RAINBOW CAPITAL (HK) LIMITED
滾 博 資 本 有 限 公 司

May 29, 2024

To the Independent Board Committee and the Independent Shareholders

RemeGen Co., Ltd.
58 Middle Beijing Road
Yantai Development Zone
Yantai Area of Shandong Pilot Free Trade Zone
PRC

Dear Sir or Madam,

(1) REVISION OF ANNUAL CAP UNDER THE 2023-2025 MABPLEX MASTER SERVICE AGREEMENT; AND
(2) REVISION OF ANNUAL CAPS UNDER THE 2023-2025 MATERIALS PURCHASE FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated May 29, 2024 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As the respective actual transaction amounts of the transactions contemplated under the 2023-2025 MabPlex Master Service Agreement in 2024 and the 2023-2025 Materials Purchase Framework Agreement in 2024 and 2025 may exceed the annual caps as set out in the CCT Publications, on April 26, 2024, the Board resolved to revise (i) the existing annual cap under the 2023-2025 MabPlex Master Service Agreement for the year ending December 31, 2024, and (ii) the existing annual caps under the 2023-2025 Materials Purchase Framework Agreement for the years ending December 31, 2024 and December 31, 2025.

As of the Latest Practicable Date, (i) MabPlex is owned as to approximately 32.95% by the Controlling Shareholders; (ii) CelluPro is owned as to 51% by MabPlex and 49% by RC Pharma and RC Pharma is owned as to approximately 63.93% by the Controlling Shareholders. As such, each of MabPlex and CelluPro is a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules. Therefore, the transactions contemplated under each of the 2023-2025 MabPlex Master Service Agreement and 2023-2025 Materials Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of each of the Revised 2024 MabPlex Master Service Cap and the Revised 2024-2025 Materials Purchase Caps exceeds 5%, the respective transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider whether the revision of the annual caps under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement are fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As of the Latest Practicable Date, we did not have any relationships or interests with the Group, MabPlex and CelluPro that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group, MabPlex or CelluPro and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group, MabPlex or CelluPro. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules and therefore are qualified to give independent advice in respect of the revision of the annual caps under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as of the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as of the Latest Practicable Date and all such statements of belief, opinions

and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, CelluPro, MabPlex or their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Revised 2024 MabPlex Master Service Cap and the Revised 2024-2025 Materials Purchase Caps, we have taken into account the principal factors and reasons set out below:

1. Information of the Group

The Group is a fully-integrated biopharmaceutical company committed to the discovery, development and commercialization of innovative and differentiated biologics for the treatment of autoimmune, oncology and ophthalmic diseases with unmet medical needs in China and globally.

Set out below is a summary of the consolidated financial information of the Group for the years ended December 31, 2021, 2022 and 2023 ("**FY2021**", "**FY2022**" and "**FY2023**", respectively) as extracted from the annual reports of the Company for FY2022 and FY2023 ("**2022 Annual Report**" and "**2023 Annual Report**", respectively):

Financial performance

	FY2021	**FY2022**	**FY2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	1,423,902	767,775	1,076,130
– Licence revenue	1,290,875	–	–

	FY2021 *RMB'000* *(audited)*	FY2022 *RMB'000* *(audited)*	FY2023 *RMB'000* *(audited)*
– Sales of goods	131,310	738,204	1,049,195
– Service income	1,717	29,571	26,935
Cost of sales	(67,163)	(269,939)	(253,136)
Gross profit	1,356,739	497,836	822,994
Other income and gains	185,970	232,499	110,564
Selling and distribution expenses	(262,967)	(440,696)	(775,185)
Administrative expenses	(219,840)	(272,542)	(313,673)
Research and development costs	(710,973)	(982,080)	(1,306,307)
Impairment losses on financial assets, net	(342)	(11,128)	(11,276)
Other expenses	(67,006)	(15,962)	(15,210)
Finance costs	(5,323)	(6,757)	(23,091)
Share of the associate's loss for the year	–	–	(45)
Profit/(Loss) before tax	276,258	(998,830)	(1,511,229)
Profit/(Loss) for the year	276,258	(998,830)	(1,511,229)

In August 2021, the Group entered into an exclusive worldwide license agreement with Seagen Inc. to develop and commercialize disitamab vedotin and received an upfront payment of US$200 million in October 2021. Accordingly, the Group recognised revenue of approximately RMB1,424 million for FY2021. As the licence revenue is one-off in nature, the Group's revenue decreased from approximately RMB1,424 million for FY2021 to approximately RMB768 million for FY2022, which was partly offset by the increase in sales of goods from approximately RMB131 million for FY2021 to approximately RMB738 million for FY2022 due to the increase in sales of two drugs which were included in the National Reimbursement Drug List (NRDL) at the end of 2021 and their smooth commercialisation. The Group recorded net loss of approximately RMB999 million for FY2022, as compared to net profit of approximately RMB276 million for FY2021, which was mainly due to the decrease in revenue.

The Group recorded revenue of approximately RMB1,076 million for FY2023, representing an increase of approximately 40.1% from approximately RMB768 million for FY2022. The increase was mainly attributable to robust year-on-year growth in sales revenue driven by telitacicept and disitamab vedotin, two commercial-stage products of the Group. The Group's net loss increased by approximately 51.3% from approximately RMB999 million for FY2022 to approximately RMB1,511 million for FY2023, which was mainly due to (1) the increase in selling and distribution expenses, primarily attributable to the fact that the Group invested more in team building costs and academic promotion expenses in commercialisation

in order to expand the market; and (2) the increase in research and development cost, primarily attributable to the increase in the number of research and development employees, the increase in staff salary levels and the continuous development and clinical development of drug candidates.

Financial position

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets, including:	1,859,256	2,809,053	3,299,310
– Property, plant and equipment	1,577,687	2,406,750	2,833,055
Current assets, including:	2,299,953	3,212,138	2,228,933
– Inventories	280,314	522,673	741,560
– Cash and cash equivalents	1,756,821	2,069,180	726,552
Current liabilities, including:	616,402	892,301	1,137,541
– Other payables and accruals	393,130	585,840	632,196
– Interest-bearing bank borrowings	–	–	286,349
Non-current liabilities, including:	96,385	148,590	953,433
– Interest-bearing bank borrowings	–	–	840,588
Equity attributable to the Shareholders	3,446,422	4,980,300	3,437,269

As of December 31, 2023, total assets of the Group were approximately RMB5,528 million, which mainly consisted of (1) property, plant and equipment of approximately RMB2,833 million; (2) inventories of approximately RMB742 million; and (3) cash and cash equivalents of approximately RMB727 million.

As of December 31, 2023, total liabilities of the Group were approximately RMB2,091 million, which mainly consisted of (1) interest-bearing bank borrowings of approximately RMB1,127 million; and (2) other payables and accruals of approximately RMB632 million.

2. Reasons for and benefits of the revision of the annual caps under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement

Revised 2024 MabPlex Master Service Cap

MabPlex is a global CDMO services provider in the development and manufacturing of biopharmaceuticals, including mAbs, recombinant proteins, ADCs and bispecifics.

The Board has been closely monitoring the Group's demand for research and development and manufacturing services. As the actual transaction amount of the transactions contemplated under the 2023-2025 MabPlex Master Service Agreement in 2024 may exceed the annual cap as set out in the CCT Publications as it is estimated that the demand for commissioned research and development and production services for, among others, RC88 will increase in 2024 with the acceleration of the Company's research and development progress, on April 26, 2024, the Board resolved to revise the existing annual cap for the 2023-2025 MabPlex Master Service Agreement for the year ending December 31, 2024. By the adoption of the Revised 2024 MabPlex Master Service Cap, the Group will be able to continue outsourcing its research and development and manufacturing for certain non-core products without disruption.

As disclosed in the 2023 Annual Report, the Group's clinical trial expenses under the research and development costs increased by approximately 33.2% from approximately RMB235 million for FY2022 to approximately RMB313 million for FY2023, mainly due to the continuous clinical development of drug candidates. In particular, RC88, being a novel mesothelin-targeting ADC drug for the treatment of solid tumors, is in expansion phase and the Investigational New Drug (IND) application for a Phase II trial of RC88 for the treatment of patients with gynecologic cancers was approved by the U.S. FDA in December 2023, and hence it is expected that significant research and development will be required for this drug. Taking into account the Group's increased demand for research and development and manufacturing services, we consider the Revised 2024 MabPlex Master Service Cap is in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Revised 2024-2025 Materials Purchase Caps

CelluPro is a medium manufacturing company specializing in the development, production of high-quality serum free medium for mammalian cells culture. The Group has purchased the medium products from CelluPro since 2018, and CelluPro is able to provide the medium products required by the Group.

The Board has been closely monitoring the Group's demand for medium products. As the actual transaction amounts of the transactions contemplated under the 2023-2025 Materials Purchase Framework Agreement in 2024 and 2025 may exceed the annual caps as set out in the CCT Publications as it is estimated that there will be increased demand for cell culture medium products which are used in the commercial manufacturing process of telitacicept and disitamab vedotin, on April 26, 2024, the Board resolved to revise the existing annual caps under the 2023-2025 Materials Purchase Framework Agreement for the years ending December 31, 2024 and December 31, 2025. By the adoption of the Revised 2024-2025 Materials Purchase Caps, the Group will be able to continue its commercial manufacturing activities for telitacicept and disitamab vedotin as well as other ongoing research and development activities for other drug candidates without disruption.

As disclosed in the 2023 Annual Report, the Group recorded revenue from product sales of approximately RMB1,049 million for FY2023, representing an increase of approximately 42.1% from approximately RMB738 million for FY2022, mainly attributable to robust growth in sales revenue generated from telitacicept and disitamab vedotin. As disclosed in the 2024

first quarterly report of the Company, the Group's revenue recorded a year-on-year increase of approximately 96.41% in the first quarter of 2024. With reference to the 2023 Annual Report, the sales of both of telitacicept and disitamab vedotin grew rapidly as a result of their clinical superiority and the inclusion in the NRDL, and the Company is expected to increase their market penetration in 2024. Taking into account the Group's increased demand for raw material for commercial manufacturing and research and development, we consider the Revised 2024-2025 Materials Purchase Caps are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement

Details of the terms the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement and are set out in the CCT Publications. Set out below are the principal terms of the agreements:

(i) The 2023-2025 MabPlex Master Service Agreement

Parties	:	(1) Company; and (2) MabPlex
Term	:	Three years from January 1, 2023
Services provided	:	MabPlex shall provide research and development and manufacturing services to the Company, including but not limited to cell culture manufacturing, synthesis of linker payloads, ADC conjugation service, release testing service, GMP fill/finish of ADC products, and cell banking. With respect to specific service requests that may be identified in the future, the Company and MabPlex will enter into separate individual agreements or work orders to provide for the specific terms and conditions including service scope, service fees and other terms, subject to and in accordance with the 2023-2025 MabPlex Master Service Agreement.

Our assessment

In assessing whether the terms of the 2023-2025 MabPlex Master Service Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed five service agreements (the "**Service Agreements**") entered into between the Group and MabPlex for each of FY2021, FY2022 and FY2023. For comparison purpose, we have also obtained and reviewed 12, 7, and 7 quotations (the "**Independent Service Quotations**") for similar research and development and manufacturing services provided by MabPlex to its independent customers for FY2021, FY2022 and FY2023, respectively.

Given that the review period of the Service Agreements and the Independent Service Quotations covers three years since the Company's listing, we consider the Service Agreements and the Independent Service Quotations to be fair and representative.

Based on our review of the Service Agreements and the Independent Service Quotations, we noted that (1) for similar type of service, the service fees charged by MabPlex to the Group were not less favourable than those charged by MabPlex to its independent customers; and (2) the payments of the services were all based on the progress of research and development and manufacturing. As such, we consider the terms of the Service Agreements are no less favourable than those of the Independent Service Quotations.

Based on our review as stated above, we consider the terms of the 2023-2025 MabPlex Master Service Agreement are on normal commercial terms which are fair and reasonable.

(ii) The 2023-2025 Materials Purchase Framework Agreement

Parties	:	(1) Company; and (2) CelluPro
Term	:	Three years from January 1, 2023
Services provided	:	CelluPro will sell to the Company and the Company will buy from CelluPro certain medium products the Company uses in its research and development activities including but not limited to basic culture medium and feed medium. With respect to specific product requests that may be identified in the future, the Company and CelluPro will enter into separate individual agreements or work orders to provide for the specific terms and conditions according to the principles provided in the 2023-2025 Materials Purchase Framework Agreement.

Our assessment

In assessing whether the terms of the 2023-2025 Materials Purchase Framework Agreement are fair and reasonable, we have selected on a random basis and obtained and reviewed one, five and five material purchase agreements (the "**Material Agreements**") for the sales and purchase of medium products entered into between the Group and CelluPro for FY2021, FY2022 and FY2023, respectively. As advised by the management of the Group, Group only entered into one material purchase agreement with CelluPro in 2021.

For comparison purpose, we have also obtained and reviewed one, two and five quotations (the "**Independent Material Quotations**") for similar medium products offered by CelluPro to its independent customers for FY2021, FY2022 and FY2023, respectively. As advised by the management of the Group, CelluPro didn't offer other quotations to independent customers for FY2021 and FY2022.

Given that the review period of the Independent Material Quotations and the Material Agreements covers three years since the Company's listing, we consider the Independent Material Quotations and the Material Agreements to be fair and representative.

Based on our review of the Material Agreements and the Independent Material Quotations, we noted that (1) the purchase prices charged by CelluPro to the Group were more favourable than those offered by CelluPro to its independent customers due to the Group's larger purchase volume; and (2) the credit period offered to the Group was 60 days while CelluPro may offer shorter credit period to or ask for prepayment from its independent customers. As such, we consider the terms of the Material Agreements are no less favourable than those of the Independent Material Quotations.

Based on our review as stated above, we consider the terms of the 2023-2025 Materials Purchase Framework Agreement are on normal commercial terms which are fair and reasonable.

4. Internal control measures of the Group

In order to protect the interests of the Shareholders, the Group has adopted the following internal control measures to regulate the respective individual transactions to be conducted under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement:

- if a comparable market price is available, the Company shall compare the proposed product price or service fee with the market price to ensure that the proposed product price or service fee will not be higher than the selling price of product or service of a similar type or nature provided by independent third-party suppliers or providers;

- before selecting a product supplier or services provider, the Company's procurement department shall obtain price quotations from certain independent third-party suppliers or providers. The factors to be considered by the Company in conducting internal assessments include price, quality, exclusivity of product or service, and value added to the Company;

- if no comparable market price is available, the Company's procurement department shall conduct arm's length negotiation with the relevant connected persons to determine the terms in line with the relevant pricing policies based on trade cost of the product involved or value of the relevant service and the actual costs and expenses incurred;

- after arm's length negotiation with the connected person, the Company's procurement department will report to the Company's senior management who will approve individual transactions as appropriate;

- the Company's internal audit department will regularly collect and monitor the transaction amount of continuing connected transactions to ensure timely assessment on whether the annual caps are exceeded; and

- the Company's independent non-executive Directors will also conduct annual review on the non-exempt continuing connected transactions 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 relevant framework agreement. The auditor of the Company will also conduct annual review on the pricing and annual cap of the non-exempt continuing connected transactions.

In assessing whether the above internal control measures are put in place and effectively implemented, we have obtained summary reports of the transactions conducted under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement for FY2021, FY2022 and FY2023 and noted the monthly transaction amount had been closely monitored and the annual caps were not exceeded.

In addition, as discussed in the section headed "3. Principal terms of the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement" above, we have obtained and reviewed the Service Agreements, the Independent Service Quotations, the Material Agreements and the Independent Material Quotations and noted that the terms offered by MabPlex and CelluPro to the Group were not less favourable than those offered to their independent customers.

Having considered the above, we are of the view that the internal control measure for monitoring the transactions contemplated under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement have been effectively implemented, and we concur with the Directors that appropriate and adequate procedures are in place to ensure that the transactions contemplated under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Assessment of the Revised 2024 MabPlex Master Service Cap and the Revised 2024-2025 Materials Purchase Caps

(i) Review of the historical figures

Set out below are the historical annual caps and the actual transaction amounts regarding the transactions contemplated under the 2023-2025 MabPlex Master Service Agreement:

	FY2023	**For the three months ended March 31, 2024**
	RMB	*RMB*
Historical transaction amount	36,016,000	6,965,068
Historical annual cap	70,000,000	60,000,000 *(Note)*
Utilisation rate	51.5%	11.6%

Note: Original 2024 MabPlex Master Service Cap

As advised by the management of the Group, the low utilisation rate for FY2023 was mainly due to that some research and development and manufacturing projects were not outsourced to MabPlex as the Group expected when setting the annual cap. Instead, the Group used its internal research and development and manufacturing teams to execute such projects. However, as RC88 enters the expansion phase, it is expected that significant amount of research and development will be required and the Group's internal research and development and manufacturing teams will not be sufficient to carry out the research and development. The transaction amount of approximately RMB6,965,068 for the three months ended March 31, 2024 was relatively low, which was mainly due to that the Company was still negotiating the terms of a service agreement with MabPlex for the research, development and manufacturing of RC88 with a contract amount of approximately RMB85,770,000. The Group is expected to enter into this service contract with MabPlex in July 2024, and it is expected that RMB68,150,000 will be recognized in 2024, which exceeds to existing annual cap under the 2023-2025 MabPlex Master Service Agreement.

Set out below are the historical annual caps and the actual transaction amounts regarding the transactions contemplated under the 2023-2025 Materials Purchase Framework Agreement:

	FY2023	**For the three months ended March 31, 2024**
	RMB	*RMB*
Historical transaction amount	40,801,000	9,369,446
Historical annual cap	53,000,000	60,000,000 *(Note)*
Utilisation rate	77.0%	15.6%

Note: Original 2024 Materials Purchase Cap

The transaction amount decreased to approximately RMB9,369,446 for the three months ended March 31, 2024, which would amount to approximately RMB37,477,784 when annualised. The low transaction amount for the three months ended March 31, 2024 was mainly due to the relative high inventories at the beginning of 2024. Nevertheless, given the robust growth in sales of the Group's major products, namely telitacicept and disitamab vedotin, the Company is expected to increase their production and expects to purchase more materials in the second half of 2024.

(ii) Assessment of the Revised 2024 MabPlex Master Service Cap and the Revised 2024-2025 Materials Purchase Caps

The Revised 2024 MabPlex Master Service Cap

The Group proposes to revise the annual cap for the year ending December 31, 2024 under the 2023-2025 MabPlex Master Service Agreement from RMB60,000,000 to RMB80,000,000.

In assessing the reasonableness of the Revised 2024 MabPlex Master Service Cap, we have discussed with the management of the Group on reasons for and basis of the Revised 2024 MabPlex Master Service Cap. As advised by the management of the Group, it is expected there is increased demand for services provided by MabPlex under the 2023-2025 MabPlex Master Service Agreement due to the acceleration of the Company's research and development progress, including approximately RMB68,150,000 for RC88, RMB6,500,000 for RC248 and RMB5,350,000 for other research and development projects in transaction value for the year ending December 31, 2024.

In this regard, we have obtained and reviewed the draft service agreement to be entered into between the Company and MabPlex for RC88 with a contract amount of approximately RMB85,770,000, among which RMB68,150,000 is expected to be recognized in 2024, representing approximately 85.2% of the Revised 2024 MabPlex Master Service Cap. The significant investment required for RC88 is due to the drug is currently in expansion phase. As disclosed in the 2023 Annual Report, the IND application for the Phase I/II trial of RC88 in combination with sintilimab for the treatment of patients with advanced malignant solid tumours was approved by the NMPA in March 2023. In December 2023, the IND application for a Phase II trial of RC88 for the treatment of patients with gynecologic cancers was approved by the U.S. Food and Drug Administration. As advised by the management of the Group, the Company expects to commence the preparation works for biologics license application (BLA) of RC88 in 2024 and due to the limit of the Group's existing internal research and development and manufacturing teams, the Group will outsource the research and development and manufacturing works to MabPlex. Although the draft service agreement does not have a definitive term, based on the discussion between the Company and MabPlex, the project is expected to be completed by March 2025.

Having considered (i) the contract amount of the draft service agreement to be entered into between the Company and MabPlex for RC88 exceeds the Original 2024 MabPlex Master Service Cap, while the service fees charged by MabPlex to the Company were not less favourable than those offered by MabPlex to its independent customers; (ii) the significant demand for the research and development of RC88 since its obtaining of the IND application approvals in 2023; and (iii) the Group may have additional research and development and manufacturing requests of its non-core products from time to time, we consider the Revised 2024 MabPlex Master Service Cap is fair and reasonable.

The Revised 2024-2025 Materials Purchase Caps

The Group proposes to revise the annual cap for the year ending December 31, 2024 under the 2023-2025 Materials Purchase Framework Agreement from RMB60,000,000 to RMB75,000,000, and revise the annual cap for the year ending December 31, 2025 under the 2023-2025 Materials Purchase Framework Agreement from RMB65,000,000 to RMB90,000,000.

In assessing the reasonableness of the Revised 2024-2025 Materials Purchase Caps, we have discussed with the management of the Group on the basis of determination of the Revised 2024-2025 Materials Purchase Caps. Based on the production schedule of the Company, the Group expects to purchased approximately 952,140 liters of medium products for the year ending December 31, 2024 with average price of approximately RMB78.77 per liter and approximately 1,172,884 liters of medium products for the year ending December 31, 2025 with average price of approximately RMB76.73 per liter. For FY2023, the Group purchased approximately 467,226 liters of medium products with average price of approximately RMB87.33 per liter. As advised by the management of the Group, the Company and CelluPro

are negotiating a more favorable purchase price compared to the existing purchase price as the Company expects to purchase more media products from CelluPro in 2024 and 2025. As such, we consider the expected decrease in average purchase price is justifiable. In addition, the expected purchase amounts of approximately 952,140 liters for the year ending December 31, 2024 and approximately 1,172,884 liters for the year ending December 31, 2025 represent increases of approximately 103.8% and 151.0%, respectively, from actual purchase amount of approximately 467,226 liters for FY2023. The increase in expected purchase amount is mainly due to the expected demand for medium products used for the commercial manufacturing of the Group's core products, telitacicept and disitamab vedotin. In August 2023, telitacicept obtained positive outcome from a Phase III clinical trial for the treatment of rheumatoid arthritis (RA) in China and the Company submitted a BLA to the NMPA. In November 2023, telitacicept has been formally granted full approval from conditional approval by the National Medical Products Administration (NMPA) for the treatment of systemic lupus erythematosus (SLE). The Company expects to obtain marketing approval of telitacicept for the treatment of RA from the NMPA in 2024 which will lead to the Company's increased demand for medium products. As for disitamab vedotin, it received conditional marketing approval for the treatment of gastric cancer (GC) from the NMPA in June 2021 and marketing approval for the treatment of urothelial cancer (UC) in December 2021. As disclosed in the 2023 Annual Report, telitacicept and disitamab vedotin have been successfully renewed in the National Drug Catalogue for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2023 Edition) in December 2023 and continued to be included in the new Catalogue of the National Reimbursement Drug List (NRDL), which became effective from January 1, 2024. Given their clinical superiority, the Group intended to increase their market coverage and penetration, and had formed commercialisation team for autoimmune diseases with more than 700 professionals covering over 2,300 hospitals in China and commercialization team for oncology with more than 600 professionals, covering over 2,000 hospitals in China. Given the above, the Group expects that the demand for telitacicept and disitamab vedotin will increase significantly in 2024.

Given that (i) the purchase price charged by CelluPro to the Company is more favourable than those offered by CelluPro to its independent customer; (ii) the Group's revenue for FY2023 from product sales increased by approximately 42.1% as compared to that for FY2022 and recorded a year-on-year increase of approximately 96.41% in the first quarter of 2023, mainly attributable to robust growth in sales revenue generated from telitacicept and disitamab vedotin; (iii) in November 2023, telitacicept has been formally granted full marketing approval; (iv) the Company needs to prepare for commercial manufacturing of telitacicept and disitamab vedotin for other indications; (v) telitacicept and disitamab vedotin were included in NRDL which could promote the Company's sales; and (vi) the effort made by the Company on the commercialization of telitacicept and disitamab vedotin, we consider the Revised 2024-2025 Materials Purchase Caps are fair and reasonable.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the revision of the annual caps under the 2023-2025 MabPlex Master Service Agreement and the 2023-2025 Materials Purchase Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interest 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 favor of the relevant resolutions to be proposed at the AGM to approve the Revised 2024 MabPlex Master Service Cap and the Revised 2024-2025 Materials Purchase Caps.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.