Capital Fund II L.P. ("**Suzhou Frontline**") transferred 50.43% of ordinary shares of Cutia Shanghai to Cutia HK. From then on, Cutia Shanghai became an indirect wholly-owned subsidiary of the Company. Further details are set out in note 21 to the Historical Financial Information.

2.1 Basis of Preparation

Notwithstanding that the Group recorded net liabilities of RMB1,003,530,000 as at 30 June 2022 and continually incurred losses from operations, it recorded net current assets of RMB1,263,194,000 as at 30 June 2022, and hence, the Historical Financial Information has been prepared on a going concern basis. The directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from 30 June 2022. The directors are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from 30 June 2022.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**").

All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Basis of Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Issued But Not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,3]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 1 (2020)	*Classification of Liabilities as Current or Non-current*[4]
Amendments to IAS 1 (2022)	*Non-current Liabilities with Covenants*[4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[4]

[1] No mandatory effective date yet determined but available for adoption

[2] Effective for annual periods beginning on or after 1 January 2023

[3] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

[4] Effective for annual periods beginning on or after 1 January 2024

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The Group expects that the application of the amendments will result in that the convertible redeemable preferred shares will be classified as current liabilities. So far, the Group has expected that other new and revised IFRSs will not have a significant effect on the Group's financial performance and financial position.

2.3 Summary of Significant Accounting Policies

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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); and

(viii) 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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery and equipment	9% to 18%
Office and electronic equipment	18% to 30%
Motor vehicles	23%
Leasehold improvements	The lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are amortised on the straight-line basis over the following useful economic life, which is determined by the expected usage period after considering technical obsolescence and estimates of useful lives of similar assets:

Software	2 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	12 years
Office premises	1.5 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statements of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date during the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and convertible redeemable preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include convertible redeemable preferred shares which are designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. Details of the Group's convertible redeemable preferred shares as at fair value through profit or loss are included in note 21 to the Historical Financial Information.

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the moving weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systemic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products to the specific location and upon the confirmation by the customer.

Right of return

For contracts which provide a customer with a right to return the products within a specific period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Bank interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates an equity incentive plan (the "[**REDACTED**] **Equity Incentive Plan**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 24 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group uses RMB as its functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. Significant Accounting Judgements And Estimates

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

All research costs are charged to profit or loss as incurred. Costs incurred on each pipeline to develop new products are capitalised and deferred in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make judgments on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Accrual of research and development costs

The Group relies on contract research organisations, clinical site management operators and clinical trial centres (collectively referred as "Outsourced Service Providers") to conduct, supervise, and monitor the Group's ongoing clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each of the Relevant Periods requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with Outsourced Service Providers using inputs such as number of patient enrollments, time elapsed and milestone achieved.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Fair value of convertible redeemable preferred shares

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using valuation techniques, including the discounted cash flow method and the back-solve method. Such valuation requires the Group to make estimates of the key assumptions including the risk-free interest rate, discount for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty.

The fair values of convertible redeemable preferred shares as at the end of each of the Relevant Periods were RMB1,638,600,000, RMB2,242,924,000 and RMB2,417,576,000, respectively. Further details are included in note 21 to the Historical Financial Information.

Fair value of share-based payment transactions

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 24 to the Historical Financial Information.

4. Operating Segment Information

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is 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. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

During the Relevant Periods, all of the Group's revenue was derived from customers located in the PRC and nearly all of the Group's non-current assets were located in the Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

Information about major customers

Revenue derived from sales to customers, which amounted to more than 10% of the Group's revenue for the years ended 2020 and 2021 and the six months ended 30 June 2021 and 2022, is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	N/A*	381	N/A*	139

* The corresponding revenue did not amount to more than 10% of the total revenue of the Group for the year/period concerned.

5. Revenue, Other Income And Gains

An analysis of revenue is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Revenue from contracts with customers				
Sale of products				
– at a point in time	–	2,038	159	658

There was no revenue recognised during the Relevant Periods that was included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods. Under the practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of products to the customers' specific locations and confirmation by the customers. The payment is generally made upon confirmation by the customers or due within 30 days from the acceptance by the customers.

An analysis of other income and gains is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Other income				
Government grants*	–	3,185	–	–
Bank interest income	609	6,081	3,000	2,844
Deemed interest income from loans to employees	–	3	–	56
Deemed interest income from the loan to related parties *(note 27)*	–	29	–	306
Others	4	62	37	419
	613	9,360	3,037	3,625
Gains				
Foreign exchange gains, net	–	–	–	53,090
Gain on termination of a lease contract	–	157	157	–
Fair value gains on financial assets at FVTPL	–	–	–	1,731
	–	157	157	54,821
	613	9,517	3,194	58,446

* The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for expenditure arising from research and clinical trial activities.

6. OTHER EXPENSES

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Foreign exchange losses, net	52,076	23,028	9,297	–
Fair value losses on financial assets at FVTPL	4,558	5,196	1,372	–
	56,634	28,224	10,669	–

7. Loss Before Tax

The Group's loss before tax is arrived at after charging/ (crediting):

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Cost of sales	–	428	93	205
Cost of inventories recognised as expense (included in research and development cots)	1,840	1,352	492	743
Research and development costs	161,925	110,558	50,140	83,464
Depreciation of property, plant and equipment	550	5,772	1,636	4,494
Depreciation of right-of-use assets	1,756	3,868	1,638	2,944
Amortisation of other intangible assets	–	153	83	93
Gain on termination of a lease contract	–	(157)	(157)	–
Government grants	–	(3,185)	–	–
Fair value losses/(gains) on financial assets at FVTPL	4,558	5,196	1,372	(1,731)
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Fair value (gains)/losses on convertible redeemable preferred shares	(46,529)	120,330	35,089	174,652
Foreign exchange differences, net	52,076	23,028	9,297	(53,090)
Staff costs (including directors' emoluments):				
– Salaries, bonuses, allowances and benefits in kind	14,324	41,500	17,664	34,769
– Pension scheme contributions	287	3,036	1,193	2,473
– Share-based payment expenses	20,022	41,110	26,274	38,592
	34,633	85,646	45,131	75,834
Auditors' remuneration	86	54	37	64
Lease payments not included in the measurement of lease liabilities	735	625	438	35

8. Finance Costs

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Interest on bank borrowings	391	–	–	–
Interest on lease liabilities	208	559	168	608
	599	559	168	608

9. Directors' And Chief Executive's Remuneration

Directors' and chief executive's remuneration for the Relevant Periods and the six months ended 30 June 2021, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Fees	–	–	–	–
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	2,386	3,089	1,531	1,903
Pension scheme contributions	4	58	28	31
Share-based payment expenses	11,949	23,884	16,894	4,685
	14,339	27,031	18,453	6,619

(a) Executive directors, non-executive directors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share- based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Executive director and chief executive officer:				
Ms. Zhang Lele *(note (i))*	2,386	4	11,949	14,339
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	2,386	4	11,949	14,339

	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Share-based payment expenses *RMB'000*	Total *RMB'000*
Year ended 31 December 2021				
Executive director and chief executive officer:				
Ms. Zhang Lele *(note (i))*	3,089	58	23,884	27,031
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	3,089	58	23,884	27,031

	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Share-based payment expenses *RMB'000*	Total *RMB'000*
Six months ended 30 June 2022				
Executive director and chief executive officer:				
Ms. Zhang Lele *(note (i))*	1,903	31	4,685	6,619
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	1,903	31	4,685	6,619

	Salaries, bonuses, allowances and benefits in kind *RMB'000 (Unaudited)*	Pension scheme contributions *RMB'000 (Unaudited)*	Share-based payment expenses *RMB'000 (Unaudited)*	Total *RMB'000 (Unaudited)*
Six months ended 30 June 2021				
Executive director and chief executive officer:				
Ms. Zhang Lele *(note (i))*	1,531	28	16,894	18,453
Non-executive directors:				
Dr. Chen Lianyong *(note (ii))*	–	–	–	–
Dr. Xie Qin *(note (ii))*	–	–	–	–
Mr. Huang Xiao *(note (iii))*	–	–	–	–
Ms. Yang Yunxia *(note (iii))*	–	–	–	–
	1,531	28	16,894	18,453

Notes:

(i) Ms. Zhang Lele was appointed as the director of the Company with effect from 12 May 2020 and re-designated as the executive director of the Company with effect from 15 November 2022. Ms. Zhang Lele was also the chief executive of the Company with effective from September 2019 and her remuneration disclosed above included the remuneration for the services rendered by her as the chief executive.

(ii) Dr. Chen Lianyong and Dr. Xie Qin were appointed as the directors of the Company with effect from 23 August 2019 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.

(iii) Mr. Huang Xiao and Ms. Yang Yunxia were appointed as the directors of the Company with effect from 26 August 2020 and re-designated as the non-executive directors of the Company with effect from 15 November 2022.

Mr. Huang Yuqing was appointed as the executive director of the Company with effective from 15 November 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the six months ended 30 June 2021.

During the Relevant Periods and the six months ended 30 June 2021, one director was granted share options and restricted unit shares, in respect of her services to the Group, under the equity incentive plan of the Company, further details of which are set out in note 24 to the Historical Financial Information. The fair value of such options and restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended 30 June 2021 is included in the above directors' and chief executive's remuneration disclosures.

10. Five Highest Paid Employees

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2021 included one director, who is also the chief of executive, the details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	4,267	7,372	3,050	4,926
Pension scheme contributions	16	205	92	90
Share-based payment expenses	4,130	8,144	3,177	15,253
	8,413	15,721	6,319	20,269

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	No. of employees	*No. of employees*	*No. of employees (Unaudited)*	*No. of employees*
HKD1,000,001 to HKD1,500,000	1	–	1	–
HKD1,500,001 to HKD2,000,000	1	–	1	–
HKD2,000,001 to HKD2,500,000	1	–	1	–
HKD3,000,001 to HKD3,500,000	–	2	1	–
HKD4,000,001 to HKD4,500,000	1	–	–	–
HKD4,500,001 to HKD5,000,000	–	–	–	2
HKD5,000,001 to HKD5,500,000	–	1	–	–
HKD5,500,001 to HKD6,000,000	–	–	–	1
HKD7,000,001 to HKD7,500,000	–	1	–	–
HKD9,000,001 to HKD9,500,000	–	–	–	1
	4	4	4	4

During the Relevant Periods and the six months ended 30 June 2021, share options and restricted share units were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 24 to the Historical Financial Information. The fair value of such options and restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended 30 June 2021 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

During the Relevant Periods and the six months ended 30 June 2021, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Income Tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed on the Company.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2021. No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2021.

Mainland China

Pursuant to the Corporate Income Tax Law of the People's Republic of China and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income during the Relevant Periods and the six months ended 30 June 2021.

Pursuant to the relevant CIT Law, Cutia Shanghai and Cutia Wuxi enjoyed a super deduction of 175% on qualifying research and development expenditures during the Relevant Periods and the six months ended 30 June 2021.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country (or jurisdiction) in which the Company and its major subsidiary are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss before tax	(199,928)	(319,581)	(125,415)	(251,613)
Tax at the statutory tax rate (25%)	(49,982)	(79,895)	(31,354)	(62,903)
Tax effect of expenses not deductible for tax purposes	34,303	47,761	17,767	38,332
Additional deductible allowance for research and development expenses	(2,155)	(11,905)	(4,560)	(8,725)
Tax effect of tax losses not recognized	19,734	43,206	18,034	31,192
Utilization of deductible temporary differences previously not recognized	(2,000)	–	–	–
Tax effect of deductible temporary differences not recognized	100	833	113	271
Effect of different tax rate of subsidiaries operating in other jurisdictions	–	–	–	1,833
Tax charge at the Group's effective rate	–	–	–	–

The Group has tax losses arising in Hong Kong of approximately nil, nil and RMB21,567,000 as at the end of each of the Relevant Periods that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. The Group has accumulated tax losses in Mainland China of RMB87,508,000, RMB260,331,000 and RMB370,866,000 in aggregate as at the end of each of the Relevant Periods that would expire in one to five years for offsetting against future taxable profits of the company in which the losses arose.

The Group has unrecognised deductible temporary differences of RMB400,000, RMB3,732,000 and RMB4,814,000 as at the end of each of the Relevant Periods.

Deferred tax assets have not been recognised in respect of these losses and temporary differences as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

12. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods and the six months ended 30 June 2021.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue for the Relevant Periods and the six months ended 30 June 2021.

The calculation of the diluted loss per share amount for the year ended 31 December 2020 is based on the loss for the year ended 31 December 2020 attributable to ordinary equity holders of the parent, adjusted to reflect the loss from 1 January 2020 to 30 November 2020 attributable to the 5,000,000 series A-1 convertible preferred shares with a par value of USD0.0001 each, the fair value gain from 1 December 2020 to 31 December 2020 on the series A-1 convertible redeemable preferred shares and the fair value gain on the Series B convertible redeemable preferred shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2020, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of series A-1 convertible redeemable preferred shares and series B convertible redeemable preferred shares into ordinary shares. The diluted loss per share for the year ended 31 December 2020 did not assume the conversion of other series convertible redeemable preferred shares, nor exercise of share purchase options, share options and restricted share units as their inclusion would be anti-dilutive.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2021 and the six months ended 30 June 2021 and 2022 in respect of a dilution as the impact of convertible redeemable preferred shares, share options and restricted share units had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss				
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	(105,134)	(319,581)	(125,415)	(251,613)
Add: Loss attributable to Series A-1 convertible preferred share holders	(64,977)	–	–	–
Less: Fair value gain on series A-1 convertible redeemable preferred shares	2,406	–	–	–
Less: Fair value gain on series B convertible redeemable preferred shares	39,668	–	–	–
Loss attributable to ordinary equity holders of the parent taking into consideration of assumed conversion for dilutive series A-1 and series B convertible redeemable preferred shares	(212,185)	(319,581)	(125,415)	(251,613)

	Number of shares			
	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
			(Unaudited)	
Shares				
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	8,660,683	16,009,142	16,009,142	16,009,142
Effect of dilution – weighted average number of ordinary shares:				
Series A-1 convertible redeemable preferred shares	5,000,000	–	–	–
Series B convertible redeemable preferred shares	2,810,304	–	–	–
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	16,470,987	16,009,142	16,009,142	16,009,142
Loss per share (RMB per share)				
Basic	(12.14)	(19.96)	(7.83)	(15.72)
Diluted	(12.88)	(19.96)	(7.83)	(15.72)

14. Property, Plant and Equipment

	Machinery and equipment *RMB'000*	Office and electronic equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
As at 31 December 2020					
At 1 January 2020:					
Cost	–	41	–	148	189
Accumulated depreciation	–	(3)	–	–	(3)
Net carrying amount	–	38	–	148	186
At 1 January 2020, net of accumulated depreciation	–	38	–	148	186
Additions	2,274	304	–	13,154	15,732
Transfer from CIP	5,965	–	373	(6,338)	–
Depreciation provided during the year	(203)	(40)	(307)	–	(550)
At 31 December 2020, net of accumulated depreciation	8,036	302	66	6,964	15,368
At 31 December 2020:					
Cost	8,239	345	373	6,964	15,921
Accumulated depreciation	(203)	(43)	(307)	–	(553)
Net carrying amount	8,036	302	66	6,964	15,368

	Machinery and equipment	Office and electronic equipment	Motor vehicles	Leasehold improvements	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021						
At 1 January 2021:						
Cost	8,239	345	–	373	6,964	15,921
Accumulated depreciation	(203)	(43)	–	(307)	–	(553)
Net carrying amount	8,036	302	–	66	6,964	15,368
At 1 January 2021, net of accumulated depreciation	8,036	302	–	66	6,964	15,368
Additions	5,707	596	374	414	9,555	16,646
Transfer from CIP	4,116	–	–	12,374	(16,490)	–
Depreciation provided during the year	(1,939)	(200)	(7)	(3,626)	–	(5,772)
At 31 December 2021, net of accumulated depreciation	15,920	698	367	9,228	29	26,242
At 31 December 2021:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	15,920	698	367	9,228	29	26,242

	Machinery and equipment	Office and electronic equipment	Motor vehicles	Leasehold improvements	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2022						
At 1 January 2022:						
Cost	18,062	941	374	13,161	29	32,567
Accumulated depreciation	(2,142)	(243)	(7)	(3,933)	–	(6,325)
Net carrying amount	15,920	698	367	9,228	29	26,242
At 1 January 2022, net of accumulated depreciation	15,920	698	367	9,228	29	26,242
Additions	5,335	276	514	–	41,396	47,521
Depreciation provided during the period	(1,494)	(143)	(72)	(2,785)	–	(4,494)
At 30 June 2022, net of accumulated depreciation	19,761	831	809	6,443	41,425	69,269
At 30 June 2022:						
Cost	23,397	1,217	888	13,161	41,425	80,088
Accumulated depreciation	(3,636)	(386)	(79)	(6,718)	–	(10,819)
Net carrying amount	19,761	831	809	6,443	41,425	69,269

As at the end of each of the Relevant Periods, there were no pledged property, plant and equipment.

15. Leases

The Group as a lessee

The Group has lease contracts for various items of plant and office premises used in its operations. Leases of plant generally have lease terms of 12 years, while office premises generally have lease terms between 1.5 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises *RMB'000*
As at 31 December 2020	
As at 1 January 2020	2,336
Additions	7,773
Depreciation charge	(1,756)
As at 31 December 2020	8,353

	Plant *RMB'000*	**Office premises** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021			
As at 1 January 2021	–	8,353	8,353
Additions	19,717	1,881	21,598
Depreciation charge	(411)	(3,457)	(3,868)
Termination of a lease contract	–	(1,536)	(1,536)
As at 31 December 2021	19,306	5,241	24,547

	Plant *RMB'000*	**Office premises** *RMB'000*	**Total** *RMB'000*
As at 30 June 2022			
As at 1 January 2022	19,306	5,241	24,547
Additions	–	1,209	1,209
Depreciation charge	(822)	(2,122)	(2,944)
As at 30 June 2022	18,484	4,328	22,812

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	2,300	9,152	26,531
New leases	7,773	21,598	1,209
Accretion of interest recognised during the year/period	208	559	608
Termination of a lease contract	–	(1,693)	–
Payments	(1,129)	(3,085)	(2,276)
Carrying amount at the end of the year/period	9,152	26,531	26,072
Analysed into:			
Current portion	3,767	3,715	3,351
Non-current portion	5,385	22,816	22,721

The maturity analysis of lease liabilities is disclosed in note 30 to the Historical Financial Statement.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Interest on lease liabilities	208	559	168	608
Depreciation charge of right-of-use assets	1,756	3,868	1,638	2,944
Gain on termination of a lease contract	–	(157)	(157)	–
Expenses relating to short-term leases	721	610	430	23
Expenses relating to low-value assets	14	15	8	12
Total amount recognised in profit or loss	2,699	4,895	2,087	3,587

(d) The total cash outflow for leases is disclosed in note 25(c) to the Historical Financial Information.

16. Prepayments, Other Receivables and Other Assets

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Loans to employees*	–	1,090	4,460
Deemed prepaid remuneration to employees*	–	446	2,190
Rental and other deposits	1,133	2,302	2,364
Value-added tax recoverable	3,475	10,810	10,059
Prepayments for purchase of items of other intangible assets	–	1,199	775
Prepayments for purchase of items of property, plant and equipment	4,497	12,098	37,800
	9,105	27,945	57,648

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Rental deposits	465	457	1,368
Deemed prepaid remuneration to employees*	–	53	219
Prepayments	1,337	20,642	18,256
Other receivables	27	1	65
Value-added tax recoverable	–	–	579
Deferred issue costs	–	–	1,624
	1,829	21,153	22,111

* The Group provided unsecured and non-interest-bearing loans of RMB1,589,000 and RMB5,280,000 to employees in December 2021 and March 2022, respectively with terms ranging from 7.5 years to 10 years. On initial recognition, the receivables were measured at fair value, which in this case were equal to the loan amount given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amounts and their fair value was treated as deemed prepaid remuneration to employees and was amortised through the expected service period over the loan terms.

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments	–	679	314
Deferred issue costs	–	–	1,624
	–	679	1,938

The balances are interest-free and are not secured with collateral.

The financial assets included in the above balances relate to receivables for which there were no recent history of default and past due amounts. In addition, there is no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the ECLs in respect of these balances are minimal.

17. Inventories

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	–	698	450
Finished goods	–	1,106	1,931
Goods in transit	–	–	9,604
	–	1,804	11,985

18. Financial Assets at FVTPL

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Financial products	138,635	405,492	220,196

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Financial products	138,635	385,415	69,839

The amount represented short-term investments issued by banks with no predetermined or guaranteed return which are not principal protected investments. The financial products are with expected rates of return (not guaranteed), depending on the market prices of underlying financial instruments, including bonds, debentures and other financial assets. The expected return rates ranged from 2.26%~3.75%, 1.4%~3.3% and 1.35%~3.15% per annum, respectively, at the end of each of the Relevant Periods.

19. Cash and Cash Equivalents/Time Deposits Over Three Months

Time deposits over three months

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Time deposits over three months	677,842	769,648	470,392
Denominated in			
RMB	25,352	–	–
United States dollars ("**USD**")	652,490	769,648	470,392

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Time deposits over three months	652,490	769,648	470,392
Denominated in			
USD	652,490	769,648	470,392

The time deposits are placed with banks in the PRC with a term of over three months upon placement, which carry interest at a fixed rate between 0.84% to 2.25%, 0.45% to 0.84% and 3.574% per annum, respectively, at the end of each of the Relevant Periods.

Cash and cash equivalents

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	300,170	203,130	575,697
Denominated in			
RMB	4,563	3,530	441,249
USD	295,607	199,600	134,448

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	1,957	2,394	334,384
Denominated in			
RMB	–	–	327,040
USD	1,957	2,394	7,344

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks amortised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

20. Trade and Other Payables

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	306	335	44
Accrued expenses for research and development services	12,038	7,329	9,518
Payables for purchase of Items of property, plant and equipment	680	608	14,716
Other payables	189	1,781	665
Salary and bonus payables	1,666	4,856	4,629
Other taxes payable	309	626	713
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	15,188	15,535	34,767

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	306	265	37
3 months to 1 year	–	70	–
Over 1 year	–	–	7
	306	335	44

Trade and other payables are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of financial liabilities included in trade and other payables as at the end of each of the Relevant Periods approximated to their fair values due to their short-term maturities.

21. Convertible Redeemable Preferred Shares

In August 2019, the Company entered into a purchase agreement of series A-1 convertible preferred shares with 6Dimensions Capital, L.P. ("**6D Capital**") and 6Dimensions Affiliates Fund, L.P. ("**6D Affiliates**") (collectively referred to as the "Offshore Investors"), pursuant to which the Company issued 5,000,000 series A-1 convertible preferred shares with a par value of USD0.0001 each ("**Series A-1 Convertible Preferred Shares**") at a price of USD1.00 per share for a total consideration of USD5,000,000 (equivalent to RMB35,286,000).

Meanwhile, Cutia Shanghai, the subsidiary of Cutia HK, issued 50.43% ordinary shares to Suzhou 6D and Suzhou Frontline (collectively referred to as the "**Onshore Investors**") for a total consideration of USD15,000,802 (equivalent to RMB105,448,000) (the "**Agreement**"). Upon the equity investment, the Company also granted the Onshore Investors or their designated affiliates or nominees with a share purchase option. Pursuant to which, when the Onshore Investors choose to dispose of their equity interests in Cutia Shanghai to Cutia HK for a consideration of the original investment amount or a consideration by reference to the valuation of Cutia Shanghai determined by the Group and the Onshore Investors, the Onshore Investors should subscribe 8,004,571 ordinary shares, 5,000,000 Series A-1 Preferred Shares and 4,285,714 series A-2 convertible preferred shares of the Company ("**Series A-2 Convertible Preferred Shares**") (collectively referred to as the "**Series A Convertible Preferred Shares**") at the same consideration received form Cutia HK.

In August 2020, the Company entered into a purchase agreement of series B convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 20,571,428 series B convertible redeemable preferred shares with a par value of USD0.0001 each ("**Series B Convertible Redeemable Preferred Shares**") at a price of USD8.75 per share for the total consideration of USD180,000,000 (equivalent to RMB1,234,580,000). In the meanwhile, a redemption right was granted to the holders of Series A Convertible Preferred Shares, resulting in the conversion of Series A Convertible Preferred Shares to the series A convertible redeemable preferred shares with a par value of USD0.0001 each ("**Series A Convertible Redeemable Preferred Shares**").

In November 2020, the Onshore Investors exercised their share purchase options. Pursuant to the Agreement entered into, the Onshore Investors transferred all of their equity interests in Cutia Shanghai to Cutia HK for a total consideration of USD15,000,802 (equivalent to RMB98,422,000) and the Company issued 8,004,571 ordinary shares at a price of USD0.0001 per share with the total consideration of USD802 (equivalent to RMB6,000), 5,000,000 series A-1 convertible redeemable preferred shares at a price of USD1.00 per share with the total consideration of USD5,000,000 (equivalent to RMB32,806,000) and 4,285,714 series A-2 convertible redeemable preferred shares at a price of USD2.33 per share with the total consideration of USD10,000,000 (equivalent to RMB65,610,000) to the Onshore Investors. After exercising the share purchase option and completing the transfer of equity interests in Cutia Shanghai to Cutia HK, Cutia Shanghai became an indirect wholly-owned subsidiary of the Company.

In September 2021, the Company entered into a purchase agreement of series C convertible redeemable preferred shares with a group of investors, pursuant to which the Company issued 5,682,249 series C convertible redeemable preferred shares with a par value of USD0.0001 each ("Series C Convertible Redeemable Preferred Shares") at a price of USD13.199 per share for the total consideration of USD75,000,001.01 (equivalent to RMB483,994,000).

Presentation and classification

Prior to the issue of Series B Convertible Redeemable Preferred Shares, pursuant to the original and amended Memorandum and Articles of Association (the "**MOA**"), the Company does not have an obligation to i) deliver cash or other financial assets to the holders of Series A Convertible Preferred Shares; ii) to exchange financial assets or financial liabilities with the holders of Series A Convertible Preferred Shares that are potentially unfavourable to the Company; and iii) to deliver a variable number of the Company's own ordinary share. Hence, Series A Convertible Preferred Shares is recognised as equity in accordance with relevant IFRS standard.

Since the ordinary shares in Cutia Shanghai held by the Onshore Investors are convertible into fixed number of ordinary shares and Series A Convertible Preferred Shares of the Company, the share purchase option granted to Onshore Investors should be classified as equity instrument in the consolidated financial statements. Therefore, the share purchase option was not required to be recorded at fair value, but at an initial cost of zero. Meanwhile, the equity interests held by the Onshore Investors in Cutia Shanghai were accounted for as non-controlling interests in the consolidated financial statements. However, in the financial statements of the Company, the share purchase options should be accounted as derivatives and were recognised at fair value upon initial recognition. Any changes of their fair value in subsequent reporting dates are recognized in profit or loss.

After the issuance of Series B Convertible Redeemable Preferred Shares, a redemption right was also granted to the holders of Series A Convertible Preferred Shares, which resulted in the conversion of Series A Convertible Preferred Shares to Series A Convertible Redeemable Preferred Shares. As such, the Group designated host debt and conversion derivatives of Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares as financial liabilities measured at fair value through profit or loss and presented as convertible redeemable preferred shares in the statements of financial position. The difference between the carrying amount of the Series A Convertible Preferred Shares and the fair value of the Series A Convertible Redeemable Preferred Shares was debited to "other reserves".

Meanwhile, in the consolidated financial statements, the Group redesignated the share purchase options for the Series A Convertible Redeemable Preferred Shares granted to the Onshore Investors as financial liabilities measured at fair value through profit or loss and the non-controlling interests held by the Onshore Investors were derecognised. The difference between the carrying amount of non-controlling interests and the fair value of gross obligation from share purchase options granted to the Onshore Investors at the redesignation date was debited to "other reserves".

As for the share purchase options for ordinary shares granted to the Onshore Investors, the non-controlling interests were derecognised upon the exercise of share purchase options. The difference between the carrying amount of non-controlling interests and the fair value of the ordinary shares of the Company at the exercise date was debited to "other reserves".

According to MOA of the Company in September 2021, the key terms of the Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares (collectively, the "Preferred Shares") are as follows:

Liquidation preference

In the event of any liquidation, dissolution or winding up, either voluntarily or involuntarily of the Company, and any Deemed Liquidation Event ("**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

(a) Before any distribution or payment shall be made to the holders of any ordinary share, Series A Convertible Redeemable Preferred Shares or Series B Convertible Redeemable Preferred Shares, the holders of Series C Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series C Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series C issue price for each Series C Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series C original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series C Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series C Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the assets and funds thus distributed among the holders of Series C Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series C Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series C Convertible Redeemable Preferred Shares in proportion to the Series C Share Preference Amount each such holder is otherwise entitled to receive.

(b) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, before any distribution or payment shall be made to the holders of any ordinary share or Series A Convertible Redeemable Preferred Shares, the holders of Series B Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series B Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series B issue price for each Series B Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series B original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series B Share Preference Amount**"), and (ii) the amount per share such holder would have received if the Series B Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount pursuant to section (a) above thus distributed among the holders of Series B Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Share Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series B Convertible Redeemable Preferred Shares in proportion to the Series B Share Preference Amount each such holder is otherwise entitled to receive.

(c) If there are any assets or funds remaining after the aggregate Series C Share Preference Amount has been distributed or paid in full to all of the holders of the Series C Convertible Redeemable Preferred Shares pursuant to section (a) above, and after the aggregate Series B Share Preference Amount has been distributed or paid in full to all of the holders of the Series B Convertible Redeemable Preferred Shares pursuant to section (b) above, before any distribution or payment shall be made to the holders of the ordinary shares, the holders of Series A Convertible Redeemable Preferred Shares (calculated as a single class) shall be entitled to receive, with respect to each Series A Convertible Redeemable Preferred Share, the greater of (i) the amount equal to one hundred percent (100%) of the series A issue price for each Series A Convertible Redeemable Preferred Share, plus a per share annual return at a simple rate of eight percent (8%) per annum calculated from the series A original issue date to the date of such distribution or payment in connection with such Liquidation Event, plus all declared but unpaid dividends thereon (if any) (the "**Series A Share Preference Amount**"), and (ii) the amount per share

such holder would have received if the Series A Convertible Redeemable Preferred Shares held by such holder had been converted into ordinary shares immediately prior to such Liquidation Event. If upon the occurrence of a Liquidation Event of the Company, the remaining assets and funds after the full payment of the aggregate of Series C Share Preference Amount and Series B Share Preference Amount pursuant to section (a) and section (b) above thus distributed among the holders of Series A Convertible Redeemable Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A Share Preference Amount, then the entire remaining assets and funds of the Company legally available for distribution shall be distributed rateably among the holders of Series A Convertible Redeemable Preferred Shares in proportion to the Series A Share Preference Amount each such holder is otherwise entitled to receive.

(d) After setting aside or paying in full the Series C Preference Amount due pursuant to section (a) above, Series B Share Preference Amount due pursuant to section (b) above and the Series A Share Preference Amount due pursuant to section (c) above, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each such holder.

Deemed Liquidation Event means any transaction (treating any series of related transactions as a "transaction") involving (i) a sale, lease, transfer or other disposition of all or substantially all of the assets of the Group, (ii) a sale, transfer or exclusive licensing of all or substantially all of the intellectual property of the Group, (iii) a merger, share acquisition, consolidation or other business combination of the Group in which third parties that are not affiliates of the shareholders of such Group immediately prior to such transaction own a majority of such Group's voting power immediately after such transaction or any merger, consolidation, share acquisition or other transaction in which the shareholders of the Group who had been shareholders immediately prior to such transaction did not retain a majority of the equity or voting power in the surviving entity, or (iv) a sale or disposition (whether by merger, consolidation, share acquisition or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries.

Conversion

(a) *Right to convert Preferred Shares* Unless converted earlier pursuant to section (b) below, each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the respective original issue date into such number of fully paid and non-assessable ordinary shares as determined by dividing the respective issue price by the respective Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which ordinary shares shall be issuable upon conversion of the Preferred Shares (the "**Conversion Price**") shall initially be the respective issue price for each applicable Preferred Share. Such initial Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this section shall limit the automatic conversion rights of Preferred Shares described in section (b) below. For the avoidance of doubt, the initial conversion ratio for Preferred Shares to ordinary shares is 1:1, and shall be subject to adjustment from time to time, including but not limited to share dividends, subdivisions, combinations or consolidations of ordinary shares, reclassifications, exchange and substitution, and adjustment upon issuance of new securities for a consideration per share less than the Conversion Price.

(b) *Automatic conversion* Each class or series of the Preferred Share shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the closing of a Qualified [**REDACTED**]; or (ii) the date when the Company obtains the vote or written consent of at least fifty percent (50%) holders of Series A Convertible Redeemable Preferred Shares ("**Series A Majority**"), at least fifty percent (50%) holders of Series B Convertible Redeemable Preferred Shares ("**Series B Majority**") and at least fifty percent (50%) holders of Series C Convertible Redeemable Preferred Shares ("**Series C Majority**"). In the event of the automatic conversion of the Preferred Shares upon a [**REDACTED**] as described above, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such [**REDACTED**].

Qualified [**REDACTED**] means a firm [**REDACTED**] of the ordinary shares of the Company on the New York Stock Exchange, the NASDAQ National Market System in the United States, the Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange, Shenzhen Stock Exchange, or another recognised securities exchange approved by the board of the directors at a pre-money valuation of not less than USD1 billion.

Redemption

The Series A Convertible Redeemable Preferred Shares, Series B Convertible Redeemable Preferred Shares and Series C Convertible Redeemable Preferred Shares shall be redeemable at the option of holders of the Preferred Shares as provided herein:

(a) *Optional Series C Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified [**REDACTED**], (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) below or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption rights pursuant to section (c) below, the Series C Majority (each a "Series C Redeeming Shareholder") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series C Convertible Redeemable Preferred Shares (the "**Series C Redemption Shares**") in preference to any other class or series of shares of the Company, including the Series A Convertible Redeemable Preferred Shares and Series B Convertible Redeemable Preferred Shares.

(b) *Optional Series B Redemption* At any time after the earliest of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified [**REDACTED**], (ii) any material breach by any subsidiary of the Group or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or any holder of the Series A Convertible Redeemable Preferred Shares of its redemption right pursuant to section (c) below, the Series B Majority (each a "Series B Redeeming Shareholder") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series B Convertible Redeemable Preferred Shares (the "**Series B Redemption Shares**") in preference to the Series A Convertible Redeemable Preferred Shares.

(c) *Optional Series A Redemption* At any time after the earlier of (i) the fifth (5th) anniversary of the series B original issue date, if by then the Company fails to complete a Qualified [**REDACTED**]; (ii) any material breach by the Company or Zhang Lele, and (iii) the date of receipt of the Company's written notice of the exercise by any holder of the Series C Convertible Redeemable Preferred Shares of its redemption right pursuant to section (a) above or the exercise by any holder of the Series B Convertible Redeemable Preferred Shares of its redemption right pursuant to section (b) above, the Series A Majority (each a "**Series A Redeeming Shareholder**" and together with a Series C Redeeming Shareholder and Series B Redeeming Shareholder, a "**Redeeming Shareholder**") shall have the right (but not the obligation) to require that the Company redeem all or any part of the then outstanding Series A Convertible Redeemable Preferred Shares (the "**Series A Redemption Shares**" and together with the Series C Redemption Shares and Series B Redemption Shares, the "**Redemption Shares**").

(d) *Redemption Price* The redemption price for each Redemption Share redeemed pursuant to section (a), section (b) and section (c) shall be equal to 100% of the applicable issue price with a simple rate of return of eight percent (8%) per annum calculating from the applicable original issue date to the applicable due date plus all accrued but unpaid dividends (the "**Redemption Price**"). For the avoidance of doubt, if a Redeeming Shareholder only requires the Company to redeem part of its equity interests in the Company, then the total Redemption Price shall be calculated proportionately based on the number of the Redemption Shares with respect to such Redeeming Shareholder.

The movements of convertible redeemable preferred shares of the Group and the Company are set out below:

	Series A Convertible Redeemable Preferred Shares		Series B Convertible Redeemable Preferred Shares		Series C Convertible Redeemable Preferred Shares		Total
	Number of shares	*RMB'000*	*Number of shares*	*RMB'000*	*Number of shares*	*RMB'000*	*RMB'000*
As at 1 January 2020	–	–	–	–	–	–	–
Redemption rights granted to Series A Convertible Preferred Shareholders	5,000,000	156,501	–	–	–	–	156,501
Preferred shares issued upon exercise of purchase option of Series A Convertible Preferred Share granted to non-controlling shareholders	9,285,714	294,048	–	–	–	–	294,048
Issuance of preferred shares	–	–	20,571,428	1,234,580	–	–	1,234,580
Changes in fair value	–	(6,861)	–	(39,668)	–	–	(46,529)
As at 31 December 2020 and 1 January 2021	14,285,714	443,688	20,571,428	1,194,912	–	–	1,638,600
Issuance of preferred shares	–	–	–	–	5,682,249	483,994	483,994
Changes in fair value	–	144,507	–	(16,059)	–	(8,118)	120,330
As at 31 December 2021 and 1 January 2022	14,285,714	588,195	20,571,428	1,178,853	5,682,249	475,876	2,242,924
Changes in fair value	–	59,535	–	101,917	–	13,200	174,652
As at 30 June 2022	14,285,714	647,730	20,571,428	1,280,770	5,682,249	489,076	2,417,576

The Group has used the discounted cash flow method and the back-solve method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December		As at 30 June
	2020	2021	2022
Risk-free interest rate	0.32%	1.06%	2.99%
DLOM	14.00%	10.00%	8.50%
Volatility	45.30%	45.39%	44.63%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualised standard deviation of daily shares price return of comparable companies for a period from the valuation date and with a similar span as time to expiration.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

Significant unobservable inputs	Increase/(decrease) unobservable inputs	(Decrease)/increase in the fair value As at 31 December 2020	2021	As at 30 June 2022
		RMB'000	*RMB'000*	*RMB'000*
DLOM	5%/(5%)	(20,731)/20,731	(28,946)/28,946	(30,664)/30,664
Volatility	5%/(5%)	(340)/858	(1,113)/(14)	(360)/659

22. Share Capital

The Company was incorporated in the Cayman Islands on 15 May 2019 with initial authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On 23 August 2019, the authorised share capital of the Company was subdivided to 500,000,000 shares with a par value of USD0.0001 each.

Authorized

	As at 31 December 2020	2021	As at 30 June 2022
	Number of shares authorised	*Number of shares authorised*	*Number of shares authorised*
Ordinary shares of USD0.0001 each	465,142,858	459,460,609	459,460,609
Series A Convertible Redeemable Preferred Shares of USD0.0001 each	14,285,714	14,285,714	14,285,714
Series B Convertible Redeemable Preferred Shares of USD0.0001 each	20,571,428	20,571,428	20,571,428
Series C Convertible Redeemable Preferred Shares of USD0.0001 each	–	5,682,249	5,682,249
	500,000,000	500,000,000	500,000,000

Issued and fully paid

	As at 31 December 2020	2021	As at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*
Ordinary shares of USD0.0001 each	11	11	11

	Number of ordinary shares in issue	Share capital	Number of Series A Convertible Preferred Shares in issue	Share capital	Total share capital
		RMB'000		*RMB'000*	*RMB'000*
As at 1 January 2020	8,004,571	5	5,000,000	4	9
Ordinary shares issued upon exercise of purchase options of ordinary share granted to non-controlling shareholders *(note 21)*	8,004,571	6	–	–	6

	Number of ordinary shares in issue	Share capital *RMB'000*	Number of Series A Convertible Preferred Shares in issue	Share capital *RMB'000*	Total share capital *RMB'000*
Redemption rights granted to the holders of Series A Convertible Preferred Shares	–	–	(5,000,000)	(4)	(4)
As at 31 December 2020 and 2021 and 30 June 2022	16,009,142	11	–	–	11

23. Reserves

The Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages I-7 to I-8 of the Historical Financial Information.

The Company

	Share premium *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	35,281	313	–	(29,237)	6,357
Loss and total comprehensive loss for the year	–	–	–	(432,716)	(432,716)
Recognition of share-based payment expenses	–	20,022	–	–	20,022
Redemption rights granted to the holders of Series A Convertible Preferred Shares *(note 21)*	(23,872)	–	(206,305)	73,680	(156,497)
Ordinary shares issued upon exercise of purchase options of ordinary share granted to non-controlling shareholders *(note 21)*	247,747	–	–	–	247,747
At 31 December 2020	259,156	20,335	(206,305)	(388,273)	(315,087)

	Share premium *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	259,156	20,335	(206,305)	(388,273)	(315,087)
Loss and total comprehensive loss for the year	–	–	–	(141,229)	(141,229)
Recognition of share-based payment expenses	–	41,110	–	–	41,110
At 31 December 2021	259,156	61,445	(206,305)	(529,502)	(415,206)

	Share premium *RMB'000*	Share option reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2022	259,156	61,445	(206,305)	(529,502)	(415,206)
Loss and total comprehensive loss for the period	–	–	–	(146,210)	(146,210)
Recognition of share-based payment expenses	–	38,592	–	–	38,592
At 30 June 2022	259,156	100,037	(206,305)	(675,712)	(522,824)

24. Share-Based Payment Transactions

[**REDACTED**] ***Equity Incentive Plan***

The Company operates the [**REDACTED**] Equity Incentive Plan, which was adopted pursuant to a resolution passed on 23 August 2019, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of [**REDACTED**] Equity Incentive Plan include any officers, directors, employees of the Group, and any individual consultants or advisors who render or have rendered bona fide services to the Group.

The directors of the Company approved up to 3,990,858 shares of the Company after the sub-division of ordinary shares on 23 August 2019, in which options may be granted under the [**REDACTED**] Equity Incentive Plan. On 6 January 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the [**REDACTED**] Equity Incentive Plan to 6,713,843 shares. On 30 November 2021, a resolution was passed by the board of directors of the Company to increase the capacity of the [**REDACTED**] Equity Incentive Plan to 14,137,134 shares.

(a) Share options

On 23 August 2019, 219,429 share options ("**Batch 1**"), which can be vested immediately, were granted to one consultant of the Group.

During the Relevant Periods, 3,162,856 share options ("**Batch 2**"), 183,600 share options ("**Batch 3**"), 355,027 share options ("**Batch 4**"), 2,069,182 share options ("**Batch 5**"), 460,641 share options ("**Batch 6**"), 109,248 share options ("**Batch 7**") and 59,812 share options ("**Batch 8**") were granted to a director, certain employees and consultants of the Group.

The share options have a service condition that shall vest over a 60-month period, consisting of a cliff vesting of 20% of the share options on the one-year anniversary of the vesting commencement date and a vesting of 1/60th of the share options upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary. As for Batch 8, in addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is that grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the share options will be expired after ten years from the vesting commencement date. Also, pursuant to the board resolution dated on 30 November 2021, in case of a [**REDACTED**], the vesting schedule of the unvested share options shall be accelerated by 50% on the six-months anniversary of the [**REDACTED**] (the "**Accelerate Date**"), provided that the participants have been employed by or provided services to the Group for at least one year upon the Acceleration Date (the "**Modification**"). Since such Modification reduces the fair value of the share options granted before 30 November 2021, measured immediately before and after the modification, the Group shall not take into account that decrease in fair value and shall continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted.

The Group recognised equity-settled share option expenses based on the estimated grant date fair value for employees and consultants using the binomial model on a straight-line basis over the requisite service period of the share options. The recognised equity-settled share option expenses are included in selling and distribution expenses, research and development costs and administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income for the Relevant Periods and the six months ended 30 June 2021.

The following share options were outstanding during the Relevant Periods:

	Number of share options
As at 1 January 2020	219,429
Granted during the year	3,701,483
As at 31 December 2020 and 1 January 2021	3,920,912
Granted during the year	2,639,071
Forfeited during the year	(294,510)
As at 31 December 2021 and 1 January 2022	6,265,473
Granted during the period	59,812
Forfeited during the period	(17,959)
As at 30 June 2022	6,307,326

The exercise prices, exercise periods and the fair value of the share options outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2020

	Number of share options outstanding	Exercise price *USD per share*	Fair value at grant date *USD per share*
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	355,027	0.30	4.3809-4.3857
	3,920,912		

As at 31 December 2021

	Number of share options outstanding	Exercise price *USD per share*	Fair value at grant date *USD per share*
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	2,014,325	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	109,248	1.98	4.6306
	6,265,473		

As at 30 June 2022

	Number of share options outstanding	Exercise price *USD per share*	Fair value at grant date *USD per share*
Batch 1	219,429	0.0001	0.2020
Batch 2	3,162,856	0.30	1.3446-1.3485
Batch 3	183,600	0.30	1.3444-1.3467
Batch 4	115,374	0.30	4.3809-4.3857
Batch 5	1,997,865	0.30/1.98	3.0186-4.4397
Batch 6	460,641	0.30/1.98	3.5414-4.7897
Batch 7	107,749	1.98	4.6306
Batch 8	59,812	0.30	4.9574-6.4592
	6,307,326		

The fair values of the share options granted to the employees and consultants were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Batch 1	Batch 2	Batch 3	Batch 4	Batch 5	Batch 6	Batch 7	Batch 8
Expected volatility (%)	39.6%	42.6%	42.6%	43.4%	44.0%	44.4%	44.6%	44.2%
Risk-free interest rate (%)	1.52%	1.13%	0.60%	0.68%	1.44%	1.37%	1.43%	1.83%
Exercise multiple	2.2	2.2/2.8	2.2/2.8	2.2/2.8	2.2/2.8	2.8	2.2	2.2/2.28

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

*(b) Restricted share units (the "**RSUs**")*

On 1 December 2021 and 28 February 2022, 369,715 and 3,097,989 RSUs were granted to certain employees of the Group, respectively.

The RSUs have a service condition that shall vest over a 4-year period, consisting of a cliff vesting of 25% of the RSUs on the one-year anniversary of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary. In addition to time-based vesting condition, the number of restricted share units which shall vest also depends on the specific performance target which is grantees shall receive at least 3 points in the performance target annual review during the vesting period. The exercisable period of the RSUs will be expired after ten years from the vesting commencement date.

The following RSUs were outstanding during the Relevant Periods:

	Number of RSUs
As at 1 January 2020, 31 December 2020 and 1 January 2021	–
Granted during the year	369,715
As at 31 December 2021 and 1 January 2022	369,715
Granted during the period	3,097,989
Forfeited during the period	(5,082)
As at 30 June 2022	3,462,622

The exercise prices, exercise periods and the fair value of the RSUs outstanding as at the end of each of the Relevant Periods are as follows:

As at 31 December 2021

Grant date	Number of RSUs outstanding	Exercise price *USD per share*	Fair value at grant date *USD per share*
1 December 2021	369,715	0.0001	6.4100

As at 30 June 2022

Grant date	Number of RSUs outstanding	Exercise price *USD per share*	Fair value at grant date *USD per share*
1 December 2021	364,633	0.0001	6.7548
28 February 2022	3,097,989	0.0001	6.7548
	3,462,622		

The fair value of the RSUs was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the RSUs were granted. Major inputs used for the determination of the fair value of ordinary shares are listed as follow:

	1 December 2021	28 February 2022
Volatility	44.62%	44.21%
Risk-free interest rate	1.43%	1.83%
DLOM	10.00%	8.50%

The total share-based payment expenses recognised in profit or loss for share options and RSUs are approximately RMB20,022,000 RMB41,110,000, RMB38,592,000 and RMB26,274,000 (unaudited) for the Relevant Periods and the six months ended 30 June 2021, respectively.

25. Notes to the Consolidated Statements of Cash Flows

(a) Major non-cash transactions

During the Relevant Periods and the six months ended 30 June 2021, the Group had non-cash additions to right-of-use assets of RMB7,773,000, RMB21,598,000, RMB1,209,000, RMB104,000 (unaudited) and non-cash additions to lease liabilities of RMB7,773,000, RMB21,598,000, RMB1,209,000, RMB104,000 (unaudited), respectively, in respect of lease arrangements for plant and office premises.

(b) Changes in liabilities arising from financing activities

	Accrued [REDACTED] expense included in other payables *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*	Total *RMB'000*
At 1 January 2020	–	2,300	–	2,300
Changes from financing cash flows	–	(1,129)	1,234,580	1,233,451
Accretion of interest	–	208	–	208
New leases	–	7,773	–	7,773
Redemption rights granted to the holders of Series A Convertible Preferred Shares *(note 21)*	–	–	156,501	156,501

	Accrued [REDACTED] expense included in other payables *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*	Total *RMB'000*
Preferred shares issued upon exercise of purchase options of Series A Convertible Preferred Shares granted to non-controlling shareholders *(note 21)*	–	–	294,048	294,048
Changes in fair value	–	–	(46,529)	(46,529)
At 31 December 2020 and 1 January 2021	–	9,152	1,638,600	1,647,752
Changes from financing cash flows	–	(3,085)	483,994	480,909
Accretion of interest	–	559	–	559
New leases	–	21,598	–	21,598
Termination of a lease contract	–	(1,693)	–	(1,693)
Changes in fair value	–	–	120,330	120,330
At 31 December 2021 and 1 January 2022	–	26,531	2,242,924	2,269,455
Changes from financing cash flows	(530)	(2,276)	–	(2,806)
Changes from operating cash flows	(1,277)	–	–	(1,277)
[**REDACTED**] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred issue costs	1,624	–	–	1,624
Accretion of interest	–	608	–	608
New leases	–	1,209	–	1,209
Changes in fair value	–	–	174,652	174,652
At 30 June 2022	4,482	26,072	2,417,576	2,448,130
At 1 January 2021	–	9,152	1,638,000	1,647,752
Changes from financing cash flows (unaudited)	–	(1,073)	–	(1,073)
Accretion of interest (unaudited)	–	168	–	168
New leases (unaudited)	–	104	–	104
Termination of a lease contract (unaudited)	–	(1,693)	–	(1,693)
Changes in fair value (unaudited)	–	–	35,089	35,089
At 30 June 2021 (unaudited)	–	6,658	1,673,689	1,680,347

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		Six months ended 30 June	
	2020 *RMB'000*	**2021** *RMB'000*	**2021** *RMB'000 (Unaudited)*	**2022** *RMB'000*
Within operating activities	735	625	438	35
Within financing activities	1,129	3,085	1,073	2,276
	1,864	3,710	1,511	2,311

26. Commitments

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Acquisition of property, plant and equipment, and other intangible assets	6,980	10,229	80,105

27. Related Party Transactions

(a) The Group had the following transactions with related parties during the Relevant Periods and the six months ended 30 June 2021:

The Group

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loans to *(note)*				
Ms. Zhang Lele	–	7,687	–	–
Mr. Wu Jiaru*	–	357	–	958
Mr. Zhu Qi*	–	1,132	–	1,409
Ms. Zhang Chunna*	–	629	–	1,337
Dr. Lei Lei*	–	223	–	1,317
Ms. Xu Jingxin*	–	115	–	1,373
	–	10,143	–	6,394
Deemed prepaid remuneration to *(note)*				
Ms. Zhang Lele	–	3,440	–	–
Mr. Wu Jiaru*	–	158	–	577
Mr. Zhu Qi*	–	508	–	848
Ms. Zhang Chunna*	–	286	–	805
Dr. Lei Lei*	–	106	–	793
Ms. Xu Jingxin*	–	62	–	827
	–	4,560	–	3,850
	–	14,703	–	10,244
Deemed interest income from loans to key management *(note)*				
Ms. Zhang Lele	–	22	–	189
Mr. Wu Jiaru*	–	1	–	17
Mr. Zhu Qi*	–	3	–	41
Ms. Zhang Chunna*	–	2	–	27
Dr. Lei Lei*	–	1	–	17
Ms. Xu Jingxin*	–	–	–	15
	–	29	–	306

The Company

	Year ended 31 December		Six months ended 30 June	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
[**REDACTED**] expenses paid by related parties on behalf of the Company				
Cutia Wuxi	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Aurora Cutis	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

(b) Outstanding balances with related parties:

The Group

	As at 31 December		As at 30 June
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties:			
Loans to related parties – non-trade in nature and non-current *(note)*:			
Ms. Zhang Lele	–	7,709	7,898
Mr. Wu Jiaru*	–	358	1,333
Mr. Zhu Qi*	–	1,135	2,585
Ms. Zhang Chunna*	–	631	1,995
Dr. Lei Lei*	–	224	1,558
Ms. Xu Jingxin*	–	115	1,503
	–	10,172	16,872
Deemed prepaid remuneration to related parties *(note)*			
Ms. Zhang Lele	–	3,418	3,229
Mr. Wu Jiaru*	–	157	717
Mr. Zhu Qi*	–	505	1,312
Ms. Zhang Chunna*	–	284	1,062
Dr. Lei Lei*	–	105	881
Ms. Xu Jingxin*	–	62	874
	–	4,531	8,075
	–	14,703	24,947
Analysed into:			
Current portion	–	498	827
Non-current portion	–	14,205	24,120

* Those persons are key management personnel of the Company.

The maturity date of the loan borrowed by Ms. Zhang Lele is 1 September 2029. The maturity dates of the loans borrowed by key management personnel fall between 5 August 2029 and 28 February 2032.

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to subsidiaries			
Cutia Wuxi	–	641	1,281
Aurora Cutis	–	–	840
	–	641	2,121

The maximum amounts of the non-trade related receivables due from the director during the Relevant Periods and six months ended 30 June 2021 are as follows:

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Amount due from a related party				
Ms. Zhang Lele	–	7,709	–	7,898

Note: The Group provided an eight-year unsecured and non-interest-bearing loans of RMB11,127,000 to Ms. Zhang Lele in December 2021. Meanwhile, the Group also provided unsecured and non-interest-bearing loans of RMB3,576,000 and RMB10,244,000 to other key management personnel of the Group in December 2021 and March 2022, respectively with terms ranging from 7.5 years to 10 years. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value using an effective interest rate of 4.90%. The difference between the loan amount and its fair value was treated as deemed prepaid remuneration to Ms. Zhang Lele and other key management personnel and was amortized through the expected loan terms.

The Group has assessed the expected loss rate for amounts due from related parties by considering the financial position and credit history of these related parties and assessed that the expected credit loss is minimal.

(c) Other transactions with a related party

On 7 August 2020, the Group entered into a lease agreement with Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. ("**Shanghai Huazhou**") which is controlled by Suzhou Frontline, the shareholder of the Group, pursuant to which, the Group had additions to right-of use assets of RMB2,470,000 and additions to lease liabilities of RMB2,470,000.

On 11 May 2021, the Group entered into another lease agreement with Shanghai Huazhou, pursuant to which, the Group had additions to right-of use assets of RMB104,000 and additions to lease liabilities of RMB104,000.

At the end of each of the Relevant Periods, the amounts of lease liabilities are RMB2,069,000, RMB1,329,000 and RMB883,000, respectively.

During the Relevant Periods and the six months ended 30 June 2021, the amounts of interest expense on lease liabilities are RMB43,000, RMB82,000, RMB27,000, RMB45,000 (unaudited), respectively.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		Six months ended 30 June	
	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	6,803	12,382	5,699	8,246
Pension scheme contributions	16	362	166	180
Share based payment expenses	16,037	34,470	21,502	25,333
	22,856	47,214	27,367	33,759

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

28. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

As at 31 December 2020

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	138,635	–	138,635
Financial assets included in prepayments, other receivables and other assets	–	1,625	1,625
Time deposits over three months	–	677,842	677,842
Cash and cash equivalents	–	300,170	300,170
	138,635	979,637	1,118,272

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	–	13,213	13,213
Convertible redeemable preferred shares	1,638,600	–	1,638,600
	1,638,600	13,213	1,651,813

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	405,492	–	405,492
Amounts due from related parties	–	10,172	10,172
Financial assets included in prepayments, other receivables and other assets	–	3,850	3,850
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	203,130	203,130
	405,492	986,800	1,392,292

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	**Financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	–	10,053	10,053
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	2,242,924	10,053	2,252,977

As at 30 June 2022

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	220,196	–	220,196
Trade receivables	–	104	104
Amounts due from related parties	–	16,872	16,872
Financial assets included in prepayments, other receivables and other assets	–	8,257	8,257
Time deposits over three months	–	470,392	470,392
Cash and cash equivalents	–	575,697	575,697
	220,196	1,071,322	1,291,518

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*	**Financial liabilities at amortised cost** *RMB'000*	**Total** *RMB'000*
Financial liabilities included in trade and other payables	–	29,425	29,425
Convertible redeemable preferred shares	2,417,576	–	2,417,576
	2,417,576	29,425	2,447,001

The Company

As at 31 December 2020

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such *RMB'000*	**Financial assets at amortised cost** *RMB'000*	**Total** *RMB'000*
Financial assets at FVTPL	138,635	–	138,635
Amount due from a subsidiary	–	24	24
Time deposits over three months	–	652,490	652,490
Cash and cash equivalents	–	1,957	1,957
	138,635	654,471	793,106

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*
Convertible redeemable preferred shares	1,638,600

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	385,415	–	385,415
Amount due from a subsidiary	–	24	24
Time deposits over three months	–	769,648	769,648
Cash and cash equivalents	–	2,394	2,394
	385,415	772,066	1,157,481

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	**Financial liabilities at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	–	641	641
Convertible redeemable preferred shares	2,242,924	–	2,242,924
	2,242,924	641	2,243,565

As at 30 June 2022

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL	69,839	–	69,839
Amount due from a subsidiary	–	24	24
Time deposits over three months	–	470,392	470,392
Cash and cash equivalents	–	334,384	334,384
	69,839	804,800	874,639

Financial liabilities

	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Amount due to subsidiaries	–	2,121	2,121
Financial liabilities included in trade and other payables	–	4,482	4,482
Convertible redeemable preferred shares	2,417,576	–	2,417,576
	2,417,576	6,603	2,424,179

29. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in trade and other payables and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets and amounts due from related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent financial products issued by the bank. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. Further details are set out in note 18 to the Historical Financial Information.

The fair value of the convertible redeemable preferred shares measured at FVTPL is determined using the valuation techniques, including discounted cash flow method and back-solve method, and is within Level 3 fair value measurement. Further details are set out in note 21 to the Historical Financial Information.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial products	–	138,635	–	138,635

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial products	–	405,492	–	405,492

As at 30 June 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial products	–	220,196	–	220,196

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	1,638,600	1,638,600

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	2,242,924	2,242,924

As at 30 June 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	–	–	2,417,576	2,417,576

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, time deposits over three months, financial assets at FVTPL and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from changes in exchange rates.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**
	%	*RMB'000*	*RMB'000*
31 December 2020			
If RMB weakens against USD	5	(62,674)	62,674
If RMB strengthens against USD	(5)	62,674	(62,674)
31 December 2021			
If RMB weakens against USD	5	(47,004)	47,004
If RMB strengthens against USD	(5)	47,004	(47,004)
30 June 2022			
If RMB weakens against USD	5	(33,640)	33,640
If RMB strengthens against USD	(5)	33,640	(33,640)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, time deposits over three months, trade receivables, financial assets included in prepayments, other receivables and other assets and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2020

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets – normal*	1,625	–	–	–	1,625
Time deposits over three months – not yet past due	677,842	–	–	–	677,842
Cash and cash equivalents – not yet past due	300,170	–	–	–	300,170
	979,637	–	–	–	979,637

As at 31 December 2021

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties – normal*	10,172	–	–	–	10,172
Financial assets included in prepayments, other receivables and other assets – normal*	3,850	–	–	–	3,850
Time deposits over three months – not yet past due	769,648	–	–	–	769,648
Cash and cash equivalents – not yet past due	203,130	–	–	–	203,130
	986,800	–	–	–	986,800

As at 30 June 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties – normal*	16,872	–	–	–	16,872
Financial assets included in prepayments, other receivables and other assets – normal*	8,257	–	–	–	8,257
Trade receivables	–	–	–	104	104
Time deposits over three months – not yet past due	470,392	–	–	–	470,392
Cash and cash equivalents – not yet past due	575,697	–	–	–	575,697
	1,071,218	–	–	104	1,071,322

* The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There is concentration in credit risks as the balances are with a few counterparties. Except for cash and bank balances, the other balances are not material.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2020		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	13,213	–	13,213
Lease liabilities	3,890	5,522	9,412
Convertible redeemable preferred shares	–	1,929,002	1,929,002
	17,103	1,934,524	1,951,627

	As at 31 December 2021		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	10,053	–	10,053
Lease liabilities	4,860	28,160	33,020
Convertible redeemable preferred shares	–	2,547,632	2,547,623
	14,913	2,575,792	2,590,705

	As at 30 June 2022		
	Less than 1 year or on demand	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in trade and other payables	29,425	–	29,425
Lease liabilities	4,680	27,034	31,714
Convertible redeemable preferred shares	–	2,681,773	2,681,773
	34,105	2,708,807	2,742,912

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		As at 30 June
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	1,151,302	1,494,881	1,475,285
Total liabilities	1,663,340	2,285,390	2,478,815
Gearing ratio *(note)*	144%	153%	168%

Note: Gearing ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

31. Events After the Relevant Periods

(a) On 19 October 2022, an aggregate of 421,440 share options and 1,944,883 RSUs of the Company under the [**REDACTED**] Equity Incentive Plan were granted to certain employees.

(b) On 20 November 2022, an aggregate of 1,952,418 RSUs of the Company under the [**REDACTED**] Equity Incentive Plan were granted to certain employees.

(c) Pursuant to the shareholders' resolution dated [●], each share in the Company's issued and unissued share capital was divided into [**REDACTED**] shares of the corresponding class with par value US$[**REDACTED**] each.

32. Subsequent Financial Statements

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2019 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the [**REDACTED**] of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so canceled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognized clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognize any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorized by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or installment of a call after it has become due and payable, the Board may, for so long as any part of the call or installment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancelation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or [**REDACTED**] of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorized representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognized clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorized, the authorization shall specify the number and class of Shares in respect of which each such person is so authorized. A person so authorized shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognized clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognized clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorized representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorized by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realized or unrealized profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [**REDACTED**] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 15 May 2019 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 20 years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by

all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands laws, has sent to the Company a letter of advice summarizing the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 15, 2019. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Association are set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We have registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance. Ms. Chan Sze Ting (陳詩婷) at 5/F, Manulife Place 348, Kwun Tong Road, Kowloon, Hong Kong has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

Changes in Share Capital of Our Company

Save as disclosed in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] investments", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

Changes in the Share Capital of Our Subsidiaries

Save as disclosed in the section headed "History, Reorganization and Corporate Structure – Corporate Development – Our Subsidiaries", there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Document.

Resolutions of Our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [**REDACTED**], it was resolved, among others:

(a) subject to the [**REDACTED**] becoming unconditional,

- with effect on the date of these resolutions, each ordinary Share (whether issued or unissued) in the then authorized share capital of the Company with a par value of US$0.0001 each will be [**REDACTED**] into [**REDACTED**] Shares with a par value of US$[**REDACTED**] each, such that immediately following the [**REDACTED**], the authorized share capital of the Company is US$50,000 divided into [**REDACTED**] Shares with a par value of US$[**REDACTED**] each; and

- with effect immediately prior to the [**REDACTED**], each of the issued and unissued Preferred Shares be converted into one Share with a par value US$0.0001 each by re-designation and re-classification of with effect prior to the completion of the [**REDACTED**];

(b) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon [**REDACTED**];

(c) the terms of the [**REDACTED**] Equity Incentive Plan were approved and adopted, and will come into effect upon [**REDACTED**];

(d) conditional on (i) the [**REDACTED**] granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and the [**REDACTED**] not being terminated in accordance with the terms therein or otherwise:

- the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same, and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and the [**REDACTED**];
- the grant of the [**REDACTED**] by our Company to the [**REDACTED**] to allot and issue up to 15% of the [**REDACTED**] initially available under the [**REDACTED**] to cover, among other things, the [**REDACTED**] in the [**REDACTED**] was approved;
- the proposed [**REDACTED**] was approved, and our Directors were authorized to implement such [**REDACTED**]; and
- all the issued and unissued Preferred Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles;

(e) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders, or upon the exercise of the [**REDACTED**], or under the [**REDACTED**] Equity Incentive Plan. This general mandate to issue Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(f) a general unconditional mandate was granted to our Directors to exercise all power of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and excluding any Shares which may be allotted and issued under the [**REDACTED**] Equity Incentive Plan).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

- the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**] and excluding any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plans).

Restrictions on Repurchase of Our Own Securities

This section sets out information required by the Stock Exchange to be included in this Document concerning the repurchase by us of our own Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' Approval. All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of Funds. Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a [**REDACTED**] company, the laws of the jurisdiction in which the [**REDACTED**] company is incorporated or otherwise established. A [**REDACTED**] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a [**REDACTED**] company may be made out of the funds which would otherwise be available for dividend or distribution or out of the [**REDACTED**] of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this Document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Document. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

General

Exercise in full of the current repurchase mandate, on the basis of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plan), could accordingly result in up to [**REDACTED**] Shares being repurchased by us during the period prior to:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(c) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

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:

(a) the second amended and restated shareholders agreement dated September 15, 2021 entered into among the Company, Cutia Therapeutics (HK) Limited, Cutia Therapeutics (Shanghai) Co., Ltd. (科笛生物醫藥(上海)有限公司), Zhang Lele (張樂樂), 6 Dimensions Capital, L.P., 6 Dimensions Affiliates Fund, L.P., Suzhou 6 Dimensions Venture Capital Partnership L.P. (蘇州通和毓承投資合夥企業(有限合夥)), Suzhou Frontline BioVentures Venture Capital Fund II L.P. (蘇州通和二期創業投資合夥企業(有限合夥)), YF Dermatology Limited, SCC Growth V 2020-C, L.P., Cormorant Private Healthcare Fund II, LP, Cormorant Global Healthcare Master Fund, LP, LBC Sunshine Healthcare Fund L.P., Link Spirit Holdings Limited, TK Derma Limited, CICC GF No.1 Limited, C&D No.7 Holdings Limited, Fidelity China Special Situations PLC, Fidelity Funds, Fidelity Investment Funds, United Strength Neptune Limited and Goldstream Capital Segregated Portfolio Company – Goldstream Healthcare Focus Fund SP, pursuant to which Shareholders' rights were agreed among the parties; and

(b) 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	Owner	Place of registration
1.	CUTIA	Cutia Shanghai	PRC
2.	科笛	Cutia Shanghai	Hong Kong
3.	科笛生物	Cutia Shanghai	PRC
4.	科笛医药	Cutia Shanghai	Hong Kong
5.	晨笛医药	Aurora Cutis	PRC

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark		Owner	Place of registration
1.	(A)	科笛	Cutia Shanghai	Hong Kong
	(B)	科 笛		
2.	(A)	CUTIA THERAPEUTICS	Cutia Shanghai	Hong Kong
	(B)	CUTIA THERAPEUTICS		
	(C)	CUTIA THERAPEUTICS		
3.	(A)	科笛生物	Cutia Shanghai	Hong Kong
	(B)	科 笛 生 物		
4.	(A)	科笛集团	Cutia Shanghai	Hong Kong
	(B)	科笛集團		
	(C)	科 笛 集 团		
	(D)	科 笛 集 團		
5.	(A)	cutia	Cutia Shanghai	Hong Kong
	(B)	cutia		

Patents

For material patents and patent applications of our Group as of the Latest Practicable Date, see "Business – Intellectual Property" in this Document for more details.

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Expiry date
1.	cutiatx.com	Cutia Shanghai	May 9, 2024

FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the Latest Practicable Date and immediately following completion of the [**REDACTED**] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plan) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in 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 entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our Shares are [**REDACTED**]:

Name	Position	Nature of Interest	Number of underlying Shares held upon completion of the [REDACTED]	Approximate percentage of shareholding in the total issued share capital	
				As of the Latest Practicable Date *(%)*	Upon completion of the [REDACTED] *(%)*
Ms. Zhang Lele[(1)]	Executive Director and CEO	Beneficial owner	[**REDACTED**]	9.73	[**REDACTED**]
Mr. Huang Yuqing[(2)]	Executive Director and CFO	Beneficial owner	[**REDACTED**]	1.68	[**REDACTED**]

Notes:

1. As of the Latest Practicable Date, Ms. Zhang Lele is entitled to receive up to 5,504,855 Shares (to be adjusted to [**REDACTED**] Shares upon completion of the [**REDACTED**]), pursuant to the options and share awards granted to her under the [**REDACTED**] Equity Incentive Plan, subject to the terms and conditions of such options and share awards.

2. As of the Latest Practicable Date, Mr. Huang Yuqing is entitled to receive up to 950,000 Shares (to be adjusted to [**REDACTED**] Shares upon completion of the [**REDACTED**]), pursuant to the options and share awards granted to him under the [**REDACTED**] Equity Incentive Plan, subject to the terms and conditions of such options and share awards.

2. Interests of the substantial shareholders in the Shares and underlying Shares of our Company

Save as disclosed in the section headed "Substantial Shareholders", immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares which may be allotted and issued under the [**REDACTED**] Equity Incentive Plan, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company and any other member of our Group.

3. Directors' Service Contracts and Letters of Appointment

Each of Ms. Zhang Lele and Mr. Huang Yuqing, being our executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the executive Director or our Company.

Each of Dr. Chen Lian Yong, Dr. Xie Qin, Mr. Huang Xiao and Mr. Yang Yuxia, being our non-executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the non-executive Director or our Company.

Each of Mr. Chung Ming Kit, Mr. Tao Tak Yan Dennis and Mr. Ye Xiaoxiang, being our independent non-executive Directors, [has entered] into a letter of appointment with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Director's Remuneration

Save as disclosed in "Directors and Senior Management" and note 9 to the Accountants' Report in Appendix I for the two financial years ended December 31, 2020 and 2021 and the six months ended June 30, 2022, none of our Directors received other remunerations of benefits in kind from us.

5. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "– Other Information – Qualifications and consents of experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any Shares to be allotted and issued under the [**REDACTED**] Equity Incentive Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [**REDACTED**], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, 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 member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [**REDACTED**] thereon.

EQUITY INCENTIVE PLANS

1. [REDACTED] Equity Incentive Plan

We have applied to the Stock Exchange and the SFC, respectively, for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under section 342 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For more details, see "Waivers and Exemptions –Waiver and Exemption in relation to the [**REDACTED**] Equity Incentive Plan".

As of the date of this Document, 14,035,862 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]) under the [**REDACTED**] Equity Incentive Plan have been granted. No Shares under the [**REDACTED**] Equity Incentive Plan will be further granted. Therefore, the [**REDACTED**] Equity Incentive Plan does not subject to requirements under Chapter 17 of the Listing Rules. The following is a summary of the principle terms of the [**REDACTED**] Equity Incentive Plan, which was adopted by the Company and took effect on August 23, 2019.

General

(a) Purpose

The purpose of the [**REDACTED**] Equity Incentive Plan is to promote the success of the Company and the interests of its Shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of the Company's Shareholders generally.

(b) Eligibility

An officer (whether or not a director) or employee of the Company or any of its affiliates, any member of the Board or any director of one of the Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the [**REDACTED**] or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its affiliates.

(c) Maximum number of Shares

Under the [**REDACTED**] Equity Incentive Plan, the maximum number of Shares that may be delivered pursuant to options and share awards (the "**Awards**") granted under the [**REDACTED**] Equity Incentive Plan will not exceed the limit as duly approved by the shareholders of the Company from time to time. The maximum number of Shares the Company is authorized to issue is 14,137,134 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**] under the [**REDACTED**] Equity Incentive Plan.

(d) Administration

The [**REDACTED**] Equity Incentive Plan shall be administered, and all Awards under the [**REDACTED**] Equity Incentive Plan shall be authorized, by the administrator. The "administrator" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of the [**REDACTED**] Equity Incentive Plan. The administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or any of its affiliates or to third parties.

All Shares under the [**REDACTED**] Equity Incentive Plan will be issued to Aurora Cutis Limited upon the exercise of options and delivery of share awards. Aurora Cutis Limited is a company incorporated in BVI and wholly owned by Futu Trustee Limited (the "**Trustee**"), the trustee of Aurora Cutis Employee Trust (the "**Trust**"), the trust set up by the Company to facilitate the administration of the [**REDACTED**] Equity Incentive Plan. Pursuant to the trust deed of the Trust, options and share awards with 10,853,568 underlying Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]) will be held by Aurora Cutis Limited and administered under the Trust by the Trustee, solely for the benefit of the identified grantees under the [**REDACTED**] Equity Incentive Plan.

(e) Awards

The [**REDACTED**] Equity Incentive Plan is divided into two separate equity programs: (1) the option and share appreciation rights (the "**SAR**") grant program under which eligible persons may, at the discretion of the administrator, be granted options and/or SARs, and (2) the share award program under which eligible persons may, at the discretion of the administrator, be awarded restricted or unrestricted Shares or restricted share units.

Options and SAR

(a) Award agreement and general

Each option or SAR shall be evidenced by an award agreement (the "**Award Agreement**") in the form approved by the administrator. The Award Agreement evidencing an option or SAR shall contain the terms established by the administrator for that Award and any other terms, provisions, or restrictions that the administrator may impose on the option or SAR or any Shares subject to the option or SAR. The administrator may require that the recipient of an option or SAR promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the administrator may require that the spouse of any married recipient of an option or SAR also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the Award.

(b) Price

The administrator will determine the purchase price per share of the Shares covered by each option (the "**exercise price**" of the option) at the time of the grant of the option, which exercise price will be set forth in the applicable Award Agreement, with the following factors.

(i) the par value of Share;

(ii) subject to clause (iii) below, 100% of the fair market value of a Share on the date of grant; or

(iii) in the case of an option granted to a participant, possessing more than 10% of the total combined voting power of all classes of shares of the Company, 110% of the Fair market value of a Share on the date of grant.

The administrator will determine the base price per share of the Shares covered by each SAR at the time of the grant of the SAR, which base price will be set forth in the applicable Award Agreement and will not be less than 100% of the fair market value of a Share on the date of grant of the SAR.

(c) Vesting, term and exercise

An option or SAR may be exercised only to the extent that it is vested and exercisable. The administrator will determine the vesting and/or exercisability provisions of each option or SAR (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in the applicable Award Agreement. Unless the administrator otherwise expressly provides, once exercisable an option or SAR will remain exercisable until the expiration or earlier termination of the option or SAR.

Each option and SAR shall expire not more than 10 years after its date of grant. Any exercisable option or SAR will be deemed to be exercised when (a) the applicable exercise procedures in the related Award Agreement have been satisfied (or, in the absence of any such procedures in the related Award Agreement, the Company has received written notice of such exercise from the participant), and (b) in the case of an option, the Company has received any required payment, and (c) in the case of an option or SAR, the Company has received any written statement.

(e) Termination of employment

Unless otherwise provided in the applicable Award Agreement, if a participant's employment by or service to the Company or any of its affiliates is terminated by such entity for cause, the participant's option or SAR will terminate on the participant's severance date, whether or not the option or SAR is then vested and/or exercisable.

Share Award Program

(a) General

Each share award shall be evidenced by an Award Agreement in the form approved by the administrator. The Award Agreement evidencing a share award shall contain the terms established by the administrator for that share award, as well as any other terms, provisions, or restrictions that the administrator may impose on the share award (including, but not limited to, the number of Shares subject to such share award); in each case subject to the applicable provisions and limitations of this Plan. The administrator may require that the recipient of a share award promptly execute and return to the Company his or her Award Agreement evidencing the share award. In addition, the administrator may require that the spouse of any married recipient of a share award also promptly execute and return to the Company the Award Agreement evidencing the share award granted to the recipient or such other spousal consent form that the administrator may require in connection with the grant of the share award.

(b) Price

The administrator will determine the purchase price per share of the Shares covered by each share awards at the time of grant of the Award. In no case will such purchase price be less than the par value of the Shares.

(c) Vesting, settlement and term

The restrictions imposed on the Shares subject to a restricted share award and the vesting conditions applicable to each restricted share unit award (which may in each case be based on performance criteria, passage of time or other factors or any combination thereof) will be set forth in the applicable Award Agreement. Unless otherwise set forth in an Award Agreement, a restricted share unit award may, in the discretion of the administrator, be settled in Shares or cash (or a combination thereof).

Any payment of cash or delivery of shares in payment for a share award, if applicable, may be delayed until a future date if specifically authorized by the administrator in writing and by the participant.

(d) Dividend and voting rights

Unless otherwise provided in the applicable Award Agreement, a participant holding restricted shares will be entitled to cash dividend and voting rights for all restricted shares issued even though they are not vested, but such rights will terminate immediately as to any restricted shares which cease to be eligible for vesting or are repurchased by the Company. Unless the administrator otherwise expressly provides, any dividends paid with respect to restricted shares shall be subject to the same vesting and other restrictions that apply to the restricted shares to which the dividends relate. The Award Agreement relating to a restricted share unit award may specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, distributions or dividends during the restriction period (and, if determined by the administrator, interest on any such distributions or dividends), with respect to the Shares subject to such restricted share unit award. Prior to the settlement of a restricted share unit award in Shares, the holder of such restricted share unit award shall have no rights as a shareholder of the Company with respect to the Shares subject to such restricted share unit award.

(e) Termination of employment

Unless the administrator otherwise expressly provides, restricted shares or restricted share units that in each case remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement (which may include, without limitation, the participant's severance date), will not vest and will be forfeited or reacquired by the Company, as applicable, in such manner and on such terms as the administrator provides, which terms shall include, with respect to restricted shares, to the extent not prohibited by law, return or repayment of the lower of (a) the fair market value of the restricted shares at the time of the termination, or (b) if applicable, the original purchase price of the restricted shares, without interest.

Outstanding options and share awards granted

As of the date of this Document, our Company had granted outstanding options under the [**REDACTED**] Equity Incentive Plan to 114 grantees (including Directors and other grantees of our Group), to subscribe for an aggregate of 6,710,541 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), representing approximately [**REDACTED**]% in the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan). Among the outstanding options, two Directors, who are also members of the senior management (Ms. Zhang Lele and Mr. Huang Yuqing), were granted options to subscribe for 3,971,475 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), and other 112 grantees of our Group (who are not Directors, members of senior management or connected persons of the

Company) were granted options to subscribe for 2,739,066 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]). As of the Latest Practicable Date, 3,813,541 Shares (to be adjusted to [**REDACTED**] Shares upon completion of the [**REDACTED**]) underlying the outstanding options have been vested.

Assuming full vesting and exercise of all outstanding options, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%.

As of the date of this Document, our Company had granted outstanding share awards under the [**REDACTED**] Equity Incentive Plan to 91 grantees for an aggregate of 7,325,321 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), representing approximately [**REDACTED**]% in the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan). Among the outstanding share awards, two Directors, who are also members of our senior management (Ms. Zhang Lele and Mr. Huang Yuqing), were granted share awards for 2,483,380 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), and other 89 awardees of our Group (who are not Directors, members of senior management or connected persons of the Company) were granted share awards for 4,841,941 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]). As of the Latest Practicable Date, 94,829 Shares (to be adjusted to [**REDACTED**] Shares upon completion of the [**REDACTED**]) underlying the outstanding share awards have been vested.

Assuming full vesting and exercise of all outstanding share awards, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%.

Assuming full vesting and exercise of all outstanding options and share awards, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%.

There is no consequent impact on the earnings per ordinary share for the two years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 as the options and share awards would not be included in the calculation of diluted earnings per share due to anti-dilution.

Below is a list of the grantees of the outstanding options who are connected persons of the Company under the [**REDACTED**] Equity Incentive Plan:

Name	Address	Date of Grant	Exercise Price[(1)]	Vesting Period[(2)]	Number of outstanding Shares underlying the options granted[(1)]	Approximate percentage in the issued Shares immediately after completion of the [REDACTED][(3)] *(%)*
Ms. Zhang Lele (張樂樂)	Room 1901, No. 11, Lane 168 Shiquan East Road, Putuo District, Shanghai, PRC	August 23, 2019	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
		February 26, 2021	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
		October 19, 2022	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
		October 19, 2022	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
Total					[REDACTED]	[REDACTED]
Mr. Huang Yuqing (黃雨青)	13 Canton Road, Tsim Sha Tsui Kowloon Hong Kong	July 10, 2021	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
		July 10, 2021	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
		February 28, 2022	USD[REDACTED]	5 years	[REDACTED]	[REDACTED]
Total					[REDACTED]	[REDACTED]

Notes:

(1) The calculation is made taking into account of the [**REDACTED**].

(2) The grantees will vest in twenty percent of the option on the one year anniversary of the vesting commencement date and an additional one sixtieth of the option upon each successive monthly anniversary (or if there is no corresponding day, on the last day of such month) for the next 48 months following such one-year anniversary, subject generally to the grantees continuing to be an employee of the Company through each such date.

(3) Assuming (i) the [**REDACTED**] becomes unconditional and the [**REDACTED**] Shares are issued pursuant to the [**REDACTED**], (ii) the [**REDACTED**] is not exercised and (iii) no further Shares are issued under the [**REDACTED**] Equity Incentive Plan.

As of the date of this Document, our Company has granted outstanding options under the [**REDACTED**] Equity Incentive Plan to 112 grantees who are not our connected person, to subscribe for an aggregate of 2,739,066 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), representing approximately [**REDACTED**]% in the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan). The considerations paid for the grant of the options is nil. The exercise prices for the options range from USD[**REDACTED**] to USD[**REDACTED**].

Below is a list of the grantees of the outstanding share awards who are connected persons of the Company under the [**REDACTED**] Equity Incentive Plan:

Name	Date of grant	Award type	Vesting period[(1)]	Numbers of Shares underlying the outstanding share awards[(2)]	Approximate percentage in the issued Shares immediately after completion of the [REDACTED][(3)] *(%)*
Ms. Zhang Lele (張樂樂)	October 19, 2022	Restricted shares units	4 years	[**REDACTED**]	[**REDACTED**]
	November 20, 2022	Restricted shares units	4.5 years	[**REDACTED**]	[**REDACTED**]
Total				[**REDACTED**]	[**REDACTED**]
Mr. Huang Yuqing (黃雨青)	February 28, 2022	Restricted shares units	4 years	[**REDACTED**]	[**REDACTED**]
	November 20, 2022	Restricted shares units	4.5 years	[**REDACTED**]	[**REDACTED**]
Total				[**REDACTED**]	[**REDACTED**]

Notes:

* The consideration paid upon delivery of each Share underlying the share awards is USD[**REDACTED**] (taking into account of the [**REDACTED**]).

(1) 25% of the restricted shares units (the "**RSUs**") shall vest on the one year anniversary (or for share awards granted in November 2022, one and a half years anniversary) of the vesting commencement date and an additional 25% of the RSUs upon each successive one year anniversary for the next 3 years following such one-year anniversary, subject generally to the Awardees continuing to be an employee of the Company through each such date.

(2) The calculation is made taking into account of the [**REDACTED**].

(3) Assuming (i) the [**REDACTED**] becomes unconditional and the [**REDACTED**] Shares are issued pursuant to the [**REDACTED**], (ii) the [**REDACTED**] is not exercised and (iii) no further Shares are issued under the [**REDACTED**] Equity Incentive Plan.

As of the date of this Document, our Company has granted outstanding share awards under the [**REDACTED**] Equity Incentive Plan to 89 grantees who are not our connected person, to subscribe for an aggregate of 4,841,941 Shares (to be adjusted to [**REDACTED**] Shares upon the completion of [**REDACTED**]), representing approximately [**REDACTED**]% in the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no further Shares are issued under the [**REDACTED**] Equity Incentive Plan). The consideration paid for the grant of the share awards is nil.

2. [REDACTED] Equity Incentive Plan

A summary of the principal terms of the [**REDACTED**] Equity Incentive Plan conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolution of our Shareholders on [●], 2023 is as follows.

(a) Purpose

The purpose of the [**REDACTED**] Equity Incentive Plan is to incentivize and reward the Eligible Participants (as defined below) for their contribution to the Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) Eligible Participants

The Board (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at its absolute discretion, offer to grant an option or a share award to subscribe for such number of Shares as the Board may determine to (a) an employee (whether full time or part-time) or a director of our Company or any of its subsidiaries (the "**Eligible Employee(s)**") and (b) a consultant who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group ("**Service Provider(s)**", together with the Eligible Employees referred as the "**Eligible Participant(s)**").

For the avoidance of doubt, Service Providers shall exclude [**REDACTED**] agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and any professional service providers such as auditors or valuers.

The eligibility of any Eligible Employees shall be determined by the Board from time to time on the basis of the Board's opinion as to, among others, the participant's individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the actual or potential contribution to the development and growth of the Group.

The eligibility of any Service Providers shall be determined by the Board from time to time on the basis of the Board's opinion as to, among others, their contribution to the development and growth of the Group, the prevailing market practice and industry standard, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Service Providers has established with the Group, and the amount of support, assistance, guidance, advice, efforts and contributions the Service Providers has exerted and given towards the success of the Group, and/or whether the person is regarded as a valuable consultant of the Group, taking into account the knowledge, experience, qualification, expertise and reputation of the Service Providers or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group and his/her strategic value).

(c) Maximum number of Shares

(i) Subject to paragraphs (iv) and (v) below, the total number of Shares which may be issued upon exercise of all options and share awards to be granted under the [**REDACTED**] Equity Incentive Plan shall not in aggregate exceed 10% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange (the "**Plan Mandate Limit**"), being [**REDACTED**] Shares (excluding any Shares which may be issued upon the exercise of the [**REDACTED**]). Options and share awards lapsed in accordance with the terms of the [**REDACTED**] Equity Incentive Plan will not be counted for the purpose of calculating the Plan Mandate Limit.

(ii) Subject to paragraph (i) above, within the Plan Mandate Limit, the total number of Shares which may be issued upon exercise of all options and share awards to be granted to Service Providers shall not exceed [●]% of the relevant class of Shares in issue on the day on which trading of the Shares commences on the Stock Exchange, being [●] Shares (the "**Service Providers Sublimit**").

(iii) Subject to paragraph (iv) below, the Plan Mandate Limit and the Service Providers Sublimit may be refreshed at any time after three years from the date of Shareholders' approval for the last refreshment (or the date on which the [**REDACTED**] Equity Incentive Plan is adopted, as the case may be) by approval of its Shareholders in general meeting provided that (1) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. The requirements under (1) and (2) of this paragraph do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules

such that the unused part of the plan mandate (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the plan mandate immediately before the issue of securities, rounded to the nearest whole Share.

(iv) The total number of Shares which may be issued upon exercise of all options and share awards to be granted under the [**REDACTED**] Equity Incentive Plan and any other plans of our Company under the plan mandate as refreshed must not exceed 10% of the relevant class of Shares in issue as at the date of approval of the refreshed plan mandate.

(v) Without prejudice to paragraph (iv) above, our Company may seek separate Shareholders' approval in a general meeting to grant options and/or share awards beyond the Plan Mandate Limit to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options and/or share awards to be granted, the purpose of granting options and/or share awards to the specified participants with an explanation as to how the terms of the options and/or share awards will serve such purpose and all other information required under the Listing Rules.

(d) Maximum entitlement of a grantee

Where any grant of options or share awards to a participant would result in the Shares issued and to be issued upon exercise of all options and/or share awards granted and to be granted to such participant (excluding any options lapsed in accordance with the terms of the [**REDACTED**] Equity Incentive Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options and/or share awards to be granted to such participant must be fixed before Shareholders' approval.

(e) Grant and exercise of options and share awards

The Board or a duly authorized committee thereof may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the Eligible Participants, including, without limitation, conditions as to performance criteria (such as growth rate of revenue, earnings per share and/or total shareholders' return) to be satisfied or achieved by the Eligible Participants and/or our Company and/or the Group which must be satisfied before an option or a share award can be exercised.

An offer of the grant of an option or a share award shall be made to any Eligible Participants by letter in such form as the Board or a duly authorized committee thereof may from time to time determine specifying the number of Shares, the vesting period, the subscription price, the option period, the date by which the grant must be accepted and further requiring the Eligible Participants to hold the option or share award on the terms on which it is to be granted and to be bound by the provisions of the [**REDACTED**] Equity Incentive Plan. An option or a share award shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option or share award duly signed by the grantee together with a payment to our Company and/or any of its subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where our Company and/or its subsidiaries operate, as the Board or a duly authorized committee thereof may in its absolute discretion determine) by way of consideration for the grant thereof is received by our Company within the time period specified in the offer of the grant of the option or share award.

An option or a share award shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option or share award. Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding entitlement of such grantee.

An option may be exercised in accordance with the terms of the [**REDACTED**] Equity Incentive Plan at any time during a period to be determined and notified by the Board to each grantee, which period may commence on a day after the date upon which the offer for the grant of options or share awards is made but shall end in any event not later than 10 years from the date on which an option or a share award is offered to a participant, subject to the provisions for early termination under the [**REDACTED**] Equity Incentive Plan. In any event, the minimum period for which an option or a share award must be held before it can be exercised shall be 12 months.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option (the "**Subscription Price**") in the event of the option being exercised shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, which shall be not less than the highest of:

(i) the nominal value of a Share;

(ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The amount payable for each Share to be subscribed for under a share award (the "**Purchase Price**") shall be determined by the Board or a duly authorized committee thereof at its absolute discretion,

(g) Options and share awards granted to connected persons

(i) Where any grant of share awards (excluding grant of options) to a director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the shares issued and to be issued in respect of all share awards granted (excluding any share awards lapsed in accordance with the terms of the plan) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the Shares in issue, such further grant of share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.

(ii) Where any grant of options or share awards to an independent non-executive Director or a substantial shareholder of our Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options lapsed in accordance with the terms of the [**REDACTED**] Equity Incentive Plan) under the [**REDACTED**] Equity Incentive Plan and any other plans of our Company to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options or share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option or a share award granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(h) Restriction of grant of options and share awards

No option or share awards shall be offered or granted:

(i) to any Eligible Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until (and including) the trading day after the relevant price sensitive or inside information has been announced in accordance with the applicable provisions of law or the Listing Rules;

(ii) to any Eligible Participant during the period commencing one month immediately before the following (whichever is earlier):

(a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, quarterly (if any) or half-yearly results; and

(b) the deadline for our Company to publish an announcement of its annual, quarterly (if any) or half-yearly results;

and ending on the date of the results announcement. No option or share award shall be granted during any period of delay in the publication of a results announcement;

(iii) to any Director (except where the Subscription Price is to be determined by the Board or a duly authorized committee thereof at the time of exercise of the option):

(a) during the period of 60 days immediately preceding the publication of the annual results of our Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or

(b) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

(i) Lapse of options and share awards

Any option or share award shall elapse automatically and not be exercisable on the earliest of:

(i) the expiry of the option period or other applicable exercisable periods under the [**REDACTED**] Equity Incentive Plan;

(ii) the expiry of the periods or the occurrence of the relevant event referred to in paragraphs 12 and 13 below;

(iii) subject as provide in the [**REDACTED**] Equity Incentive Plan, the date of the commencement of the winding-up of our Company;

(iv) the date on which the grantee commits a breach of relevant clauses that rights are personal to the grantee; or

(v) the occurrence or non-occurrence of any event, expiry of any period, or non-satisfaction of any condition, as specified in the letter containing the offer or grant of the relevant option or share award.

(j) Voting and dividend rights

No grantee shall enjoy any of the rights of a Shareholder (including but not limited to voting rights or any other rights attached to a Share) by virtue of the grant of an option or a share award pursuant to the [**REDACTED**] Equity Incentive Plan, unless and until the registration of the grantee (or such other person as may succeed to the grantee's title by operation of applicable laws and in compliance with the terms of the [**REDACTED**] Equity Incentive Plan) as the holder thereof.

For the avoidance of doubt, the trustee holding unvested Shares under the [**REDACTED**] Equity Incentive Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

(k) Effects of alterations in the capital structure of our Company

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option or a share award remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable will be made to (a) the number of Shares to which the option or the share award relates, so far as unexercised, and/or (b) the Subscription Price of any unexercised option and the Purchase Price of any share awards, provided that (i) any such alteration shall give a grantee the same proportion of the issued share capital (rounded to the nearest whole Share) to which the grantee was entitled prior to such alteration; (ii) any such adjustments shall be made on the basis that the aggregate Subscription Price and Purchase Price payable by a grantee on the full exercise of any option or share award shall remain as nearly as possible the same as it was before such event; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to the Board in writing that the adjustments comply with the relevant provisions of the Listing Rules (or any guideline or supplementary guideline as may be issued by the Stock Exchange from time to time).

(l) Rights on ceasing employment, death, or dismissal

(i) If the grantee of an option or a share award is an employee and ceases to be an employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (iii) below before exercising his/her option or share award in full, the option or share award (to the extent not already exercised) will lapse automatically on the date of cessation of his/her employment or engagement with the Group.

(ii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason of his/her death, before exercising the option or share award in full, his/her legal personal representative(s), or, as appropriate, the grantee may exercise the option or share award (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(iii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offense involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment summarily, his/her option or share award will lapse automatically on the date of cessation of his/her employment with the Group.

(m) Rights on takeover and plans of compromise or arrangement

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a plan of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options and/or share awards granted to them, Shareholders of our Company). If such offer becomes or is declared unconditional, the grantee (or his/her legal personal representative(s)) shall be entitled to exercise the grantee's outstanding entitlement in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(n) Rights on a voluntary winding-up

In the event of an effective resolution being passed for the voluntary winding-up of our Company or an order of the court being made for the winding-up of our Company, notice thereof shall be given by our Company to grantees with options and/or share awards outstanding in full or in part at such date. If a grantee immediately prior to such event had any outstanding entitlement, the grantee (or his legal personal representative(s)) may by notice in writing to our Company within 21 days after the date of such resolution elect to be treated as if the entitlement had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price or Purchase Price for the Shares in respect of which the notice is given, whereupon the grantee shall be duly transferred with the relevant Shares (or treated as such by our Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

(o) Ranking of Shares

The Shares underlying the options and the share awards will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu with the fully paid Shares in issue on the date of such transfer and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of such transfer other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of such transfer.

(p) Duration

The [**REDACTED**] Equity Incentive Plan shall be valid and effective for a period of 10 years commencing on the date when the [**REDACTED**] Equity Incentive Plan becomes unconditional, after which period no further options or share awards will be granted by the provisions of the [**REDACTED**] Equity Incentive Plan, but the provisions of the [**REDACTED**] Equity Incentive Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options or share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the [**REDACTED**] Equity Incentive Plan.

(q) Alteration of the Plan

The Board may subject to the rules of the [**REDACTED**] Equity Incentive Plan amend any of the provisions of the [**REDACTED**] Equity Incentive Plan at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Any alterations to the terms and conditions of the [**REDACTED**] Equity Incentive Plan which are of a material nature, and any change to the terms of any options or share awards granted, shall be subject to the approval of the Shareholders in general meeting and, where required under the Listing Rules, the Stock Exchange.

(r) Cancelation of options and share awards

Any cancelation of options or share awards granted may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancelation. Where our Company cancels options and/or share awards granted to a participant and makes a new grant to the same participant, such new grant may only be made under the [**REDACTED**] Equity Incentive Plan with available Plan Mandate Limit approved by the Shareholders. The options or share awards canceled will be regarded as utilized for the purpose of calculating the Plan Mandate Limit.

(s) Clawback

The Board may, at its absolute discretion, determine such malus and/or clawback provisions to be applied to an option and a share award or an offer of grant so as to provide, upon the occurrence of the applicable malus and/or clawback event(s) such as serious misconduct, a material misstatement in our Company's financial statements and fraud. If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

(t) Termination

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the [**REDACTED**] Equity Incentive Plan and in such event no further options or share awards will be offered but the provisions of the [**REDACTED**] Equity Incentive Plan shall remain in full force in all other respects. All options and share awards granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the [**REDACTED**] Equity Incentive Plan.

(u) Value of option and share awards

Our Directors consider it inappropriate to disclose the value of options and/or share awards which may be granted under the [**REDACTED**] Equity Incentive Plan as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option and/or share awards pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options or share awards have been granted, certain variables are not available for calculating the value of options or share awards. Our Directors believe that any calculation of the value of options and share awards granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to [**REDACTED**].

(v) General

As of the Latest Practicable Date, no options or share awards had been granted or agreed to be granted under the [**REDACTED**] Equity Incentive Plan.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of the Company.

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 both satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$1,000,000 for acting as the sponsors for the [**REDACTED**].

The Joint Sponsors have made an application on our Company's behalf to the [**REDACTED**] of the Stock Exchange for the granting of the approval for the [**REDACTED**] of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this Document. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

Promoter

Our Company has no promoter for the purpose of the [**REDACTED**]. Within the two years preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this Document.

Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Document:

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 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) regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers to our Company as to PRC law
Harney Westwood & Riegels	Legal advisers to our Company as to Cayman Islands law
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

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.

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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) none of our Directors or experts referred to in the paragraph headed "Other Information – Qualifications and consents of experts" in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(e) none of our Directors or experts referred to in the paragraph headed "Other Information – Qualifications and consents of experts" in this section is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(f) none of the equity and debt securities of the Company is [**REDACTED**] or dealt in on any stock exchange (other than the Stock Exchange) nor is any [**REDACTED**] or permission to deal being or proposed to be sought;

(g) the Group has no outstanding convertible debt securities or debentures;

(h) within the two years preceding the date of this Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(i) within the two years preceding the date of this Document, no commission has been paid or is payable (except commissions to [**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(j) there is no arrangement under which future dividends are waived or agreed to be waived; and

(k) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents,:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and general information – Other information – Qualifications and consent of experts" in Appendix IV to this Document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – Further Information about our business – Summary of material contracts" in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company's website (**www.cutiatx.com**) and the Stock Exchange's website (**https://www.hkexnews.hk**) up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2020 and 2021 and the six months ended June 30, 2022;

(c) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this Document;

(d) the report on the unaudited [**REDACTED**] financial information from Ernst & Young, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Zhong Lun Law Offices, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Harney Westwood & Riegels, our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;

(g) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview";

(h) the material contracts referred to in the section entitled "Statutory and general information – Further Information about Our Business – Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section entitled "Statutory and general information – Other Information – Qualifications and Consents of Experts" in Appendix IV to this Document;

(j) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and general information – Further information about our directors, chief executives and substantial shareholders – Director's service contracts and letters of appointment" in Appendix IV to this Document;

(k) [**REDACTED**] Equity Incentive Plan;

(l) [**REDACTED**] Equity Incentive Plan; and

(m) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees of all options under the [**REDACTED**] Equity Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document.