
LETTER FROM THE BOARD



LEPU BIOPHARMA CO., LTD.

樂普生物科技股份有限公司

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

(Stock Code: 2157)

Executive Directors:

Dr. Pu Zhongjie (蒲忠傑) (*Chairman*)
Dr. Sui Ziye (隋滋野) (*Chief Executive Officer*)
Dr. Hu Chaohong (胡朝紅)
(*Co-Chief Executive Officer*)

*Head Office and Principal Place
of Business in the PRC:*
No. 651, Lianheng Road
Minhang District, Shanghai
PRC

Non-executive Directors:

Mr. Lin Xianghong (林向紅)
Mr. Yang Hongbing (楊紅冰)
Ms. Pu Jue (蒲珏)

*Principal Place of Business
in Hong Kong:*
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. Zhou Demin (周德敏)
Mr. Yang Haifeng (楊海峰)
Mr. Fengmao Hua (華風茂)

January 16, 2024

To the Shareholders:

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO
CDMO SERVICES FRAMEWORK AGREEMENT AND
THE SUPPLEMENTAL CDMO SERVICES FRAMEWORK AGREEMENT
AND**

(2) NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

References are made to the announcement of the Company dated November 13, 2023 in relation to, among other things, the CDMO Services Framework Agreement conditionally entered into between the Company and Lepu Medical on November 13, 2023, pursuant to which the Company and/or its subsidiaries has conditionally agreed to provide CDMO services to Lepu Medical and/or its subsidiaries for their drug development and the announcement of

LETTER FROM THE BOARD

the Company dated December 22, 2023 in relation to, among other things, the Supplemental CDMO Services Framework Agreement that was conditionally entered into between the Company and Lepu Medical on December 22, 2023.

The purpose of this circular is to provide you with, among other things, (i) further details of the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder (including the Proposed Revised Cap); (ii) a letter from the Board containing its opinion and recommendations to the Shareholders in respect of the aforementioned matters; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of, among other things, the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder; (iv) a letter from the Independent Financial Adviser containing its opinion and recommendations to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder; (v) the notice of the EGM; and (vi) other general information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

II. DETAILS OF THE RESOLUTIONS

1. CDMO SERVICES FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL CDMO SERVICES FRAMEWORK AGREEMENT

On November 13, 2023, the Company and Lepu Medical conditionally entered into the CDMO Services Framework Agreement in respect of GLP-1 and related products, pursuant to which the Company and/or its subsidiaries conditionally agreed to provide Lepu Medical and/or its subsidiaries with CDMO technical services. On December 22, 2023, the Company and Lepu Medical entered into the Supplemental CDMO Services Framework Agreement to adjust the original proposed monetary cap(s) for the transactions contemplated under the CDMO Services Framework Agreement. The CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement (together with the Proposed Revised Cap in relation thereto) are conditional upon the approval by the Independent Shareholders. Set out below are the major terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement):

Date

CDMO Services Framework Agreement:	November 13, 2023
Supplemental CDMO Services Framework Agreement:	December 22, 2023

LETTER FROM THE BOARD

Parties

- (i) The Company; and
- (ii) Lepu Medical

Term

The period commencing from the date on which the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) is approved by the Independent Shareholders at the EGM to December 31, 2024 (both dates inclusive).

Subject matter

The CDMO services to be provided by the Company and/or its subsidiaries to Lepu Medical and/or its subsidiaries include CMC technical services.

The CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions contemplated thereunder. The Company and/or its subsidiaries and Lepu Medical and/or its subsidiaries may from time to time enter into specific agreements in respect of the specific CDMO services required for the development of a particular drug undertaken by Lepu Medical and/or its subsidiaries, provided that the terms and conditions of such specific agreements shall not be inconsistent with the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement). The provision of CDMO services by the Company and/or its subsidiaries to Lepu Medical and/or its subsidiaries will be carried out in accordance with such specific agreements to be entered into between the Company and/or its subsidiaries and Lepu Medical and/or its subsidiaries from time to time.

Pricing basis

The fees payable by Lepu Medical and/or its subsidiaries to the Company and/or its subsidiaries under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the specific agreements will be determined at arm's length and on a fair and reasonable basis based on a number of factors, including but not limited to (i) the scope and volume of tasks to be performed at each stage of each area of work; (ii) the volume, nature, complexity and value of the service involved, and the materials required to complete the work order; (iii) the expected operational costs (including, among others, laboratory costs, labor costs (which is determined by the number of personnel and hours expected to be scheduled and utilized for providing the particular service, the historical hourly rates of the relevant operations and management personnel)); and (iv) the then prevailing market rates by obtaining and comparing against fees charged by two

LETTER FROM THE BOARD

independent comparable CDMO service providers for similar services in respect of similar types of tasks in the market. As a biotech company principally engaged in the research and development of drug candidates, the Group, in the ordinary course of its business, has collaborated and has been actively engaged in communications and collaboration with other independent CDMO service providers in the market, for our past and ongoing clinical trials approved at the time when the relevant drug/clinical trial application/registration was made. Therefore, the Company would be able to obtain information on the general market condition on the prevailing market rates for similar CDMO services for similar types of tasks.

The payment and settlement terms of such fees payable by Lepu Medical and/or its subsidiaries to the Company and/or its subsidiaries in respect of such CDMO service transactions shall be separately agreed upon between the relevant parties in the implementation agreements to be entered into pursuant to the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement).

Historical transaction amount

Prior to entering into the CDMO Services Framework Agreement, the Group has not conducted transactions of the same nature with Lepu Medical and/or its subsidiaries. The Group has not conducted any transactions contemplated under the CDMO Services Framework Agreement up to the Latest Practicable Date and will not conduct any transactions contemplated under the CDMO Services Framework Agreement before obtaining approval from the Independent Shareholders at the EGM.

Proposed Revised Cap and basis

The Proposed Revised Cap of the transactions contemplated under the CDMO Services Framework Agreement and the basis of determination of such Proposed Revised Cap are set out as follows:

	For the year ending December 31, 2024 (RMB'000)
The Proposed Revised Cap	46,000

The above Proposed Revised Cap is determined with reference to the estimated demand for CDMO services by Lepu Medical and/or its subsidiaries, which is based on the anticipated clinical trial development plan for the drug candidates of Lepu Medical and/or its subsidiaries, the corresponding volume of drugs required to be manufactured to satisfy clinical drug supply and batch release testing services, and the expected costs for the services (including labor costs to be incurred) at each stage of each area of work during the provision of CDMO services to Lepu Medical and/or its subsidiaries.

LETTER FROM THE BOARD

While the Company has not previously conducted transactions offering services similar to those contemplated under the CDMO Services Framework Agreement to independent third parties, we are a biotech company principally engaged in the research and development of our drug candidates, and we have actively engaged with and have been working with various independent CDMO service providers for our past and ongoing clinical trials. Therefore, the Company has access to information on the general market condition in relation to the fees charged by other CDMO service providers for similar CDMO services, and the Company made use of such information to derive the amount of fees it expects to charge Lepu Medical for the CDMO services to be provided. In estimating the Proposed Revised Cap, the Company has also discussed with Lepu Medical with respect to the specific clinical development projects that Lepu Medical (and/or its subsidiaries) have been engaging in or plans to engage in, and assessed the types and volume of CDMO services Lepu Medical (and/or its subsidiaries) would require from our Group. Such information on service demand is then coupled with the aforementioned market information on pricing in the estimation of the Proposed Revised Cap. During the Company's discussion with Lepu Medical on its needs for CDMO services, the Company noted that Lepu Medical has immediate demand for cell viability assays task services, and for a number of other CDMO services (including process and product characterization, analytical method validation, clinical drug supply and batch release testing services) with respect to one of its on-going clinical development projects, all of which are services that the Group is equipped to offer.

2. INTERNAL CONTROL MEASURES

As a general principle, the price and terms of the individual procurement transactions entered into under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) will be determined in the ordinary course of business, on normal commercial terms, negotiated at arm's length and shall be on terms which are no less favorable to the Group than those offered to other Independent Third Parties.

In order to ensure that the terms under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- (i) the Company has adopted and implemented a management system for connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with the relevant laws, regulations, policies of the Company and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under the

LETTER FROM THE BOARD

CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) for the continuing connected transactions, in particular, the fairness of the pricing policy and the Proposed Revised Cap;

- (ii) the Audit Committee, the Board and various other internal departments of the Company will regularly monitor the fulfilment status and the transaction updates under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement);
- (iii) the internal control policy adopted by the Group with respect to the management of continuing connected transactions includes internal control procedures governing the pricing basis and price determination method of continuing connected transactions, whereby transactions should be priced in accordance with the prevailing market rates. The finance department of the Company shall be responsible for monitoring changes in the prevailing market rates or in the costs involved in the continuing connected transactions, and report material changes to the Board. The finance department of the Company will also perform half-yearly checks on the transactions entered into under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) to ensure compliance with pricing policies;
- (iv) the actual transaction amount incurred in the underlying transactions of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) is one of the information included in the monthly management accounts prepared on a monthly basis, and the financial department of the Company will closely monitor the actual transaction amount and report to the senior management of Company if the actual transaction amount reach approximately 75% of the Proposed Revised Cap at any time of the year, upon which the Audit Committee and the Board will consider taking appropriate measures to revise the Proposed Revised Cap and comply with the relevant announcement and/or shareholders' approval requirements in accordance with the Listing Rules;
- (v) the independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- (vi) when considering the service fees for the services to be provided by the Group to any connected persons of the Company, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms offered by at least two Independent Third Party CDMO service providers for

LETTER FROM THE BOARD

similar services, to make sure that the pricing and terms offered to the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no more favorable than those offered to Independent Third Parties;

- (vii) when considering any renewal or revisions to the framework agreements, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and Independent Board Committee and Independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of the Company and Shareholders as a whole. If the Independent Board Committee' or Independent Shareholders' approvals cannot be obtained, the Company will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

Accordingly, the Directors consider that there are appropriate internal controls and procedures in place to ensure that the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS IN RELATION TO CDMO SERVICES

The Group is primarily engaging in the research and development of its drug candidates, and owns and operates a GMP-compliant bioreactor production line, which has been put into operation since late 2019 and for which we have recently been utilizing approximately 60% of its designed capacity of 2,000L to satisfy the demand from the research and development of our pre-clinical drug candidates and clinical drug candidates. It is expected that not more than 35% of the manufacturing capacity would be utilized to provide such services to Lepu Medical and/or its subsidiaries. The Group is well-equipped with an antibody drug substance production line, which includes individual upstream and downstream lines, a drug product line, as well as other production facilities. The fact that the Group's manufacturing facility is in compliance with GMP standards also demonstrates that its drug manufacturing functions are of a high quality and standard. Complementary with its manufacturing facility, the Group is well equipped with a complete production management organizational structure and houses a professional production team backed by rich experience.

Taking into account the needs of the Group for drugs manufacturing to cater for its clinical trials and commercialization, the Group can utilize its excess production capacity to provide CDMO services for appropriate business. By entering into the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement), the Directors believe this will enable a more effective use of the Group's excess

LETTER FROM THE BOARD

production capacity and can generate supplementary cashflow for the Group as a whole. Our principal business operations has been and remains as the research and development of our drug candidates and the sales of our commercialized drug candidates, and the provision of CDMO services to Lepu Medical (and/or its subsidiaries) is only a way for us to monetize on our excess production capacity in the short run to enhance the efficiency of our assets. Given the provision of CDMO services to Lepu Medical (and/or its subsidiaries) does not form part of our principal business operations, the Company is of the view that the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) do not give rise any reliance issue, and the actual transaction amount to be incurred under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) is not expected to constitute a material portion of the Company's consolidated revenue for the year ending December 31, 2024. Nevertheless, the Company's main source of income has been and will remain as sales revenue from the sales of its commercialized products and revenue from CDMO services has not been and is not currently expected to be the main source of income of the Company in the future, and the provision of the CDMO services or any cessation of such collaboration relationship with Lepu Medical will not have a material impact on the Company's financial condition. Furthermore, the Company's counterparties in its sales of commercialized products include various Independent Third Parties and no sales of commercialized products have been conducted with Lepu Medical (and/or other companies controlled by Dr. Pu Zhongjie, the Controlling Shareholder). Accordingly, the Company is of the view that the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) will not give rise to any sustainability or business viability concern.

In addition, taking into account the relevant time needed to complete the requisite regulatory and corporate procedures for both the Company and Lepu Medical before the CDMO Services Framework Agreement can take effect, and in turn, before the contemplated transactions under the CDMO Services Framework Agreement can commence, the Company and Lepu Medical, upon discussion, noted that such underlying transactions can only commence in 2024. Therefore, the Company and Lepu Medical decided to enter into the Supplemental CDMO Services Framework Agreement, such that the Proposed Revised Cap for the period ending December 31, 2024 can cover the estimated maximum transaction amount for the underlying CDMO services transactions through aggregating the original proposed monetary caps for the periods ending December 31, 2023 and December 31, 2024.

Based on the foregoing, the Board (excluding independent non-executive Directors who will advise the Independent Shareholders in relation to the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the continuing connected transactions contemplated thereunder (including the Proposed Revised Cap for those transactions)) is of the view that the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) will be conducted in the ordinary and usual course of

LETTER FROM THE BOARD

business of the Company and on normal commercial terms, and that the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are fair and reasonable and in the interests of both parties thereto and the Shareholders as a whole.

4. INFORMATION ON THE PARTIES

The Company

The Company is a joint stock company incorporated in the PRC on January 19, 2018 as a limited liability company, whose H Shares are listed on the Stock Exchange (stock code: 2157). The Company is a biopharmaceutical company focusing on the research, development and commercialization of oncology therapeutics drug candidates. Dr. Pu Zhongjie is the ultimate beneficial owner and controlling shareholder of the Company.

Lepu Medical

Lepu Medical is a medical device and pharmaceutical company listed on the Shenzhen Stock Exchange (stock code: 300003) dedicated to the development, manufacturing and sales of cardiovascular products. Lepu Medical is also engaged in the research and development of insulin drugs. Dr. Pu Zhongjie, an executive Director and controlling shareholder of the Company, is its actual controller¹.

5. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, as Lepu Medical holds approximately 13.58% of the issued share capital of the Company, and Dr. Pu Zhongjie, the controlling shareholder of the Company, is its actual controller, Lepu Medical is, accordingly, a connected person of the Company, and the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the amount of the Proposed Revised Cap is more than 5%, the continuing connected transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

¹ Refers to the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market* (《創業板股票上市規則》) published by Shenzhen Stock Exchange, where Lepu Medical is listed.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save for Dr. Pu Zhongjie, none of the Directors has any material interest in the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement. Therefore, Dr. Pu Zhongjie was required to abstain from voting on the Board resolutions for considering and approving the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transaction contemplated thereunder, and none of the other Directors was required to abstain from voting on the board resolutions relating to the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for Lepu Medical and Ningbo Houde Yimin which held an aggregate of 658,591,549 Shares, representing approximately 39.69% of the issued share capital of the Company as at the Latest Practicable Date and will be required to abstain from voting at the EGM, no other Shareholders had a material interest and will be required to abstain from voting at the EGM in respect of the resolution in relation to the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder.

As the transactions contemplated under the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement are subject to the terms and conditions thereunder, such transaction may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

6. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua, has been established to advise the Independent Shareholders in relation to the terms of the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Revised Cap for those transactions). None of the Independent Board Committee members have any material interest in the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement or the continuing connected transactions contemplated thereunder.

LETTER FROM THE BOARD

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as to whether the terms of the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap are fair and reasonable insofar as the Independent Shareholder are concerned, whether the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, as well as how to vote on the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder.

III. THE EGM

The EGM will be held at Conference Room, Building 7, No. 37 Chaoqian Road, Changping District, Beijing, the PRC on Wednesday, January 31, 2024 at 10:30 a.m.. Notice convening the EGM is set out on pages N-1 to N-2 of this circular and is available on the respective websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.lepubiopharma.com).

IV. CLOSURE OF REGISTER OF MEMBERS

As disclosed in the announcement of the Company dated Thursday, January 11, 2024, for the purpose of determining the H Shareholders who are entitled to attend and vote at the EGM, the register of members of H Shares will be closed from Friday, January 26, 2024 to Wednesday, January 31, 2024 (both days inclusive), during which period no transfer of H Shares will be registered.

V. PROXY ARRANGEMENT

The form of proxy of the EGM is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.lepubiopharma.com).

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For H Shareholders, the form of proxy should be returned to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and for holders of Domestic Shareholders, the form of proxy should be returned to the Company's principal place of office in the PRC, at No. 651, Lianheng Road, Minhang District, Shanghai, the PRC, by personal delivery or by post, not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 10:30 a.m. on Tuesday, January 30, 2024) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish and in such event the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VI. VOTING BY POLL

Any vote of Shareholders at the EGM must be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company shall publish the poll results announcement in the manner prescribed under Rule 13.39(5) of the Listing Rules. Accordingly, the chairman of the EGM will exercise his power under the Articles of Association to demand a poll in relation to all the proposed resolutions at the EGM.

To the best of the Directors' knowledge, information and belief, save for Lepu Medical and Ningbo Houde Yimin, none of the Shareholders are required to abstain from voting at the EGM on the resolutions on the CDMO Services Framework Agreement.

VII. RECOMMENDATION

After taking into account the reasons and benefits for the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement, the Directors (including the independent non-executive Directors) consider that the terms of the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole, and that the Proposed Revised Cap is fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favor of the ordinary resolution as set out in the notice of the EGM and approve the entering into of the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages IFA-1 to IFA-15 of this circular in connection with the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Revised Cap) and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

LETTER FROM THE BOARD

VIII. ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix I of this circular.

Yours faithfully,
By order of the Board
Lepu Biopharma Co., Ltd.
Dr. Pu Zhongjie
Chairman of the Board and Executive Director