
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt about this circular, you should consult your stockbroker, other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Lepu Biopharma Co., Ltd., you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

**(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**

**Independent Financial Adviser to
The Independent Board Committee and the Independent Shareholders**

 **SOMERLEY CAPITAL LIMITED**

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-15 of this circular.

Notice convening the EGM of Lepu Biopharma Co., Ltd. to 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. is set out in this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lepubiopharma.com), respectively.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or the Company's registered office in the PRC at No. 651, Lianheng Road, Minhang District, Shanghai, the PRC (for Domestic Shareholders) as soon as possible but in any event 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 adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish and in such event the form of proxy shall be deemed to be revoked.

January 16, 2024

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”, “close associate(s)”, “connected person(s)”, “controlling shareholder(s)”, and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Beijing Houde Yimin”	Beijing Houde Yimin Investment Management Co., Ltd. (北京厚德義民投資管理有限公司), a limited liability company incorporated in the PRC on August 17, 2009
“Board”	the board of Directors of the Company
“CDMO”	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
“CDMO Services Framework Agreement”	an agreement dated November 13, 2023 conditionally entered into between the Company and Lepu Medical in relation to the provision of CDMO services by the Company and/or its subsidiaries to Lepu Medical and/or its subsidiaries
“CMC”	chemistry, manufacturing and control process
“Company”	Lepu Biopharma Co., Ltd. (樂普生物科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 2157)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	ordinary Share(s) in the Share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted shares which are currently not listed or traded on any stock exchange
“Domestic Shareholders”	holders of the Domestic Shares
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened for the purpose of, among other things, considering, and if thought fit, approving the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) (including the Proposed Revised Cap) and the transactions contemplated thereunder, the notice of which is set out in pages N-1 to N-2 of this circular
“Global Offering”	the offer of the H Shares for subscription as described in the Prospectus
“GLP-1”	glucagon-like peptide-1
“GMP”	a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the ordinary Share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	holders of the H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua, established for the purpose of advising the Independent Shareholders in respect of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap
“Independent Shareholders”	the Shareholders other than Lepu Medical and Ningbo Houde Yimin
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	January 12, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“Miracogen HK”	Miracogen Limited, a limited liability company established under the laws of Hong Kong and a special purpose investment vehicle wholly-owned by Miracogen Inc., which in turn is a company wholly-owned by Dr. Hu Chaohong, our executive Director and co-chief executive officer of our Company
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Ningbo Houde Yimin”	Ningbo Houde Yimin Information Technology Co., Ltd. (寧波厚德義民信息科技有限公司), a limited liability company incorporated in the PRC on March 29, 2017
“PD-1”	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding the regions of Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Revised Cap”	the proposed monetary cap for the continuing connected transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement)
“Prospectus”	the prospectus issued by the Company dated February 10, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shanghai Lvyuan”	Lvyuan (Shanghai) Technology Co., Ltd. (律元(上海)科技有限公司), a limited liability company incorporated in the PRC on April 11, 2019
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)

DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supplemental CDMO Services Framework Agreement”	a supplemental agreement to the CDMO Services Framework Agreement dated December 22, 2023 conditionally entered into between the Company and Lepu Medical for the purpose of adjusting the original proposed monetary cap(s) for the transactions under the CDMO Services Framework Agreement

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

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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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

January 16, 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
CDMO SERVICES FRAMEWORK AGREEMENT AND
THE SUPPLEMENTAL CDMO SERVICES FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated January 16, 2024 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to advise you in respect of the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap, details of which are set out in the “Letter from the Board” in the Circular. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 6 to 18 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages IFA-1 to IFA-15 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the reasons for and benefits of the entering into the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the advice of the Independent Financial Adviser, we are of the opinion that the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement was entered into in the ordinary and usual course of business of the Company and is on normal commercial terms, and the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from the Independent Financial Adviser, and (iii) the general information set out in the Appendix I of the Circular.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Zhou Demin

*Independent non-executive
Director*

Mr. Yang Haifeng

*Independent non-executive
Director*

Mr. Fengmao Hua

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

January 16, 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap. 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 has conditionally agreed to provide CDMO services to Lepu Medical and/or its subsidiaries. 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. Details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated January 16, 2024 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

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) are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An EGM will be convened to seek the approval of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap by the Independent Shareholders. In view of the interests of Lepu Medical and Ningbo Houde Yimin, holding in aggregate approximately 39.69% of the issued share capital of the Company as at the Latest Practicable Date, they will abstain from voting at the EGM in respect of the relevant resolution in relation to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap.

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 (as supplemented by the Supplemental CDMO Services Framework Agreement) and the continuing connected transactions contemplated thereunder (including the Proposed Revised Cap). We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, Lepu Medical or their respective associates, close associates or core connected persons and, accordingly, are considered eligible to give independent advice on the CDMO Services Framework Agreement, the Supplemental CDMO Services Framework Agreement and the Proposed Revised Cap. In the two years prior to this engagement, there was no engagement between the Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Lepu Medical or their respective core associates, close associates or core connected persons.

In formulating our advice and recommendation, we have reviewed, among others, (i) the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement); (ii) annual reports of the Company for the year ended December 31, 2021 (“FY2021”) and 2022 (“FY2022”); (iii) interim report of the Company for the six months ended June 30, 2023; and (iv) the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the “Management”) and the respective professional advisers of the Company and have assumed that they are true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) in relation to the provision of CDMO services by the Company to Lepu Medical (including the Proposed Revised Cap), we have taken into consideration the following principal factors and reasons:

1. Information on the parties

The Group

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 oncology therapeutics drug candidates. Dr. Pu Zhongjie is the ultimate beneficial owner and controlling shareholder of the Company.

As disclosed in the interim report of the Company for the six months ended June 30, 2023, the Group has established an integrated end-to-end platform across drug discovery, clinical development, CMC and GMP compliant manufacturing, encompassing all critical functions of the biopharmaceutical value chain, and is building dedicated sales and marketing forces. The Group has strategically designed its pipeline with a range of oncology products. For clinical-stage candidates, the Group has (i) one clinical/commercialization-stage drug candidate; (ii) six clinical-stage drug candidates, including one co-developed through a joint venture; and (iii) three clinical-stage combination therapies of its candidates. One of its drug candidates has obtained marketing approval with respect to two of its targeted indications, with clinical trials for other indications ongoing. Among the six clinical-stage drug candidates, five are targeted therapeutics and one is an immunotherapeutic, which is an oncolytic virus drug.

In FY2022, the Group generated its first revenue of approximately RMB15.6 million, primarily attributed to the successful commercialization of HX008, a humanized IgG4 mAb against human PD-1. The loss attributable to shareholders of the Company narrowed to approximately RMB689.1 million as compared with approximately RMB1,011.0 million recorded in FY2021, mainly due to (i) the first generation of revenue by the Group in FY2022; (ii) the decrease in research and development expenses from approximately RMB791.2 million in FY2021 to approximately RMB524.3 million in FY2022 mainly due to prioritization of resources on drug candidates and indications which the Company considers to have the most potential; and (iii) the increase in finance income from approximately RMB4.1 million in FY2021 to approximately RMB45.9 million in FY2022 mainly due to foreign exchange gains from the proceeds from the Global Offering.

For the six months ended June 30, 2023, the Group recorded revenue of approximately RMB153.6 million. The revenue generated from the out-licensing of CMG901 for development and commercialization amounted to approximately RMB109.5 million. The loss attributable to shareholders of the Company narrowed to approximately RMB141.9 million for the six months

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ended June 30, 2023 as compared with approximately RMB344.3 million recorded for the same period in 2022, mainly due to (i) the significant increase in revenue for the six months ended June 30, 2023 compared to that of nil for the same period in prior year; (ii) the decrease in administrative expenses from approximately RMB84.7 million for the six months ended June 30, 2022 to approximately RMB39.1 million for the six months ended June 30, 2023 primarily due to a decrease in the listing expenses by approximately RMB33.5 million; and (iii) the fair value gains on financial liabilities at fair value through profit or loss of approximately RMB17.7 million for the six months ended June 30, 2023 compared with a fair value loss of approximately RMB60.8 million for the same period in 2022.

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 controller.

As disclosed in the annual report of Lepu Medical for FY2022, Lepu Medical recorded a revenue of approximately RMB10,609.4 million in FY2022, which is relatively stable compared to approximately RMB10,659.7 million recognised in FY2021. The profit attributable to the shareholders of Lepu Medical has increased from approximately RMB1,719.3 million in FY2021 to approximately RMB2,202.8 million in FY2022. As disclosed in the interim report of Lepu Medical for the six months ended June 30, 2023, Lepu Medical recorded a revenue of approximately RMB4,301.5 million for the six months ended June 30, 2023 compared to that of approximately RMB5,333.5 million for the same period in prior year. The profit attributable to the shareholders of Lepu Medical has decreased from approximately RMB1,268.0 million for the six months ended June 30, 2022 to approximately RMB961.5 million in for the six months ended June 30, 2023.

2. Background to and reasons for entering into the framework agreements in relation to CDMO Services

As disclosed in the letter from the Board in the Circular, 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 the Company have recently been utilising approximately 60% of its designed capacity of 2,000L to satisfy the demand from the research and development of its pre-clinical drug candidates and clinical drug candidates. It is expected that not more than 35% of the manufacturing capacity would be utilised 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 production capacity and can generate supplementary cashflow for the Group as a whole. The principal business operation has been and remains as the research and development of the Company's drug candidates and the sales of its commercialized drug candidates, and the provision of CDMO services to Lepu Medical (and/or its subsidiaries) is only a way for the Company to monetise on their excess production capacity in the short run to enhance the efficiency of its assets. Given the provision of CDMO services to Lepu Medical (and/or its subsidiaries) does not form part of the Company's 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, and having taken into account, among others, (i) the principal business of the Group; (ii) the excess production capacity of the Group, which could be more effectively utilised through the provision of CDMO services to Lepu Medical; and (iii) the entering into the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) would allow the Group to generate additional revenue and supplementary cash flow, we are of the view that entering into the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) will be in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement

The following sets forth the principal 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

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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 independent CDMO service providers for similar service in respect of similar types of tasks in the market.

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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further details of the terms of the CDMO Services Framework Agreement are set out in the section headed “1. CDMO SERVICES FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL CDMO SERVICES FRAMEWORK AGREEMENT” in the letter from the Board in the Circular.

Our assessment of the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement)

As set out in the paragraphs headed “3. Principal terms of the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement” above, the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) is a framework agreement and 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).

We have discussed with the Management and noted that the Group will adhere to a series of internal control measures to ensure the terms, including the fee charged and the payment and settlement terms, offered to Lepu Medical and/or its subsidiaries in relation to CDMO services 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. As at the Latest Practicable Date, the Company had not provided any CDMO services to Independent Third Parties similar to those pursuant to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement). When considering the service fees for the CDMO services to be provided by the Group to Lepu Medical, 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 similar services, to make sure that the pricing and terms offered to Lepu Medical from mutual commercial negotiations (as the case may be), are fair, reasonable and are no more favorable than those offered to Independent Third Parties. As part of the Company’s internal control, the finance department of the Company shall be responsible for monitoring changes in the prevailing market rates and report material changes to the Board. In monitoring the prevailing market rates, we were advised by the management of the Company that, during the ordinary course of its business, the Group would from time to time obtain information on the general market condition on the prevailing market rates from various Independent Third Party CDMO service providers, which includes different major independent CDMO service providers in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the letter from the Board in the Circular, 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 its 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. We have reviewed the Company's calculation basis of the CDMO services fees it expects to charge Lepu Medical during the term of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and compared with those offered by other independent CDMO service providers for similar CDMO services for key tasks. From our review, we noted that the fees the Company expects to charge Lepu Medical for each tasks to be performed covered all 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 utilised for providing the particular service, the historical hourly rates of the relevant operations and management personnel)), and are comparable to those quoted by two independent CDMO service providers for similar CDMO services for key tasks and not less than at least one of such quotations. As such, we are of the view that the fees charged for the provision of CDMO services by the Group to Lepu Medical, given the fees charged are generally in line with the market and no less favorable than terms available from at least one of the Independent Third Parties, are fair and reasonable so far as the Independent Shareholders are concerned.

Taking into account the above, as well as (i) the excess production capacity of the Group, which could be more effectively utilised through the provision of CDMO services to Lepu Medical and generate additional revenue and supplementary cash flow to the Group; and (ii) the internal control measures of the Group to monitor changes in the prevailing market rates and the costs involved in the provision of CDMO services and the reporting requirements by the Listing Rules in relation to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) as set out in the section headed "5. *Internal control measures and reporting requirements by the Listing Rules regarding the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement)*" below, we are of the view that the CDMO Services Framework Agreement and the Supplemental CDMO Services Framework Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Proposed Revised Cap

Historical transaction amount

Prior to entering into the CDMO Services Framework Agreement (as supplemented by the Supplemental 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 (as supplemented by the Supplemental CDMO Services Framework Agreement) up to the Latest Practicable Date.

Our assessment of the Proposed Revised Cap

Set out below are the Proposed Revised Cap for the transactions contemplated under the CDMO Services Framework Agreement as supplemented by the Supplemental CDMO Services Framework Agreement:

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

Based on our discussions with the Management, the above Proposed Revised Cap are 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. 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. We have obtained and reviewed the aforementioned development plan and understood from the Management 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. Given the fact above, the costs are expected to be incurred and charged to Lepu Medical and/or its subsidiaries in 2024 and the Proposed Revised Cap will be RMB46 million for the year ending December 31, 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the Proposed Revised Cap, we have obtained and reviewed the details of the forecasts and relevant breakdown of the transaction amount. We understand from the Management that the forecasted transaction amounts are principally based on the estimated development timeline, scope and workload of tasks to be performed at each stage of each scope of work, namely (i) analytical method validation; (ii) process and product characterization; and (iii) clinical material supply and batch release testing, based on the Group's discussion with Lepu Medical. In addition, the Company has also considered the fees charged by other comparable CDMO services providers for similar services in respect of similar types of tasks in the market. We have discussed and understood from the Management that the pricing for CDMO services is mainly determined by the number of personnel and hours expected to be scheduled and consumed for providing the particular service, necessary material costs and laboratory costs. In this regard, we have obtained from the Management two sample quotations from other independent CDMO services providers for similar services in respect of similar types of tasks in the market, and compared the relevant forecasted transaction amounts for key tasks in the development plan in formulating the Proposed Revised Cap. From our review, we noted that fees for key tasks to be charged to Lepu Medical under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are generally in line with those quoted by the two independent CDMO services providers for similar services in respect of similar types of tasks in the market. As each of such quotation covered key tasks of the CDMO services to be provided by the Group and Lepu Medical, we are of the view that such quotations are fair and representative.

In our opinion, it is in the interests of the Group and the Shareholders to determine the Proposed Revised Cap in a way that can accommodate the potential growth of the Group's business. Provided that transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below), as required under the Listing Rules and other effective internal control measures (as summarised in the section headed "*5. Internal control measures and reporting requirements by the Listing Rules regarding the continuing connected transactions under the CDMO Services Framework Agreement*" below) to safeguard the Group's interest, the Group would have desirable flexibility in conducting its business as the Proposed Revised Cap are tailored to future business activities.

Having considered the basis on which the Proposed Revised Cap are determined as described above, we are of the view that the Proposed Revised Cap are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Internal control measures and reporting requirements by the Listing Rules regarding the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement)

As set out in the letter from the Board in the Circular, 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 Independent Third Parties, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- (i) the joint responsibility for evaluating the terms under the 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 by 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);
- (ii) the regular monitoring of the fulfilment status and the transaction updates under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) by the Audit Committee, the Board and various other internal departments of the Company;
- (iii) the 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 (i) 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; and (ii) 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 monitoring of the utilisation of the Proposed Revised Cap by the financial department of the Company and report to the senior management of the Company if the actual transaction amount reach approximately 75% of the Proposed Revised Cap at any time of the year, and the monthly report of the actual transaction amount incurred in the underlying transactions of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) in the monthly management accounts;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) 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 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; and
- (vi) the interested Directors and Shareholders shall abstain from voting 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) under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are fair and reasonable, and on normal commercial terms and in the interests of the Company and Shareholders as a whole.

Please refer to the section headed “2. *INTERNAL CONTROL MEASURES*” in the letter from the Board in the Circular for further details.

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) every year and confirm in the annual report and accounts that they have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement):
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing them; and
 - (iv) have exceeded the relevant Proposed Revised Cap;
- (c) the Company must allow, and ensure that the counterparties to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

In light of the internal control measures adopted by the Group and the reporting requirements attached to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement), in particular, (i) the restriction of the transaction value by way of the Proposed Revised Cap; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the Proposed Revised Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and assist in safeguarding the interests of the Company and the independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the transactions contemplated under the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) in relation to the provision of CDMO services by the Company and/or its subsidiaries to Lepu Medical and/or its subsidiaries (including the Proposed Revised Cap) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution at the EGM to approve the CDMO Services Framework Agreement as supplemented by the Supplemental CDMO Services Framework Agreement (including the Proposed Revised Cap).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 19 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO) or were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interests of our Directors in the Shares or Underlying Shares of the Company

Long position in the Shares as of the Latest Practicable Date

Name of Director	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Dr. Pu Zhongjie ⁽²⁾	H Shares	Interests in controlled corporation	658,591,549	41.03%	39.69%
Dr. Hu Chaohong ⁽³⁾	H Shares	Interests in controlled corporation	136,355,106	8.49%	8.22%
Ms. Pu Jue ⁽⁴⁾	H Shares	Interests in controlled corporation	90,000,000	5.61%	5.42%
Mr. Lin Xianghong ⁽⁵⁾	H Shares	Beneficiary of a discretionary trust	20,900,000	1.30%	1.26%

Notes:

- (1) The calculation is based on the total number of 1,659,444,838 issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as of the Latest Practicable Date.
- (2) Ningbo Houde Yimin directly holds 433,239,436 H Shares as beneficial owner, and Ningbo Houde Yimin is held as to 100% by Beijing Houde Yimin, which is in turn held as to 100% by Dr. Pu Zhongjie, one of the executive Directors and the chairman of the Board. In addition, Lepu Medical directly holds 225,352,113 H Shares as beneficial owner, and Dr. Pu Zhongjie is the actual controller of Lepu Medical. Dr. Pu Zhongjie is therefore deemed to be interested in the 433,239,436 H Shares and the 225,352,113 H Shares held by Ningbo Houde Yimin and Lepu Medical, respectively.
- (3) Miracogen HK directly holds 136,355,106 H Shares as beneficial owner, and Miracogen HK is held as to 100% by Miracogen Inc., which is in turn held as to 100% by Dr. Hu Chaohong, one of the executive Directors and a co-chief executive officer of the Company. Dr. Hu Chaohong is therefore deemed to be interested in the 136,355,106 H Shares held by Miracogen HK.
- (4) Shanghai Lvyuan directly holds 90,000,000 H Shares as beneficial owner, and Shanghai Lvyuan is held as to 100% by Cereblue Limited, which is in turn held as to 100% by Ms. Pu Jue, one of the non-executive Directors. Ms. Pu Jue is therefore deemed to be interested in the 90,000,000 H Shares held by Shanghai Lvyuan.
- (5) King Star Med LP directly holds 20,900,000 H Shares as beneficial owner, and the general partner and manager of King Star Med LP, namely King Star Med Management Limited and King Star Consulting Limited, are both indirectly held by Ace Treasure Trust and Superb Outcome Trust (the “Trusts”) as to 40% and 30%, respectively. Mr. Lin Xianghong, a non-executive Director, is the settlor, the protector and one of the beneficiaries of the Trusts. Under the SFO, as settlor and beneficiary of such Trusts, Mr. Lin Xianghong is deemed to be interested in the H Shares held by King Star Med LP.

Interests of our Directors in the Shares or Underlying Shares of Associated Corporations

So far as the Directors are aware, as of the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, which were required 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 SFO), or were required to be recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as of the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the Shares as of the Latest Practicable Date

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Mr. Su Rongyu	H Shares	Beneficial interest	85,262,000	5.31%	5.14%
Ms. Hao Chunmei ⁽²⁾	H Shares	Interests of spouse	85,262,000	5.31%	5.14%
Kington Capital No. 1 Equity Investment Partnership (Limited Partnership)* 蘇州翼樸一號股權投資合夥企業 (有限合夥) (“ Kington Capital ”)	H Shares	Beneficial interest	39,436,621	2.46%	2.38%
Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership* 蘇州翼樸一號創喆管理諮詢合夥企業(有限合夥) ⁽³⁾	Domestic Shares	Beneficial interest	39,436,620	72.67%	2.38%
Suzhou Suzi Investment Limited Partnership* 蘇州蘇梓投資合夥企業 (有限合夥) (“ Suzhou Suzi ”)	H Shares	Beneficial interest	5,825,155	0.36%	0.35%
	Domestic Shares	Beneficial interest	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Suzhou Zisu Investment Consultation Limited Partnership* 蘇州梓蘇投資諮詢合夥企業(有限合夥) ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Shanghai Qianyu Equity Investment Fund Management Co., Ltd.* 上海前宇股權投資基金管理有限公司 ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Yumeng Investment Management Co., Ltd.* 蘇州宇夢投資管理有限公司 ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Qian Xin (錢鑫) ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Changan Capital Management (Beijing) Co., Ltd.* 銀華長安資本管理(北京)有限公司 ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Yinhua Fund Management Co., Ltd.* 銀華基金管理股份有限公司 ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%

Name of Shareholder	Class of Shares	Nature of Interest	Number of Shares or underlying Shares	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Southwest Securities Co., Ltd. (西南證券有限責任公司) ⁽⁴⁾	H Shares	Interest in controlled corporation	5,825,155	0.36%	0.35%
	Domestic Shares	Interest in controlled corporation	9,859,155	18.17%	0.59%
Suzhou Kington Equity Investment Fund Management Co., Ltd. (蘇州翼樸股權投資基金管理有限公司) ⁽⁵⁾	H Shares	Interest in controlled corporation	45,261,776	2.81%	2.72%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Suzhou Private Capital Investment Holdings Co., Ltd. (蘇州民營資本投資控股有限公司) ⁽⁶⁾	H Shares	Interest in controlled corporation	45,261,776	2.81%	2.72%
	Domestic Shares	Interest in controlled corporation	49,295,775	90.84%	2.97%
Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業 (有限合夥)) (“SHC”)	H Shares	Beneficial interest	10,962,335	0.68%	0.66%
	Domestic Shares	Beneficial interest	3,654,111	6.73%	0.22%
Shanghai Healthcare Capital Investment Fund Co., Ltd. (上海生物醫藥產業股權投資基金管理有限公司) ⁽⁷⁾	H Shares	Interest in controlled corporation	10,962,335	0.68%	0.66%
	Domestic Shares	Interest in controlled corporation	3,654,111	6.73%	0.22%

Notes:

- (1) The calculation is based on the total number of 1,659,444,838 Shares issued, including 1,605,176,474 H Shares and 54,268,364 Domestic Shares issued as of the Latest Practicable Date.
- (2) Ms. Hao Chunmei is the spouse of Mr. Su Rongyu, and is therefore deemed to be interested in the H Shares beneficially held by Mr. Su Rongyu.
- (3) Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership is the general manager of Kington Capital and therefore is deemed to be interested in the Shares of the Company held by Kington Capital.
- (4) Suzhou Zisu Investment Consultation Limited Partnership is the general partner of Suzhou Suzi, with Suzhou Kington Equity Investment Fund Management Co., Ltd. being its general partner and Shanghai Qianyu Equity Investment Fund Management Co., Ltd. being its limited partners holding 50% partnership interest. Suzhou Kington Equity Investment Fund Management Co., Ltd. is wholly owned by Suzhou Private Capital Investment Holdings Co., Ltd. Shanghai Qianyu Equity Investment Fund Management Co., Ltd. is owned as to 60% by Suzhou Yumeng Investment Management Co., Ltd., a company owned by Qian Xin as to 99.50%.

Yinhua Changan Capital Management (Beijing) Co., Ltd. is the limited partner of Suzhou Suzi holding 69.47% partnership interest, which in turn is wholly owned by Yinhua Fund Management Co., Ltd. Southwest Securities Co., Ltd. owns 44.1% equity interest in Yinhua Fund Management Co., Ltd..

Therefore, each of Suzhou Zisu Investment Consultation Limited Partnership, Suzhou Kington Equity Investment Fund Management Co., Ltd., Shanghai Qianyu Equity Investment Fund Management Co., Ltd., Suzhou Yumeng Investment Management Co., Ltd., Qian Xin, Yinhua Changan Capital Management (Beijing) Co., Ltd., Yinhua Fund Management Co., Ltd. and Southwest Securities Co., Ltd. is deemed to be interested in the Shares of the Company held by Suzhou Suzi.

- (5) Suzhou Kington Equity Investment Fund Management Co., Ltd. is the general partner of Suzhou Yipu No. 1 Chuangzhe Management Consultation Limited Partnership and Suzhou Zisu Investment Consultation Limited Partnership, therefore deemed to be interested in the Shares of the Company held by Kington Capital and Suzhou Suzi.
- (6) Suzhou Private Capital Investment Holdings Co., Ltd. holds 100% equity interest in Suzhou Kington Equity Investment Fund Management Co., Ltd. and is therefore deemed to be interested in the Shares of the Company held by Kington Capital and Suzhou Suzi.
- (7) Shanghai Healthcare Capital Investment Fund Co., Ltd. is the general partner of SHC and therefore is deemed to be interested in the Shares of the Company held by SHC.

Save as disclosed above, as of the Latest Practicable Date, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, each of our executive Directors, independent non-executive Directors and Supervisors entered into a service contract with our Company, which may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations of the Company.

4. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

- (a) On February 5, 2022, the Company has entered into a cornerstone investment agreement with King Star Med LP, a close associate of Mr. Lin Xianghong (our non-executive Director), with respect to its subscription of Shares as a cornerstone investor in the Global Offering. For details, please refer to the disclosure made in the Prospectus.
- (b) Save as the procurement of products and services framework agreement between the Company and Lepu Medical (on behalf of Lepu Medical and its subsidiaries and associates (excluding the Group)) on December 16, 2021 and underlying contracts subject thereto, to which Dr. Pu Zhongjie has an interest in via his interest in Lepu Medical as its actual controller, the Group has not entered into any transaction agreement or contract of significance in which the Group's Directors and Supervisors have direct or indirect material interests for the year ended December 31, 2022 (other than the service contracts and employment agreements of Directors and senior management).
- (c) As at the Latest Practicable Date, none of the Directors or proposed Directors had any direct or indirect interest in any assets which had been, since December 31, 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Yang Hongbing serves as a non-executive director of Gloria Pharmaceutical (Guangzhou) Co., Ltd. (廣州譽衡生物科技有限公司), a company with PD-1 products business. Mr. Yang is not involved in the daily management and operation of our Company and Gloria Pharmaceutical (Guangzhou) Co., Ltd., the directorship held by Mr. Yang would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. Ms. Pu Jue serves as a director of Rgenix Inc. which develops leading immunotherapy cancer treatment agents, since October 2018 and a director of CG Oncology which develops oncolytic virus for the treatment of bladder cancer, since March 2019. As Ms. Pu is not involved in the daily management and operation of our Company as a non-executive Director, and of Rgenix Inc. and CG Oncology as an investor board representative, the directorships held by Ms. Pu would not give rise to any material competition issue under Rule 8.10 of the Listing Rules. Save for the above, and save for the Director's respective interests in the Group, none of the Directors or proposed Director or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) or proposed to be so acquired, disposed of or leased.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Company's website (www.lepubiopharma.com) and the HKEXnews website (www.hkexnews.hk) from the date of this circular up to and including the date of the EGM (being not less than 14 days):

- (a) the CDMO Services Framework Agreement;
- (b) the Supplemental CDMO Services Framework Agreement;
- (c) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-15 of this circular;
- (f) the written consent referred to in the paragraph headed "6. QUALIFICATION AND CONSENT OF EXPERT" in this Appendix; and
- (g) this circular.

* *For identification purposes only*

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2024 first extraordinary general meeting (the “EGM”) of Lepu Biopharma Co., Ltd. (the “**Company**”) 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. for the following purposes:

ORDINARY RESOLUTION

1. THAT

- (a) The framework agreement dated November 13, 2023 and the supplemental framework agreement dated December 22, 2023 entered into between the Company and Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) (copies of which have been produced at the EGM marked “A” and “B” respectively and initialed by the chairman of the EGM for the purpose of identification), all transactions contemplated thereunder, and the proposed cap of such transactions (as particularised in the supplemental agreement dated December 22, 2023), be and are hereby approved, confirmed and ratified; and
- (b) The directors of the Company be and are hereby authorised to take all such steps, do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and all transactions contemplated thereunder as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to the CDMO Services Framework Agreement (as supplemented by the Supplemental CDMO Services Framework Agreement) and the implementation of all transactions contemplated thereunder.

NOTICE OF THE 2024 FIRST EXTRAORDINARY GENERAL MEETING

Details of the above resolutions are set out in the circular of the Company published on January 16, 2024 in relation to the EGM. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular.

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

Shanghai, the PRC
January 16, 2024

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The results of the poll will be published on the respective websites of the Company at www.lepubiopharma.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the EGM.
2. Any shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be completed and returned to the Company's head office and principal place of business in the PRC, at No. 651, Lianheng Road, Minhang District, Shanghai, the PRC (for holders of Domestic Shares) or the H Share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), at least 24 hours before the EGM (i.e. before 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 a shareholder from attending and voting at the EGM or any adjourned meeting thereof should he/she so wish.
4. For the purpose of determining the list of shareholders who are entitled to attend the EGM, the register of members of the Company will be closed from Friday, January 26, 2024 to Wednesday, January 31, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of the shares shall ensure all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, January 25, 2024 for registration.
5. In case of joint shareholders, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
6. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.
7. A shareholder or his/her proxy should produce proof of identity when attending the EGM.
8. References to date and time in this notice are to Hong Kong dates and time.

As at the date of this notice, the Board comprises Dr. Pu Zhongjie (chairman), Dr. Sui Ziye (chief executive officer) and Dr. Hu Chaohong (co-chief executive officer) as executive Directors; Mr. Lin Xianghong, Mr. Yang Hongbing and Ms. Pu Jue, as non-executive Directors; and Mr. Zhou Demin, Mr. Yang Haifeng and Mr. Fengmao Hua as independent non-executive Directors.