OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries (other than the directors, substantial shareholders and chief executive of insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the [**REDACTED**] and any of their respective associates will be connected persons of our Company upon [**REDACTED**].

We have entered into certain agreements with Zhongmei Huadong, one of our substantial shareholders, who will become a connected person of our Company upon [**REDACTED**] and the transactions contemplated under such agreements will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [**REDACTED**]. As our Company is eligible for [**REDACTED**] on the Stock Exchange under Chapter 18A of the Listing Rules as a pre-revenue biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be an appropriate measurement of the size of relevant continuing connected transactions as set out in this section. Accordingly, we have applied a percentage ratio test based on the total expenses for R&D and administrative matters of our Group as an alternative size test.

(A) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

CDMO Services Framework Agreement

Principal terms

On [●], 2023, Cellularforce, our CMC-focused subsidiary, entered into a CDMO services framework agreement (the "CDMO Services Framework Agreement") with Zhongmei Huadong, pursuant to which Zhongmei Huadong and/or its subsidiaries ("Zhongmei Huadong Group") may from time to time commission Cellularforce to provide CDMO services for their drug substance and drug products and in return Zhongmei Huadong Group shall agree to pay service fees to Cellularforce for such CDMO services. The CDMO Services Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2025, which may be renewed for a further term not exceeding three years from time to time, as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate CDMO services agreements setting out the specific terms and conditions based on the principles provided in the CDMO Services Framework Agreement.

The service fees chargeable by Cellularforce will be determined after arm's length negotiations between Cellularforce and Zhongmei Huadong Group on a cost-plus basis, with the cost-plus margin ranging from approximately 5% to 30% of our cost depending on the nature, scope and complexity of services to be provided, the expected cost and expenses for provision of the required services.

Reasons for and benefits of the transaction

The provisions of CDMO services under the CDMO Services Framework Agreement are in the ordinary and usual course of business of our Group and on normal commercial terms. The transactions under the CDMO Services Framework Agreement can enhance the utilization of our in-house, commercial-scale biologic drug manufacturing capability, fulfill our business needs and diversify our source of revenue, which in turn can also support our R&D activities. Taking into consideration of the above and the corporate governance procedures in place as set out below, we believe that the transactions contemplated under the CDMO Services Framework Agreement are in the interest of our Company and our Shareholders as a whole.

Procedures in determination of price and terms of the transaction

In determining the price and terms of the transactions contemplated under the CDMO Services Framework Agreement, we follow our internal procedures which are applicable to all clients engaging Cellularforce for similar services. Such internal procedures cover the execution of confidentiality agreements with potential clients, discussions with potential clients to understand service needs and demands, preparation of work proposal and fee quote, arm's length negotiations with clients on the terms of transactions, preparation and internal review of written agreements and execution of the same.

In addition to the above business procedures, we have promulgated the guidelines for establishing pricing for different kinds of services applicable for all clients and the business development department of Cellularforce shall conduct market analysis on specific service and making pricing proposal to our senior management after considering a number of factors as they consider necessary, including but not limited to service cost, profit margin, market pricing, capacity utilization and marketing perception. The business development department of Cellularforce shall review the reasonableness of pricing of relevant services on regular basis and ensure that the terms for the transactions under the CDMO Services Framework Agreement will not be more favorable than terms available to Independent Third Parties, and report to our senior management, if necessary, for their approval for any adjustment. Our independent non-executive Directors will also conduct annual review on the transactions under the CDMO Services Framework Agreement to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable, and conducted according to the terms of the CDMO Services Framework Agreement.

Historical transaction amounts

As Cellularforce commenced the provision of CDMO services to Zhongmei Huadong Group in February 2023, there was only an upfront payment of approximately RMB2 million received by Cellularforce from Zhongmei Huadong Group under the CDMO Services Framework Agreement during the Track Record Period.

Annual caps

Our Directors estimate that the maximum amount of service fees payable by Zhongmei Huadong Group to Cellularforce under the CDMO Services Framework Agreement for each of the three years ending December 31, 2025 will not exceed RMB11.0 million, RMB10.0 million and RMB12.0 million, respectively.

In arriving at the above annual caps, our Directors have considered: (i) the volume, work order and estimated schedule of CDMO services we expect to provide to Zhongmei Huadong Group for the three years ending December 31, 2025. Based on the current status of the project under the existing contract, it is anticipated that all major milestones under such project will be completed in 2023 save for the stability study of drug substance, and approximately RMB11.0 million of the transaction amount of such project will be recorded in 2023. The stability study of drug substance under such project carries a study period of five years with the remaining transaction amount to be recorded in 2027; (ii) the projected transaction amount of our CDMO services from other new projects under the CDMO Services Framework Agreement as a result of our plan to develop external CDMO services through our manufacturing facility in Taizhou and the demand for such services from Zhongmei Huadong Group for the clinical development of their pipeline drug candidates. It is anticipated that Cellularforce may, in each year, be engaged in one new project with similar size and completion schedule that save for its stability study which will be a five-year study, each project is expected to be completed within twelve months from its commencement; and (iii) the expected year-on-year increase in related fees charged by Cellularforce due to the estimated increase in operational costs of approximately 5% to 10% (including labor costs, material costs and administrative costs) for the provision of CDMO services.

Listing Rules implications

As each of the applicable percentage ratios (other than the profits ratio) in respect of the annual caps under the CDMO Services Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the CDMO Services Framework Agreement constitute continuing connected transactions for our Company which will, upon [**REDACTED**], be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

QX001S Agreement

Principal terms

On August 14, 2020, our Company entered into a collaboration agreement (the "QX001S Agreement") with Zhongmei Huadong, pursuant to which we agreed to (i) grant an exclusive right to Zhongmei Huadong to promote and commercialize QX001S in the PRC and Zhongmei Huadong shall be the MAH of QX001S in the PRC to exclusively conduct marketing activities and commercialization of QX001S; (ii) together with Zhongmei Huadong, jointly engage in the R&D of QX001S, including but not limited to its clinical trials and regulatory communication and registration; and (iii) bear the expenses of sample production and process development and optimization prior to the commercialization of QX001S. In addition, our Company and Zhongmei Huadong also agreed to engage Cellularforce to manufacture and supply all quantities of QX001S for commercial use in the PRC (the "Product Supply"), at a unit supply price determined by both parties, by entering into individual manufacturing agreement in the form and substance agreed by Zhongmei Huadong and us separately. Except when Cellularforce is unable to meet the manufacturing demand, the parties shall not engage other manufacturers for the commercial production of QX001S.

In consideration of our Company agreeing to the above arrangement, Zhongmei Huadong agreed to (i) make an upfront payment of RMB30.0 million (the "Upfront Payment") to us within ten days after the execution of the QX001S Agreement and a milestone payment of RMB20.0 million (the "Milestone Payment") to us within ten days after we complete the sample production of QX001S for the Phase III clinical trial and have, upon a consultation with the CDE, obtained consent to proceed with such Phase III clinical trial; (ii) bear the expenses of clinical trials and regulatory communication and registration for QX001S during the term of the QX001S Agreement; and (iii) after setting off accumulative losses attributable to the commercialization of QX001S incurred in prior years (if any), share with us the accumulative pre-tax profit (as calculated pursuant to the QX001S Agreement) derived from sales of QX001S in the PRC on a 50:50 basis (the "Profit Sharing"). Pursuant to the QX001S Agreement, Zhongmei Huadong paid the Upfront Payment and the Milestone Payment to us on August 28, 2020 and July 16, 2021, respectively.

The fees paid and payable under the QX001S Agreement, including the Upfront Payment, the Milestone Payment and the amount to be received by us under the Product Supply and Profit Sharing were determined after arms' length negotiations between our Group and Zhongmei Huadong, having taken into account various factors, including but not limited to the expenses incurred and to be incurred for the development of QX001S, expected prospects of the development and commercialization of QX001S in the PRC, rights and obligations of both parties under the QX001S Agreement and the reasons and benefits of the transactions contemplated under the QX001S Agreement. The QX001S Agreement and the overall arrangements thereunder, including the Upfront Payment, Milestone Payment, Product Supply and Profit Sharing, as a whole, are generally in line with the market practice, as confirmed by Frost & Sullivan.

The QX001S Agreement has an indefinite term commencing from the date of the agreement and continue to be in force unless the parties mutually agree to cease commercialization of QX001S in the PRC. Frost & Sullivan has confirmed that it is market practice in the pharmaceutical industry for similar collaboration agreements to be entered into for a long term, primarily due to the substantial amount of capital committed by the collaboration partners and the risks involved.

For further details of the QX001S Agreement, see "Business—Collaboration with Zhongmei Huadong."

Reasons for and benefits of the transaction

We entered into the QX001S Agreement with Zhongmei Huadong for the following reasons:

(a) the primary purpose of this collaboration is to leverage Zhongmei Huadong's market access, nationwide sales and marketing network targeting the autoimmune and allergic disease field as well as its extensive experience in chronic disease management, which will be crucial to help achieve rapid commercialization of QX001S in the PRC. Considering that patients with autoimmune and allergic diseases are largely scattered at county-level hospitals in the PRC, we believe it would be in the best interest of our Group to find a business partner that is a large pharmaceutical company with strong R&D and commercialization capabilities nationwide to ensure the successful commercialization of QX001S in the PRC. Zhongmei Huadong is wholly owned by Huadong Medicine, a leading PRC pharmaceutical company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000963). Having considered Huadong Medicine's active role in the PRC pharmaceutical market for more than 30 years, the business of Huadong Medicine covers the whole pharmaceutical industrial chain, integrating R&D, production and sales of medicine and has established strong expert resources and sales and marketing network in the PRC, with its annual operating revenue of more than RMB37.7 billion in 2022 according to its annual report published on April 14, 2023. We believe this collaboration will enable us to leverage Zhongmei Huadong and Huadong Medicine's market access, nationwide sales and marketing network targeting the autoimmune and allergic disease field as well as its extensive experience in chronic disease management;

(b) the QX001S Agreement allows both our Group and Zhongmei Huadong to leverage respective strength and share value of QX001S reasonably commensurate with their respective contribution in R&D and sales and marketing. Our Group expects to focus our resources on the ongoing R&D of QX001S and other drug candidates as a late clinical-stage biotech company, while Zhongmei Huadong has robust commercial network and experienced sales and marketing team for sales and distribution of QX001S in hospitals in the PRC. It is in line with industry practice and commercially beneficial for our Group and Zhongmei Huadong to enter into the

QX001S Agreement so that we can continue to focus on drug R&D while Zhongmei Huadong would be compensated fairly for its R&D efforts in the Phase III clinical trial and commercialization efforts in respect of QX001S. In addition, our Group will exclusively manufacture and supply QX001S to Zhongmei Huadong under the Product Supply, which allows us to utilize our in-house manufacturing capability and ensure quality control while providing such services at arm's length. Therefore, through leveraging the respective resources and established capabilities of our Group and Zhongmei Huadong, we believe such collaboration agreement will bring commercial benefits to both our Group and Zhongmei Huadong; and

(c) the QX001S Agreement allows both our Group and Zhongmei Huadong to share the risks and costs associated with the advancement of clinical trials and commercialization of QX001S and to leverage their respective resources and established capabilities to expeditiously establish an advantageous position in relevant markets.

Taking into consideration of the above and the evaluation procedures in place as set out below, we believe that the QX001S Agreement is in the interest of our Company and our Shareholders as a whole.

Procedures in evaluation of collaboration arrangements

During the ordinary and usual course of our business, we evaluate potential collaboration opportunities from time to time. When such opportunity arises, we would normally focus on well-known companies in the pharmaceutical industry that can offer access to established distribution channels, recognized branding, an experienced sales force and longstanding connections with well-known physicians and hospitals. When selecting potential business partners, we will also consider their expertise in the relevant therapeutic area and their regulatory know-how. In parallel, prior to a decision of developing a particular product, our R&D, manufacturing, financial and business development teams perform in-house market forecasts and financial analysis for such potential products, and project competitive landscape of the products for the territory of interest. Furthermore, our business development team routinely evaluates collaboration arrangements with potential partners in respect of drug products with similar mechanism of action for deal benchmarking and for term sheet evaluation purposes.

In addition, the commercial negotiations with potential business partners are led by our chief executive officer and/or certain members of our senior management, who will independently evaluate the terms taking into account all relevant factors as we consider necessary. A decision on whether to establish collaborations with another company will be made purely based on commercial considerations and only if we consider it is in the best interest of our Company and our Shareholders to enter into such collaboration arrangement.

Term of the QX001S Agreement

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules such that the QX001S Agreement can be of an indefinite term commencing from the date of the agreement and continue to be in force unless the parties agree to cease commercialization of QX001S in the PRC, for so long as our H Shares are [**REDACTED**] on the Stock Exchange, on the following grounds:

(i) the nature of the collaboration requires a longer period. The QX001S Agreement is a strategic collaboration between our Group and Zhongmei Huadong with respect to the joint development and exclusive commercialization of QX001S in the PRC, which allows our Group and Zhongmei Huadong to (a) share the risks and costs associated with the R&D and marketing and sales of QX001S following the market practice and share the value of QX001S reasonably commensurate with their respective contributions in R&D and sales and marketing of QX001S; and (b) leverage their respective resources and established capabilities to expeditiously establish an advantageous position in relevant market, both of which are long term in nature. According to Frost & Sullivan, it is market practice in the pharmaceutical industry for similar collaboration agreements to be entered into for a long term, primarily due to the substantial amount of capital and contributions committed by the collaboration partners and the risks involved;

(ii) a contractual arrangement of indefinite term is necessary and critical to the development of our business and to ensure stable revenue and cash flows from the future commercialization of QX001S. Our primary purpose of this collaboration is to leverage Zhongmei Huadong's market accessibility, nationwide sales and marketing network targeting the autoimmune and allergic disease field as well as its extensive experience in chronic disease management, which will be crucial to help achieve rapid commercialization of QX001S in the PRC and accordingly, Zhongmei Huadong will be the MAH of QX001S in the PRC to exclusively conduct marketing activities and commercialization of QX001S. If the QX001S Agreement is determined at a fixed short term, our Company may face the unnecessary and substantial risks of failing to renew such agreement upon expiry of a relatively short and fixed term and losing its competitive advantages. Imposing an arbitrary three-year term of the QX001S Agreement will also be contrary to the business intention of the parties to have a long term collaboration and the commercial objective of such strategic collaboration to allow both parties to leverage respective strength and share value of QX001S reasonably commensurate with their respective contribution in R&D and sales and marketing; and

(iii) we can terminate the QX001S Agreement if, among other things, Zhongmei Huadong is in material breach of the terms of the QX001S Agreement and fails to rectify such breach within a prescribed period of time. Such long-term collaboration is in the interest of our Company and our Shareholders. Imposing a fixed term of three years of the QX001S Agreement would not only put us in a disadvantageous position in this strategic collaboration arrangement with Zhongmei Huadong, but also deviate from the prevailing market practice and be contrary to the business intention of the parties.

The Sole Sponsor is of the view that, taking into consideration (i) the reasons for entering into the QX001S Agreement as set out above; (ii) the market practice in the pharmaceutical industry for similar collaboration agreement and the confirmation from Frost & Sullivan as set out above; and (iii) the fact that the relevant arrangements were negotiated on an arm's length basis and in accordance with the procedures in evaluation of collaboration arrangements of our Group as set forth above, it is reasonable for QX001S Agreement to be entered into for an indefinite term commencing from the date of the agreement and continue to be in force unless the parties agree to cease commercialization of QX001S in the PRC, and it is normal business practice for agreements of this type to be of such duration.

Historical transaction amounts

As QX001S has not yet been approved for commercialization by the relevant authorities in the PRC, there was no historical amount received by our Group from Zhongmei Huadong in relation to the Product Supply and Profit Sharing during the Track Record Period.

Annual caps

We have set the annual caps for the Product Supply and Profit Sharing as formulas (the "Formulas") below:

(i) Product Supply

The payment to be received by our Group from Zhongmei Huadong for the Product Supply pursuant to the QX001S Agreement will be determined in accordance with the following formula:

Amount receivable by us = unit supply price[(1)] × amount of QX001S supplied under the Product Supply

Note:

1. The unit supply price will be determined by our actual costs expected to be incurred for manufacturing of QX001S.

(ii) Profit Sharing

The payment to be received by our Group from Zhongmei Huadong for the Profit Sharing pursuant to the QX001S Agreement will be determined in accordance with the following formula:

Amount of pre-tax profit receivable by us under the Profit Sharing	=	(net sales revenue of QX001S by Zhongmei Huadong[(1)] – amount received and receivable by our Group under the Product Supply corresponding to the sales of QX001S by Zhongmei Huadong – marketing and sales and other operating costs of QX001S by Zhongmei Huadong – taxes and surcharges incurred by Zhongmei Huadong for the sale of QX001S[(2)]) × 50%

Notes:

1. Net sales revenue shall be the results of gross sales (net of value-added taxes) minus sales returns, allowances and discounts.

2. Such taxes and surcharges include but not limited to consumption tax, urban maintenance and construction tax, urban land use tax, resource tax, education surcharge, real estate tax, land use tax, vehicle and vessel tax and stamp duty (if applicable).

3. When calculating the accumulative pre-tax profit, (i) amount received and receivable by our Group under the Product Supply; (ii) marketing and sales and other operating costs of QX001S; and (iii) taxes and surcharges for the sale of QX001S are listed as cost items. If the formula produces negative results, it constitutes a loss attributable to the commercialization of QX001S of the current year. The accumulative pre-tax profit to be shared by Zhongmei Huadong and us shall net off the accumulative losses attributable to the commercialization of QX001S incurred in prior years (if any).

Taking into account the clinical trial stage of QX001S as opposed to concept stage or R&D stage products, the Product Supply and the Profit Sharing, in their entirety, are fair and reasonable and in the interest of our Company and our Shareholders as a whole because (i) the Product Supply and the Profit Sharing contemplated under the QX001S Agreement, including the formulas as stated above, was determined after arm's length negotiations between Zhongmei Huadong and us and in the ordinary and usual course of the business of both parties; (ii) the Product Supply is an integral part of the QX001S Agreement with Zhongmei Huadong and supplying products to the business partner in a collaboration agreement in order to share the risks and costs associated with the drug development process is in line with the industry practice, as confirmed by Frost & Sullivan; and (iii) the Profit Sharing is an addition to the payment receivable by our Group under the Product Supply and if the formula for Profit Sharing produces negative results, we are not obligated to pay any amount to Zhongmei Huadong while we shall remain entitled to the amount receivable under the Product Supply. The QX001S Agreement and the overall arrangements thereunder, including the Upfront Payment, Milestone Payment, Product Supply and Profit Sharing, as a whole, are generally in line with market practice, as confirmed by Frost & Sullivan.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules so as to allow us to set the annual caps in relation to the continuing connected transactions contemplated under the QX001S Agreement as the Formulas in accordance with the terms as set out in the QX001S Agreement from the [**REDACTED**] to the commercialization of the sales QX001S for the following reasons:

- there was no historical amount and it is impractical for us to accurately estimate the amount of payment to be received under the Product Supply and Profit Sharing as QX001S is currently conducting Phase III clinical trial for Ps and is expected to launch, at the earliest, in the second half of 2024 and the amount of QX001S to be supplied and the revenue to be derived from the sales of QX001S depend on the actual addressable market of the product, which will in turn depend on various factors including but not limited to the acceptance by the medical community, patient access, drug pricing, reimbursement policies and the number of patients, all of which are beyond the control of our Group. Even if our Company sets up a projection model for illustration purpose only, such model will only present hypothetical predictions not based on empirical data, and could therefore be inaccurate, unreliable and even misleading;

- imposing an arbitrary monetary cap on the potential sales volume of QX001S does not demonstrate commercial reasonableness and would be counter-productive as far as the interests of our Group, Zhongmei Huadong as well as their respective shareholders are concerned. In the absence of a factually and mathematically reliable model to estimate the annual supply volume of QX001S, imposing an arbitrary monetary cap may become an arbitrary ceiling on the transaction amount under the Product Supply and Profit Sharing. Although the transactions under the QX001S Agreement are connected transactions, both Zhongmei Huadong and our Group will be benefited from such transactions. The interests of the two groups and their respective shareholders are aligned and not undermined by the existence of such transactions. On the contrary, imposing a fixed annual cap is not helpful to incentivize Zhongmei Huadong to generate more revenue and profit from selling QX001S, and will restrict business growth of both parties, which would go against the commercial objective of the QX001S Agreement. In addition, if the actual sales volume of QX001S exceeds the annual cap, our Group would be suspended from supplying QX001S and Zhongmei Huadong would be suspended from selling QX001S to the market until relevant shareholder approval is obtained, which will affect not only the business of both parties but also the patients who need QX001S for treatment, and in turn will further affect the market recognition of both parties among the physicians and hospitals because they would not be able to maintain stable supply of QX001S. As far as the transaction is on normal commercial terms, and the supply of QX001S and the profit sharing percentage are commercially reasonable and in line with market standards, the interests of our Group, Zhongmei Huadong and their respective shareholders are protected, and there is no reason or benefit for both parties to impose such fixed annual caps;

- the unit price of QX001S to be supplied by us under the QX001S Agreement will be determined by the actual costs expected to be incurred for manufacturing of QX001S, and such unit price is an undisclosed confidential information to our Group. The annual payments receivable by us from Zhongmei Huadong under the Product Supply are determined by (i) the unit price; and (ii) the volume of QX001S to be supplied by us in that particular year, which, in turn, is determined by the sales volume of QX001S to the market. The profit sharing percentage is fixed and disclosed at 50%. Accordingly, if a fixed annual cap is set, competitors could potentially extrapolate the likely volume of QX001S to be supplied by us to Zhongmei Huadong (reasonably assuming that Cellularforce is the only supplier of QX001S) and therefore, the unit supply price for the QX001S Agreement. In addition, having taken into account that QX001S is expected to be our first commercial product to launch, at the earliest, in the second half of 2024, when substantially all of our other pipeline products are expected to be in R&D stage. It is reasonably foreseeable that, for the first one or two years after the commercialization of QX001S, a sizeable portion of our Group's revenue will be generated from QX001S through the arrangements under the QX001S Agreement. Therefore, the disclosure of the annual caps in monetary terms would in effect provide Shareholders and investors as well as competitors of our Company with an indication of our estimated revenue, and may allow them to extrapolate the likely volume of QX001S to be supplied and even the unit supply price of QX001S. Such information is highly sensitive and would therefore put us in a disadvantageous position in relation to our business operation and competition with other market players; and

- instead of setting fixed annual caps on the Product Supply and/or the Profit Sharing, if there is any material change to the pricing method under the Product Supply, or to the percentage of the profit sharing ratio under the Profit Sharing, we will re-comply with the applicable rules under Chapter 14A of the Listing Rules, including seeking for independent shareholders' approval where the case may so require, so as to further ensure the interest of the shareholders of both our Company and Zhongmei Huadong.

Based on the above, the Sole Sponsor is of the view that setting the annual caps for the Product Supply and Profit Sharing as Formulas instead of monetary caps are fair and reasonable, and in the interests of our Group and Shareholders of our Company as a whole.

Listing Rules implications

As the highest applicable percentage ratio (other than the profits ratio) in respect of each of the annual caps under the QX001S Agreement is expected to be no less than 5% on an annual basis, the transactions contemplated under the QX001S Agreement constitute continuing connected transactions for our Company which will, upon the [**REDACTED**], be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

By virtue of Rule 14A.76(2) of the Listing Rules, (i) the transactions contemplated under the CDMO Services Framework Agreement will constitute non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions contemplated under the QX001S Agreement will constitute non-exempt continuing connected transactions subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring, continuing basis and will extend over a period of time after [**REDACTED**], our Directors consider that compliance with the above announcement, circular and independent shareholders' approval requirements would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "—(A) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirements" in this section; and the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "—(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section.

We have further applied to the Stock Exchange for waivers from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules in respect of the transactions contemplated under the QX001S Agreement for the reasons set out in "—Term of the QX001S Agreement" and "Annual caps" above. The Stock Exchange [has granted] such waivers subject to the following conditions:

(a) we will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the QX001S Agreement;

(b) we will designate a team to execute and ensure that the transaction in relation to the QX001S Agreement are undertaken in accordance with the terms thereunder;

(c) our chief executive officer will use his best endeavours to supervise the compliance with the terms of the QX001S Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(d) our independent non-executive Directors and our auditors will review the transactions in relation to the QX001S Agreement on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(e) we will disclose in the document the background for entering into the QX001S Agreement, the terms of the QX001S Agreement, the grounds for the waivers sought and our Directors' and the Sole Sponsor's views on the fairness and reasonableness of the transaction under the QX001S Agreement;

(f) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the above continuing connected transactions, we will take immediate steps to ensure compliance with such new requirements; and

(g) in terms of the QX001S Agreement, immediately before the commencement of the sale of the QX001S, our Company will, based on specific circumstances at that time, (a) set monetary caps by then by way of entering into separate agreement(s) and making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules and such transactions will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio (other than the profits ratio) is no less than 5%; or (b) liaise with the Stock Exchange to enable it to access whether a further waiver will be necessary. In addition, our Company will disclose in its annual report(s) a clear description of the basis for calculating the fees received by our Company under the QX001S Agreement and any changes to such basis would be subject to independent shareholders' approval.

In addition, we confirm that our Company will comply at all time with the other applicable provisions under Chapter 14 of the Listing Rules in respect of the discloseable and non-exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transaction referred to in this document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM THE DIRECTORS

Our Directors, including the independent non-executive Directors, are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into: (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better and in accordance with the respective terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole; and (iii) the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information prepared and provided by our Company in relation to the continuing connected transactions described in this section. Based on the above, the Sole Sponsor is of the view that the non-exempt continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better and in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of our Company and our Shareholders as a whole.