



江蘇恒瑞醫藥股份有限公司

Jiangsu Hengrui Pharmaceuticals Co., Ltd.

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

Stock Code:1276



GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley



Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 224,519,800 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 12,348,600 H Shares (subject to reallocation)
Number of International Offer Shares	: 212,171,200 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
Maximum Offer Price	: HK\$44.05 per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 1276

*Joint Sponsors, Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers*

Morgan Stanley



*Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and
Joint Lead Manager*



Joint Bookrunners and Joint Lead Managers

(in alphabetical order)



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or around Wednesday, May 21, 2025. The Offer Price will be not more than HK\$44.05 per Offer Share and is currently expected to be not less than HK\$41.45 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Wednesday, May 21, 2025 (Hong Kong time), the Global Offering will not proceed and will lapse.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hengrui.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Hong Kong Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the U.S. and may not be offered, sold, pledged or transferred within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold (i) in the United States solely to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act pursuant to Rule 144A or another available exemption from registration requirements under the U.S. Securities Act and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. No public offering of the Offer Shares will be made in the United States.

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$44.05 for each Hong Kong Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

May 15, 2025

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.hengrui.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 200 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below.

IMPORTANT

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
200	8,898.85	5,000	222,471.22	80,000	3,559,539.55	2,000,000	88,988,488.50
400	17,797.71	6,000	266,965.47	90,000	4,004,481.98	3,000,000	133,482,732.76
600	26,696.54	7,000	311,459.71	100,000	4,449,424.43	4,000,000	177,976,977.00
800	35,595.39	8,000	355,953.95	200,000	8,898,848.86	5,000,000	222,471,221.26
1,000	44,494.25	9,000	400,448.19	300,000	13,348,273.28	6,174,200 ⁽¹⁾	274,716,362.84
1,200	53,393.10	10,000	444,942.44	400,000	17,797,697.70		
1,400	62,291.94	20,000	889,884.89	500,000	22,247,122.13		
1,600	71,190.79	30,000	1,334,827.32	600,000	26,696,546.56		
1,800	80,089.64	40,000	1,779,769.76	700,000	31,145,970.98		
2,000	88,988.49	50,000	2,224,712.21	800,000	35,595,395.40		
3,000	133,482.74	60,000	2,669,654.65	900,000	40,044,819.83		
4,000	177,976.98	70,000	3,114,597.10	1,000,000	44,494,244.26		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hengrui.com.

Date⁽¹⁾

Hong Kong Public Offering commences9:00 a.m. on
Thursday, May 15, 2025

Latest time to complete electronic applications under the
HK eIPO White Form service through the designated website
at www.hkeipo.hk⁽²⁾11:30 a.m. on
Tuesday, May 20, 2025

Application lists open⁽³⁾11:45 a.m. on
Tuesday, May 20, 2025

Latest time for (a) completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s) or
PPS payment transfer(s) and (b) giving **electronic application**
instructions to **HKSCC**⁽⁴⁾12:00 noon on
Tuesday, May 20, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions as this may vary by **broker** or **custodian**.

Application lists close⁽³⁾12:00 noon on
Tuesday, May 20, 2025

Expected Price Determination Date⁽⁵⁾Wednesday, May 21, 2025

Announcement of the Offer Price, the level of applications in the
Hong Kong Public Offering; the level of indications of interest
in the International Offering; and the basis of allocation of the
Hong Kong Offer Shares to be published on our website at
www.hengrui.com⁽⁶⁾ and the website of the Stock Exchange
at www.hkexnews.hk at or before11:00 p.m. on
Thursday, May 22, 2025

EXPECTED TIMETABLE

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be made available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at www.hengrui.com⁽⁶⁾ and www.hkexnews.hk, respectivelyThursday, May 22, 2025
- from the "Allotment Results" page at the designated results of allocation at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result with a "search by ID" function from11:00 p.m. on Thursday, May 22, 2025 to 12:00 midnight on Wednesday, May 28, 2025
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. fromFriday, May 23, 2025 to Wednesday, May 28, 2025 (excluding Saturday, Sunday and public holiday in Hong Kong)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from6:00 p.m. on Wednesday, May 21, 2025

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾Thursday, May 22, 2025

HK eIPO White Form e-Auto Refund payment instructions/ refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾Friday, May 23, 2025

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. onFriday, May 23, 2025

EXPECTED TIMETABLE

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed “Structure of the Global Offering” in this prospectus.
- (2) If you have already submitted your application through the designated website at www.hkeipo.hk and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, May 20, 2025, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—E. Severe Weather Arrangements” for details.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to “How to Apply for Hong Kong Offer Shares—A. Application for Hong Kong Offer Shares—2. Application Channels—HKSCC EIPO channel” in this prospectus.
- (5) The Price Determination Date is expected to be on or before Wednesday, May 21, 2025 and, in any event, not later than 12:00 noon on Wednesday, May 21, 2025. If, for any reason, we do not agree with the Overall Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by 12:00 noon on Wednesday, May 21, 2025, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, May 23, 2025. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications.
- (9) Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to “How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies” for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies.”

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, our Company will publish an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading innovative global pharmaceutical company rooted in China. In addition, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from new molecular entity (“NME”) drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

These achievements have been enabled by Hengrui’s ecosystem, comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities. Through decades of efforts, we have substantially transformed into a leading global pharmaceutical company focused on innovative therapies to address immense unmet medical needs worldwide. Our persistent R&D investments and dedicated innovation, especially since our initial public offering (IPO) of A Shares in 2000, have contributed to the establishment of a large portfolio of differentiated innovative drugs, including several potential blockbusters. Our commitment to innovation is evidenced by our capital allocation, with our R&D investments (comprising R&D expenses and capitalized R&D expenditures) as a percentage of our total revenue being 29.4% in 2024. We are also committed to delivering attractive shareholder returns. For example, we have distributed cumulative cash dividends of approximately RMB8,029 million since our A Share IPO, representing 16.8 times of our A Share IPO proceeds, which was the only occasion we raised funds from the capital markets.

Focus on Immense Unmet Medical Needs

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience. According to Frost & Sullivan, the aggregate global pharmaceutical market of these major therapeutic areas in 2023 was US\$845.8 billion, accounting for 57.4% of the overall global pharmaceutical market for the same year; and it is expected to grow at a CAGR of 6.4% from 2023 to 2028, surpassing the CAGR of 5.7% for the overall global pharmaceutical market growth during the same period.

SUMMARY

Differentiated Innovative Product Matrix

We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. Our oncology portfolio has strategically expanded from solid tumors to hematological malignancies and provides a comprehensive coverage of neoadjuvant, adjuvant and later lines of treatment. We also provide therapeutics for prevention and treatment of major chronic diseases. As of the Latest Practicable Date, we had a portfolio of 19 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum in the rollout of innovative products. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

Leading R&D Capabilities

Multi-pronged Approach and Advanced Technology Platforms. We strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including proteolysis-targeting chimeras (PROTACs), peptides, monoclonal antibodies (mAbs), bispecific antibodies (BsAbs), multi-specific antibodies, antibody-drug conjugates (ADCs), radioligand therapies (RLTs), and oligonucleotide. This multi-pronged approach supported by our advanced technology platforms allows us to significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of our technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D.

We make modular evolutions to our platforms and capitalize on platform synergies to rapidly iterate and optimize our conjugates as potential drug candidates. For example, through our ADC platform, we have successfully extended our research to construct a new series of “AXC” drugs, where X can be a peptide, oligonucleotide, or small molecule protein degrader. We have also pioneered the development of degrader-antibody conjugates (DACs) and antibody-oligonucleotide conjugates (AOCs). In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

SUMMARY

End-to-end Clinical Development. We have built strong end-to-end clinical development capabilities to ensure the superior efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies. From 2018 to the Latest Practicable Date, we had obtained 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines while ensuring the robust quality of our clinical trials.

In addition to our superior efficiency, under the “patient first” guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients’ well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in over 90 GCP inspections conducted by the NMPA and the U.S. FDA.

Talent and Culture of Innovation. To maintain our competitive strengths in the areas described above, we have made significant investments in and place great emphasis on first-tier talent and a culture of innovation. Our all-round, top-notch R&D team is at the core of our superior R&D and chemistry, manufacturing and controls (CMC) capabilities. Nearly 60% of our over 5,500 R&D team members as of December 31, 2024 hold a master’s or higher degree. Many of them have years of experience at leading multinational pharmaceutical companies and renowned research institutes. Moreover, over 30% of our mid-level or above management members as of December 31, 2024 have overseas education or work experience. We benefit from their cross-disciplinary expertise that spans a variety of fields, such as chemistry, biology, pharmacology, toxicology, pharmacovigilance, and translational and clinical research. Leveraging our great talent and culture, we are able to efficiently and swiftly develop highly differentiated innovative pharmaceutical products.

Global-standard Manufacturing System

Leveraging our over 50 years of manufacturing experience, we have established a global-standard manufacturing system to ensure quality excellence, supply stability, and cost efficiency. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have hired our Chief Quality

SUMMARY

Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry. At the same time, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced.

Robust Commercialization Capabilities

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive and tiered channel coverage enabled by our robust sales force. Our highly specialized sales force has been carefully curated into complementary functions to effectively market and promote our products. As of December 31, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 employees, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. As of the same date, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. In addition, we focus on academic promotion to enhance the market awareness of our brand and innovation, including collaborating with clinical investigators and key opinion leaders, publishing our R&D results in high-impact journals and presenting at renowned medical conferences.

Accelerated Global Expansion

In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In addition, since 2018, we have carried out 14 out-licensing transactions with global partners, involving 17 molecular entities. The aggregate deal value of these transactions was approximately US\$14 billion, with total upfront payments of approximately US\$600 million, in addition to equity interest in certain collaboration partners. Among these transactions, our transaction with Kailera Therapeutics, with a total deal value of approximately US\$6 billion, was a landmark partnering transaction in China's pharmaceutical industry. In addition, these transactions included our out-licensing to a fully owned subsidiary of Merck KGaA, Darmstadt, Germany ("MRKDG"), IDEAYA Biosciences, and Aiolos Bio Inc. ("Aiolos Bio") (later acquired by GSK).

Solid Financial Performance

Through continuous innovation, we have achieved solid financial performance. Specifically, our total revenue was RMB28.0 billion in 2024, representing an approximately 14% CAGR from 2014, compared to an approximately 4% CAGR for the global pharmaceutical market during the same period. Moreover, innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024.

SUMMARY

Our revenue from sales of generic drugs as a percentage of our total revenue decreased from 60.3% in 2022 to 53.4% in 2023 and further to 42.0% in 2024. In addition, our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.6% in 2024. Over these same respective periods, we generated operating cash inflows of RMB1,265.3 million, RMB7,643.7 million, and RMB7,422.8 million.

We are also committed to good corporate governance, social responsibility, and the environmental sustainability of our business. Our achievements in this respect are highlighted by an ESG rating of “A” that we have received from MSCI for two consecutive years since 2023.

INNOVATIVE PRODUCT PORTFOLIO

We have an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs, including 19 NME drugs and four other innovative drugs. In addition, as of the same date, we had a pipeline of over 90 NME drug candidates and seven other innovative drug candidates in clinical or later stages of development, including over 30 innovative drug candidates in pivotal clinical studies or later stages of development.

SUMMARY

The chart below presents certain information about our commercialized NME drugs and NME drug candidates in clinical or later stages of development as of April 30, 2025.

Small Molecule	mAb	ADC	Metabolic	Cardiovascular	Immunological & Respiratory Diseases	Neuroscience	Others
Apliximab GAC/GEJA/HCC/BC	SHR-1167 PARP PC/OC	SHR-ARU HER2/ADC CIC/BTC/Gynecological Malignancies	Insulin T2D	Reclastinab PCSK9	Vecicostimab MMP P/O/PKA/AS/arsAsPA	Tedilferidine MOR Analgesic/Pain Management	Oxycodone AS VVC
Pyridinib EGFR/HER2/HER4 BC/NSCLC	SHR-9080 SERD	SHR-A2102 Nectin-4 ADC SCLC/NSCLC/CC/OC HCC/GAC/EG/BTC	Hemoglobin SGLT-2 T2D/CKD	SHR-1918 ANGPTL3 Hypertension/HL	SHR-1905 TSLP COPD	Remimazolam GABA _A	SHR8658 Perfluoroheptane DED
Fuzunonib PARP/2 OC/FTC/PPC/BC/ mCRC	SHR-2005 CDK4 BC	SHR-1098 Biological Malignancies Chondra HR2 ADC GAC/GEJA/PDAC	HTF-404 T2D	SHR-2004 ES1 VTE/Stroke/Systemic Emboli	SHR-9043 NCFB	SHR-1707 AB AD ²	HRS-8427 Cellulose Derivatives cUTI/Pulmonary Infection
Dalpidib CDK4/6 BC	HRS-4642 KRAS G12D Solid Tumor	SHR-A2009 HER3 ADC NSCLC	INS908 Insulin T2D	HRS-1893 Myosin HCM	HRS-9821 PDE9A COPD	HRS8179 SURI Cerebral Edema	SHR7290 GalRH COH
Reslutamide AR KAY6 BC	HRS-2189 KAY6 BC	SHR-A1921 TROP2 ADC OC	URAT1 Gout and Hypertension	HRS-5346 Lipid Lipoprotein Disorder	HRS-9231 MRI Contrast	HRS-5685 NK1 PONY	HRS5890
Neceopigilgramin PC/G-CSF CIN	HRS-7052 KRAS G12C Solid Tumor	SHR-A1912 TROP2 ADC B-cell Lymphoma	HTF7031 Insulin/GLP-1 T2D	HRS-7249 HL	HRS-9813 HTF/LLD/PPF	HRS-7450 AS	HRS9422 Anti-fungal Derivatives Candidiasis
Hemibopag TPO-R GCT/CLL/D/ Thrombocytopenia	HRS-3738 CBM3-E3 MM/NHL	SHR-4602 HER2 ADC (Next-gen) Solid Tumor	HRS-7535 GLP-1 T2D/BKD/HF	HRS-9563 Hypertension	HRS-2129 Pain Management	HRS-5665 HBV sRNA CHB	HRS-5665 HBV sRNA CHB
Fuzunib VEGF/2c-KiPTGFR CC	HRS-6286 Solid Tumor	SHR-1852 HER2 ADC Solid Tumor	HRS9531 GLP-1/GIP Overweight/Obesity/ T2D/HT/OSA/PCOS	SHR-6934 HF	SHR-4029 AMS	HRS-2183 GNA Infection	
SHR2554 EZH2 Lymphoma	HRS-3802 Solid Tumor	SHR-4849 DLL3 ADC Solid Tumor	SHR6588 CSK HPT	HRS-5632 Lipoprotein Disorder	HRS-7085 IBD		
HR2013 NK1RA/5-HT3RA CINV	HRS-4508 Solid Tumor	SHR-4394 PC	SHR-3167 Diabetes	HRS-9057 Fluid Retention	SHR-3045 RA		
SHR2398 ATC Solid Tumor	HRS-6719 Solid Tumor	SHR-1701 Solid Tumor	HRS-1790 Mineralocorticoids CKD	HRS-1301 HL			
PROTAC AR PROTAC PC	HRS-5041 AR PROTAC mCRPC	SHR-4770 PD-L1/TGFB GAC/GEJA	HRS-4729 GLP-1/GIP/GCG Overweight/Obesity	SHR-4668 HF			
SHR-1158 ER PROTAC BC	HRS-4157 mCRPC	SHR-1501 IL-15 Bladder Cancer	HRS-5817 Overweight/Obesity				
	HRS-9815 PSMA PC Diagnostics	SHR-2792 Solid Tumor					
	HRS-6768 FAP-g FAP- Solid Tumor						

Commercialized

ND/ABLA

Phase III

Phase II

Phase I

U.S. FDA/EMA ODD

U.S. FDA/FTD

NMPA BTD/ Priority Review

Notes: 1. The list is non-exhaustive; 2. Clinical stage of each product / product candidate represents for its most advanced indication(s); 3. Facilitated regulatory pathways from 2018 to April 30, 2025; 4. We have the co-development and exclusive commercialization rights for Imperfish (P3K5) in the Greater China region

Abbreviations: AA = Aplastic Anemia; AA = Alopecia Areata; AD = Alzheimer's Disease; AIS = Acute Ischemic Stroke; AS = Ankylosing Spondylitis; BC = Breast Cancer; BTC = Biliary Tract Cancer; CC = Cervical Cancer; CHB = Chronic Hepatitis B; cHL = classic Hodgkin Lymphoma; CIN = Chemotherapy-induced Nausea and Vomiting; CIT = Chemotherapy-induced Thrombocytopenia; CKD = Chronic Kidney Disease; CLD = Chronic Liver Disease; COPD = Chronic Obstructive Pulmonary Disease; COH = Controlled Ovarian Hyperstimulation; CRC = Colorectal Cancer; CRISNP = Chronic Rhinosinusitis with Nasal Polyps; CSU = Complicated Urinary Tract Infection; DED = Dry Eye Syndrome; DKD = Diabetic Kidney Disease; EG = Esophageal Cancer; EGPA = Eosinophilic Granulomatosis with Polyangiitis; FFC = Fallopian Tube Carcinoma; GAC = Gastric Adenocarcinoma; GEA = Gastroesophageal Junction Adenocarcinoma; GNB = Gram-negative Bacteria; HCC = Hepatocellular Carcinoma; HCM = Hypertrophic Cardiomyopathy; HF = Heart Failure; HL = Hyperlipidemia; HPT = Hyperparathyroidism; IBD = Inflammatory Bowel Disease; IgAN = IgA Nephropathy; ILD = Interstitial Lung Disease; IPF = Idiopathic Pulmonary Fibrosis; LCA = Lung Cancer; mCRPC = Metastatic Castration-Resistant Prostate Cancer; mHSPC = Metastatic Hormone Sensitive Prostate Cancer; MM = Multiple Myeloma; MRI = Magnetic Resonance Imaging; NCFB = Non Cystic-Fibrosis Bronchiectasis; NHL = Non-Hodgkin Lymphoma; NPC = Nasopharyngeal Carcinoma; nr-asxPA = Non-radiographic Axial Spondyloarthritis; NSCLC = Non-Small Cell Lung Cancer; OC = Ovarian Cancer; OSA = Obstructive Sleep Apnea; PC = Prostate Cancer; PCOS = Polycystic Ovary Syndrome; PDAC = Pancreatic Duct Adenocarcinoma; PN = Prurigo Nodularis; PNH = Paroxysmal Nocturnal Hemoglobinuria; PONY = Postoperative Nausea and Vomiting; PPC = Primary Peritoneal Carcinoma; PPF = Progressive Pulmonary Fibrosis; PSA = Prostate Adenitis; P/O = Psoriasis; RA = Rheumatoid Arthritis; SCLC = Small Cell Lung Cancer; SLE = Systemic Lupus Erythematosus; SpA = Spondyloarthritis; T2D = Type 2 Diabetes; UC = Urothelial Carcinoma; UC = Ulcerative Colitis; VTE = Venous Thromboembolism; VVC = Vulvovaginal Candidiasis

SUMMARY

Oncology. The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients' progression-free survival and overall survival, over the current standard of care. Our continued progress in novel cancer therapies and innovation efforts are best exemplified by the following product clusters:

- a cluster of immuno-oncology drugs, including (i) camrelizumab, a novel anti-PD-1 antibody, (ii) adebrelimab, a novel anti-PD-L1 antibody, (iii) retlirafusp alfa (SHR-1701), a PD-L1/TGF- β bifunctional fusion protein, and (iv) an anti-DLL3/CD3 bispecific antibody (as well as other CD3-based T cell engagers, $\gamma\delta$ T cell engagers, and NK cell engagers);
- a cluster of ADC drugs, including (i) trastuzumab rezetecan (SHR-A1811), a HER2 ADC, (ii) SHR-A2102, a Nectin-4 ADC, (iii) SHR-1826, a c-Met ADC, (iv) SHR-A1904, a Claudin 18.2 (CLDN18.2) ADC, (v) SHR-4849, a DLL3 ADC, (vi) SHR-A2009, a HER3 ADC, and (vii) SHR-A1912, a CD79b ADC;
- a cluster of ER- and CDK-targeting drugs that (i) regulate the expression of ERs such as HRS-2189, a novel KAT6-specific inhibitor, (ii) degrade expressed ERs such as HRS-8080, a novel, oral, small molecule, selective ER degrader (SERD) and HRS-1358, a novel, oral, small molecule ER PROTAC that elicits ER degradation, and (iii) block cell cycle progression induced by active ER signaling under tiered coverage, including (a) dalpiciclib, a novel, orally available CDK4/6 inhibitor, (b) HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor, (c) a novel, highly potent and highly selective CDK7 inhibitor, and (d) a novel small molecule CDK4/2/6 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities; and
- a cluster of RAS-targeting agents, including (i) HRS-7058, a novel, potent, highly selective, next-generation KRAS G12C inhibitor, and (ii) HRS-4642, a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form. In addition, we seek to develop next-generation KRAS G12D inhibitors in orally available formulation.

Metabolic and cardiovascular diseases. We strategically focus on the unmet medical needs and develop innovative treatments with more flexible drug administration and enhanced efficacy and/or better safety profiles. Notably, we have developed a portfolio of GLP-1 drugs with distinct mechanisms of action and superior clinical profile across multiple modalities, available in both oral and injectable forms. These include (i) HRS-7535, a novel, oral, small molecule GLP-1 receptor agonist, which offers convenient drug administration benefits, (ii) HRS9531, a novel, once-weekly, GLP-1 and GIP receptor dual agonist, and (iii) HRS-4729, a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide. Furthermore, we have developed a portfolio of siRNA drug candidates that provide precise gene silencing and advancements in delivery systems. These include an siRNA drug candidate targeting apolipoprotein C3 (APOC3), and an siRNA drug candidate targeting angiotensinogen (AGT).

SUMMARY

In addition, capitalizing on recent scientific insights, we have developed a robust pipeline of other highly-potent drug candidates for the treatment of metabolic and cardiovascular diseases, including a novel myosin inhibitor, an oral, small molecule Lp(a) inhibitor, and a novel allosteric modulator of the calcium-sensing receptor.

Immunological and respiratory diseases. To address these unmet medical needs, we strategically focus on a wide array of key autoimmune pathologic targets such as T cells, B cells, and complementary pathways. To enhance the effectiveness of our treatments and cater to patients' various needs in these areas, we also employ diversified modalities, including small molecules, peptides, monoclonal and bispecific antibodies, fusion proteins, and inhalation therapies. Our innovative treatments for immunological and respiratory diseases include (i) vunakizumab, an anti-IL-17A antibody, (ii) ivarmacitinib, a highly selective JAK1 inhibitor, (iii) SHR-1905, a long-acting anti-TSLP antibody, (iv) SHR-1703, a novel, long-acting anti-IL-5 antibody, (v) an anti-IFNAR1/TACI fusion protein, and (vi) an anti-IL-23p19/IL-36R bispecific antibody.

Neuroscience. Our portfolio of neuroscience pharmaceutical products covers neurology, analgesia (or pain management), and anesthesia. We primarily focus on clearly-defined pathogenic mechanisms and develop innovative treatments that have the potential to delay the disease progression. Notably, our innovative treatments in this therapeutic area include (i) SHR-1707, a novel anti-A β IgG1 antibody, indicated for the treatment of the Alzheimer's Disease; (ii) HRG2010, a novel extended-release fixed-dose combination composed of carbidopa and levodopa, indicated for the treatment of the Parkinson's Disease; and (iii) a highly selective Na ν 1.8 inhibitor, which presents significant potential for non-opioid pain management.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- Leading innovative global pharmaceutical company rooted in China;
- Differentiated innovative product matrix targeting comprehensive therapeutic areas with significant unmet medical needs and growth potential;
- Multi-pronged research capabilities and advanced technology platforms that enable us to develop potential blockbuster products;
- End-to-end clinical development capabilities aligned with our patient-oriented strategy to efficiently bring high-quality drugs to the global market;
- Global-standard and industry-leading in-house manufacturing system ensuring quality excellence, supply stability, and cost efficiency;

SUMMARY

- Industry-leading commercialization capabilities to propel our sustainable growth;
- Accelerated expansion into the global market, unlocking the potential of our product matrix and technology platforms; and
- Internationally competitive team of industry veterans led by visionary leaders.

OUR STRATEGIES

Our mission is to promote a healthier life for humankind through advancements in science. We will implement the following strategies to achieve our goal:

- Accelerate our global expansion to address immense unmet medical needs worldwide;
- Further bolster our R&D capabilities to develop more highly differentiated innovative drugs;
- Further strengthen our manufacturing system supported by global-standard quality system;
- Further enhance our commercialization capabilities in China and around the globe; and
- Recruit and retain top-notch talent to fuel our innovation and global expansion.

OUR CUSTOMERS

Our customers primarily consist of distributors of our pharmaceutical products in China and around the globe and international pharmaceutical companies to which we out-licensed certain rights with respect to our drugs and drug candidates. As of December 31, 2024, our distribution network comprised 597 distributors in over 30 provincial-level regions in China and for overseas markets. In each of the years ended December 31, 2022, 2023 and 2024, we generated revenue of RMB12,724.9 million, RMB14,163.9 million, and RMB16,437.1 million from our five largest customers, respectively, representing 59.8%, 62.0%, and 58.7% of our total revenue for the respective periods.

SUMMARY

OUR SUPPLIERS

Our suppliers primarily consist of suppliers of active pharmaceutical ingredients (“APIs”), excipients, and other raw materials. In each of the years ended December 31, 2022, 2023 and 2024, our aggregate purchases from our five largest raw material suppliers amounted to RMB842.5 million, RMB957.1 million, and RMB948.0 million, respectively, representing 24.1%, 27.0%, and 28.0% of our cost of sales for the respective periods.

COMPETITIVE LANDSCAPE

China’s pharmaceutical market is highly competitive, characterized by a number of large domestic and multinational pharmaceutical companies, as well as some smaller emerging pharmaceutical and biotechnology companies. Our products primarily compete with those indicated for similar conditions as our products on the basis of efficacy, price, brand recognition, and general market acceptance by medical professionals and hospitals. We believe that our competitive edge lies in our differentiated innovative product portfolio and pipeline, advanced technology platforms, global-standard manufacturing system, robust commercialization capabilities, increasing global presence, as well as visionary management and leadership. Our ability to stay competitive and continue our success will depend on our ability to accelerate our global expansion by addressing immense unmet medical needs worldwide; further bolster our R&D capabilities to develop more differentiated, high-quality therapeutics to the global market; further strengthen our manufacturing capabilities supported by global-standard quality system; further enhance our commercialization capabilities in China and overseas markets; and recruit and retain top-notch talent to fuel our innovation and global expansion. For details of the market landscape and our competition, see “Industry Overview—Global and China’s Pharmaceutical Markets” and “Business—Competition.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary financial data set forth below are derived from and should be read together with our financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS Accounting Standards (the “IFRS”).

SUMMARY

Summary of Consolidated Statement of Profit or Loss

The following table sets forth our selected consolidated statements of profit or loss for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	21,275,271	100.0	22,819,785	100.0	27,984,605	100.0
Cost of sales.	<u>(3,486,639)</u>	<u>(16.4)</u>	<u>(3,525,248)</u>	<u>(15.4)</u>	<u>(3,848,177)</u>	<u>(13.8)</u>
Gross profit	17,788,632	83.6	19,294,537	84.6	24,136,428	86.2
Other income and gains . .	1,371,215	6.4	1,033,784	4.5	1,174,630	4.2
Selling and distribution expenses	<u>(7,347,894)</u>	<u>(34.5)</u>	<u>(7,577,176)</u>	<u>(33.2)</u>	<u>(8,336,069)</u>	<u>(29.8)</u>
Research and development expenses	<u>(4,886,553)</u>	<u>(23.0)</u>	<u>(4,953,887)</u>	<u>(21.7)</u>	<u>(6,582,916)</u>	<u>(23.5)</u>
Administrative expenses . .	<u>(2,498,159)</u>	<u>(11.7)</u>	<u>(2,644,551)</u>	<u>(11.6)</u>	<u>(2,815,094)</u>	<u>(10.1)</u>
Other expenses	<u>(389,262)</u>	<u>(1.8)</u>	<u>(406,996)</u>	<u>(1.8)</u>	<u>(380,149)</u>	<u>(1.4)</u>
Finance costs	<u>(6,491)</u>	<u>(0.0)</u>	<u>(5,905)</u>	<u>(0.0)</u>	<u>(5,559)</u>	<u>(0.0)</u>
Share of losses of associates	<u>(62,996)</u>	<u>(0.3)</u>	<u>(72,696)</u>	<u>(0.3)</u>	<u>(21,581)</u>	<u>(0.1)</u>
Profit before tax	3,968,492	18.7	4,667,110	20.5	7,169,690	25.6
Income tax expenses	<u>(153,351)</u>	<u>(0.8)</u>	<u>(389,289)</u>	<u>(1.8)</u>	<u>(832,695)</u>	<u>(3.0)</u>
Profit for the year	<u>3,815,141</u>	<u>17.9</u>	<u>4,277,821</u>	<u>18.7</u>	<u>6,336,995</u>	<u>22.6</u>
Attributable to:						
Owners of the parent	3,906,374	18.4	4,302,436	18.9	6,336,527	22.6
Non-controlling interests . .	<u>(91,233)</u>	<u>(0.5)</u>	<u>(24,615)</u>	<u>(0.2)</u>	<u>468</u>	<u>0.0</u>
	<u>3,815,141</u>	<u>17.9</u>	<u>4,277,821</u>	<u>18.7</u>	<u>6,336,995</u>	<u>22.6</u>

Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define EBITDA (non-IFRS measure) as profit for the year adjusted by deducting bank interest income and adding back (i) finance costs, (ii) depreciation and amortization, and (iii) income tax expenses. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items.

SUMMARY

We believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) to profit for the year in respect of the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	3,815,141	4,277,821	6,336,995
Adjustments:			
Bank interest income	(385,275)	(477,143)	(603,277)
Finance costs	6,491	5,905	5,559
Depreciation and amortization	640,511	793,937	870,819
Income tax expenses	153,351	389,289	832,695
EBITDA (non-IFRS measure)	<u>4,230,219</u>	<u>4,989,809</u>	<u>7,442,791</u>

Revenue

The following table sets forth a breakdown of our revenue by source, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Drug sales	21,213,026	99.7	22,377,188	98.1	25,009,582	89.4
Licensing revenue	6,442	–	268,371	1.2	2,700,433	9.6
Others ⁽¹⁾	55,803	0.3	174,226	0.7	274,590	1.0
Total	<u>21,275,271</u>	<u>100.0</u>	<u>22,819,785</u>	<u>100.0</u>	<u>27,984,605</u>	<u>100.0</u>

Note:

- (1) Primarily includes revenue from rendering commercial promotion services and sales of APIs to certain collaboration partners.

SUMMARY

Our revenue increased from RMB21,275.3 million in 2022 to RMB22,819.8 million in 2023. This increase was primarily attributable to (i) an increase in revenue from drug sales, primarily driven by increased sales of our innovative drugs, and (ii) an increase in licensing revenue, primarily due to the satisfaction of our obligations under our out-licensing arrangements.

Our revenue increased from RMB22,819.8 million in 2023 to RMB27,984.6 million in 2024. This increase was primarily attributable to (i) an increase in our revenue from drug sales, primarily driven by increased sales of our innovative drugs, and (ii) an increase in our licensing revenue, primarily due to the satisfaction of our obligations under out-licensing arrangements in 2024.

The following table sets forth a breakdown of our total revenue by major therapeutic areas and other sources, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Oncology	11,313,013	53.2	12,217,364	53.5	14,586,574	52.1
Metabolic and cardiovascular diseases	975,316	4.6	1,081,257	4.7	1,747,836	6.2
Immunological and respiratory diseases	722,316	3.4	701,219	3.1	776,774	2.8
Neuroscience	3,888,641	18.3	4,204,922	18.4	4,288,739	15.3
Contrast agents	2,728,731	12.8	2,742,423	12.0	2,749,236	9.8
Others ⁽¹⁾	1,647,254	7.7	1,872,600	8.3	3,835,446	13.7
Total	<u>21,275,271</u>	<u>100.0</u>	<u>22,819,785</u>	<u>100.0</u>	<u>27,984,605</u>	<u>100.0</u>

Note:

- (1) Primarily includes revenue from sales of products in other therapeutic areas, licensing revenue, and revenue from rendering commercial promotion services and sales of APIs to certain collaboration partners.

In terms of therapeutic areas and products, our revenue increase from 2022 to 2023 was mainly driven by:

- (i) an RMB904.4 million increase in our oncology revenue and an RMB105.9 million increase in our metabolic and cardiovascular diseases revenue, primarily attributable to an increase in sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was mainly attributable to: (a) our launch of new innovative drugs, such as our oncology drug adebrelimab and metabolic drug retagliptin and the ramp-up in their sales, as well as the inclusion of

SUMMARY

adebrelimab in insurance schemes regarding special medications in various regions primarily due to its efficacy in significantly improving overall patient survival; (b) improved adoption by public medical institutions of our innovative drugs, such as oncology drugs rezvilutamide and dalpiciclib and metabolic drug henagliflozin, following their inclusion in government-sponsored medical insurance programs; and (c) the expansion of approved indications of our innovative drugs such as oncology drugs mectapegfilgrastim and herombopag, and their wider market acceptance within the medical community, due to the accumulation of medical evidence through post-marketing studies supporting their clinical benefits; and

- (ii) an RMB316.3 million increase in our neuroscience revenue, primarily attributable to an increase in sales of our anesthesia and analgesia products, driven by increasing market demand and the recovery of diagnosis and treatment activities in medical institutions following the ease of pandemic-related restrictions.

These factors were offset in part by (i) a decline in sales revenue from certain generic products that experienced lower sales volume in certain regions and pricing pressure due to intense competition under the volume-based procurement (“VBP”) scheme, and (ii) the inclusion of additional generic products in the VBP scheme, which adversely affected their selling prices and sales revenue. The VBP scheme is generally applicable to generic drugs, which accounted for 60.3%, 53.4% and 42.0% of our total revenue in 2022, 2023 and 2024, respectively.

In terms of therapeutic areas and products, our revenue increase from 2023 to 2024 was mainly driven by an RMB2,369.2 million increase in our oncology revenue and an RMB666.6 million increase in our revenue from the metabolic and cardiovascular diseases therapeutic area, primarily attributable to increased sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was primarily attributable to: (i) the expansion of approved indications of our innovative drugs such as oncology drugs camrelizumab, pyrotinib, and apatinib, and their wider market acceptance within the medical community, due to the accumulation of medical evidence through post-marketing studies supporting these drugs’ clinical benefits; (ii) improved adoption by public medical institutions of our innovative products, such as oncology drugs rezvilutamide and dalpiciclib and metabolic drugs retagliptin and henagliflozin, following their inclusion in government-sponsored medical insurance programs; and (iii) the inclusion of our oncology drug adebrelimab in insurance schemes regarding special medications in various regions due to its strong clinical efficacy in significantly raising the overall survival of patients. These factors were offset in part by a decline in sales revenue from certain generic products that were included in the VBP scheme, whose selling prices and sales revenue were adversely affected.

SUMMARY

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Drug sales	17,753,301	83.7	18,915,472	84.5	21,272,701	85.1
Licensing revenue	6,442	100.0	268,371	100.0	2,700,433	100.0
Others ⁽¹⁾	28,889	51.8	110,694	63.5	163,294	59.5
Total	<u>17,788,632</u>	83.6	<u>19,294,537</u>	84.6	<u>24,136,428</u>	86.2

Note:

- (1) Primarily includes gross profit from rendering commercial promotion services and sale of APIs to certain collaboration partners.

Our gross profit increased from RMB17,788.6 million in 2022 to RMB19,294.5 million in 2023, and our gross profit margin increased from 83.6% in 2022 to 84.6% in 2023, primarily due to (i) an increase in gross profit margin for drug sales, attributable to our efforts to optimize manufacturing costs and because a higher proportion of our revenue was generated from innovative drugs (which generally have higher gross profit margins than generics), and (ii) a substantial increase in licensing revenue in 2023, which has a relatively higher gross margin compared to drug sales.

Our gross profit increased from RMB19,294.5 million in 2023 to RMB24,136.4 million in 2024, and our gross profit margin increased from 84.6% in 2023 to 86.2% in 2024, primarily due to (i) the increased contribution of licensing revenue, which has a relatively higher gross margin compared to drug sales, and (ii) an increase in gross profit margin for drug sales, attributable to our efforts to optimize manufacturing costs and because a higher proportion of our revenue was generated from innovative drugs (which generally have higher gross profit margins than generics).

SUMMARY

Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	30,934,054	31,287,472	35,314,927
Total non-current assets	11,436,821	12,497,035	14,820,717
Total assets	42,370,875	43,784,507	50,135,644
Total current liabilities	3,639,219	2,553,660	3,633,595
Total non-current liabilities	318,748	197,761	411,798
Total liabilities	3,957,967	2,751,421	4,045,393
Net current assets	27,294,835	28,733,812	31,681,332
Net assets	38,412,908	41,033,086	46,090,251
Share capital	6,379,002	6,379,002	6,379,002
Treasury shares	(398,028)	(1,091,851)	(1,228,624)
Reserves	31,842,586	35,178,644	40,369,484
Equity attributable to owners of the parent	37,823,560	40,465,795	45,519,862
Non-controlling interests	589,348	567,291	570,389
Total equity	38,412,908	41,033,086	46,090,251

Our net current assets increased from RMB27,294.8 million as of December 31, 2022 to RMB28,733.8 million as of December 31, 2023, primarily due to an RMB5,635.7 million increase in cash and bank balances, and because we had RMB1,260.9 million in interest-bearing borrowings as of December 31, 2022 but did not have this item as of December 31, 2023. These factors were partially offset by (i) an RMB2,661.4 million decrease in financial assets at fair value through profit or loss (“FVTPL”), as we redeemed our relevant investments in wealth management products offered by licensed banks, and (ii) an RMB2,206.6 million decrease in trade and bills receivables, primarily due to our collection of trade and bills receivables.

Our net current assets increased from RMB28,733.8 million as of December 31, 2023 to RMB31,681.3 million as of December 31, 2024, primarily due to an RMB4,056.4 million increase in cash and bank balances, partially offset by an RMB934.6 million increase in trade and other payables.

Our net assets (total equity) increased from RMB38,412.9 million as of December 31, 2022 to RMB41,033.1 million as of December 31, 2023, primarily due to the contribution from our profit for the year in 2023 of RMB4,277.8 million, partially offset by dividend distribution of RMB1,019.9 million in 2023. Our net assets (total equity) further increased from RMB41,033.1 million as of December 31, 2023 to RMB46,090.3 million as of December 31, 2024, primarily due to the contribution from our profit for the year in 2024 of RMB6,337.0 million, partially offset by dividend distribution of RMB1,273.8 million in 2024.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows information for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	1,265,265	7,643,665	7,422,753
Net cash flows from/(used in) investing activities	390,291	1,222,314	(1,911,986)
Net cash flows used in financing activities	<u>(318,771)</u>	<u>(3,144,428)</u>	<u>(1,550,589)</u>
Net increase in cash and cash equivalents	1,336,785	5,721,551	3,960,178
Cash and cash equivalents at beginning of year	13,120,156	14,537,437	20,271,524
Effect of foreign exchange rate changes, net	<u>80,496</u>	<u>12,536</u>	<u>7,400</u>
Cash and cash equivalents at end of year	<u>14,537,437</u>	<u>20,271,524</u>	<u>24,239,102</u>

Net Cash Flows From Operating Activities

Our net cash flows from operating activities in 2022 were RMB1,265.3 million, primarily attributable to (i) RMB3,968.5 million in profit before tax, (ii) an RMB1,875.6 million increase in trade and other payables, and (iii) adjustments for depreciation of property, plant and equipment of RMB579.3 million. The foregoing was partially offset by (i) an RMB4,339.1 million increase in trade and bills receivables, and (ii) adjustments for an RMB326.0 million gain on deemed disposal of subsidiaries and an RMB230.9 million gain on financial assets at FVTPL.

Our net cash flows from operating activities in 2023 were RMB7,643.7 million, primarily attributable to (i) RMB4,667.1 million in profit before tax, (ii) an RMB2,343.0 million increase in trade and other payables, (iii) adjustments for depreciation of property, plant and equipment of RMB717.7 million, and (iv) an RMB362.3 million decrease in prepayments, other receivables and other assets. The foregoing was partially offset by (i) an RMB436.4 million increase in trade and bills receivables.

SUMMARY

Our net cash flows from operating activities in 2024 were RMB7,422.8 million, primarily attributable to (i) RMB7,169.7 million in profit before tax, (ii) an RMB3,227.8 million increase in trade and other payables, and (iii) adjustments for depreciation of property, plant and equipment of RMB749.8 million. The foregoing was partially offset by an RMB3,208.0 million increase in trade and bills receivables.

Net Cash Flows From/Used in Investing Activities

Our net cash flows from investing activities in 2022 were RMB390.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB10,209.7 million. This factor was partially offset by (i) addition to intangible assets of RMB1,559.5 million, and (ii) purchases of financial assets at FVTPL of RMB7,589.6 million.

Our net cash flows from investing activities in 2023 were RMB1,222.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB2,694.0 million. This factor was partially offset by (i) addition to intangible assets of RMB1,213.5 million, and (ii) purchases of items of property, plant and equipment of RMB270.3 million.

Our net cash flows used in investing activities in 2024 were RMB1,912.0 million, primarily attributable to (i) additions to other intangible assets of RMB1,745.8 million and (ii) purchases of financial assets at FVTPL of RMB622.7 million. These factors were partially offset by proceeds from disposal of financial assets at FVTPL of RMB613.9 million.

Net Cash Flows Used in Financing Activities

Our net cash flows used in financing activities in 2022 were RMB318.8 million, primarily attributable to (i) dividends paid of RMB1,015.5 million, (ii) payments for repurchase of restricted A shares of RMB667.8 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB398.0 million. This cash outflow was partially offset by (i) new borrowings of RMB1,260.0 million, and (ii) capital injections from non-controlling shareholders of subsidiaries of RMB378.9 million.

Our net cash flows used in financing activities in 2023 were RMB3,144.4 million, primarily attributable to (i) repayment of borrowings of RMB1,281.1 million, (ii) dividends paid of RMB1,019.9 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB827.3 million.

Our net cash flows used in financing activities in 2024 were RMB1,550.6 million, primarily attributable to (i) dividends paid of RMB1,273.8 million, (ii) repayment of borrowings of RMB799.9 million, and (iii) payments for repurchase of shares for A share stock ownership schemes of RMB228.4 million.

SUMMARY

KEY FINANCIAL RATIOS

The tables below set forth our key financial ratios as of the dates/for the years indicated:

	As of December 31,		
	2022	2023	2024
Current ratio	8.5	12.3	9.7
Quick ratio	7.8	11.3	9.1

	Year Ended December 31,		
	2022	2023	2024
Gross profit margin	83.6%	84.6%	86.2%
Net profit margin	17.9%	18.7%	22.6%
Return on equity	10.3%	10.8%	14.5%
Return on assets	9.3%	9.9%	13.5%

See “—Significant Factors Affecting Our Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the relevant periods.

Our current ratio increased from 8.5 as of December 31, 2022 to 12.3 as of December 31, 2023, and our quick ratio increased from 7.8 as of December 31, 2022 to 11.3 as of December 31, 2023. These increases were primarily because our current assets or current assets less inventories (as the case may be) increased while our current liabilities decreased.

Our current ratio and quick ratio decreased to 9.7 and 9.1, respectively, as of December 31, 2024. These decreases were primarily because the increase in our current liabilities outpaced the increase in our current assets or current assets less inventories (as the case may be).

Our return on equity increased from 10.3% in 2022 to 10.8% in 2023, and further to 14.5% in 2024. These increases were primarily due to increases in our profit for the year.

Our return on assets increased from 9.3% in 2022 to 9.9% in 2023, and further to 13.5% in 2024. These increases were primarily due to increases in our profit for the year.

SUMMARY

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our business and industry and the Global Offering, many of which are beyond our control. The details are set out in the section headed “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face include:

- The development process of new pharmaceutical products, in particular innovative drugs, is typically lengthy and costly and the outcome is uncertain. If the development and commercialization processes of new pharmaceutical products are unsuccessful or prolonged, our profitability and business prospects could be adversely affected.
- Decreases in our products’ sales volume and price levels and changes in the cost structures may adversely affect our revenue and profitability.
- If our products fail to be timely included in, or are removed or excluded from, national, provincial or other government-sponsored medical insurance programs, our revenue and profitability could be adversely affected.
- If we are unable to succeed in a competitive centralized tender process to supply our products to public hospitals and other relevant medical institutions, we may lose market share and our revenue and profitability could be adversely affected.
- Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs.
- We are exposed to specific risks of conducting our business and operations in international markets.
- All material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.
- If we or our business partners fail to obtain, maintain or renew necessary licenses and permits for the development, production, promotion, and sale of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.
- The regulatory approval process of the NMPA and other comparable regulatory authorities for our product candidates is lengthy and the result is unpredictable. Any failure to timely obtain these regulatory approvals could adversely affect our business prospects and profitability.

SUMMARY

RECENT DEVELOPMENTS

We have obtained additional regulatory approvals for our products after the Track Record Period. For example, in March 2025, our tegileridine, a MOR agonist, was approved by the NMPA for the treatment of moderate-to-severe pain after orthopedic surgeries. In the same month, the oral formulation of our ivarmacitinib, a JAK1 inhibitor, was approved by the NMPA for the treatment of both active ankylosing spondylitis and moderate-to-severe active rheumatoid arthritis in adults who have responded inadequately to or are intolerant of one or more TNF inhibitors. In addition, in April 2025, the oral formulation of ivarmacitinib was approved by the NMPA for the treatment of adult patients with moderate-to-severe atopic dermatitis who showed inadequate efficacy or intolerance to topical treatment or other systemic therapies. In the same month, our vunakizumab, an anti-IL-17A antibody, was approved by the NMPA for the treatment of adult patients with active ankylosing spondylitis who showed inadequate efficacy in conventional therapies.

Moreover, in January 2025, our recaticimab, an anti-PCSK9 antibody, as an add-on therapy to statins or statins and other lipid-lowering therapies, on the basis of dietary control, was approved by the NMPA for the treatment of adult patients with primary hypercholesterolemia (including heterozygous familial and non-familial hypercholesterolemia) and mixed dyslipidemia who are unable to achieve low-density lipoprotein cholesterol (LDL-C) targets despite receiving moderate to high doses of statins. Recaticimab as a monotherapy was also approved by the NMPA for use among adult patients with non-familial hypercholesterolemia and mixed dyslipidemia to lower LDL-C, total cholesterol, and apolipoprotein B levels.

Unaudited Financial Information for the Three Months Ended March 31, 2025

Our revenue increased by 20.1% from RMB5,997.5 million for the three months ended March 31, 2024 to RMB7,205.6 million for the same period of 2025, primarily attributable to (i) an RMB683.7 million increase in revenue from drug sales, driven by the increased sales of our innovative drugs, and (ii) an RMB549.8 million increase in our licensing revenue, which was primarily due to the satisfaction of our obligations under our out-licensing arrangements.

Our cost of sales increased by 13.3% from RMB942.8 million for the three months ended March 31, 2024 to RMB1,068.7 million for the same period of 2025, generally in line with the growth of our drug sales revenue.

As a result of the foregoing, our gross profit increased by 21.4% from RMB5,054.7 million for the three months ended March 31, 2024 to RMB6,136.9 million for the same period of 2025. Our gross profit margin increased from 84.3% for the three months ended March 31, 2024 to 85.2% for the same period of 2025, primarily attributable to a substantial increase in our licensing revenue, which has a relatively higher gross margin compared to drug sales.

SUMMARY

Primarily as a result of the foregoing factors, our profit for the period increased by 37.2% from RMB1,367.5 million for the three months ended March 31, 2024 to RMB1,876.4 million for the same period of 2025, and our net profit margin increased from 22.8% for the three months ended March 31, 2024 to 26.0% for the same period of 2025.

Our unaudited interim consolidated financial information for the three months ended March 31, 2025 has been reviewed by our Reporting Accountant in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. For details of such financial information, see Appendix IA to this prospectus.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the latest date of our consolidated financial statements as set out in Appendix I to this prospectus, and there is no event since December 31, 2024 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this prospectus.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since 2000, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the public searches on the websites of Shanghai Stock Exchange and CSRC and its Jiangsu Office, there are no records of material non-compliance of the Company and its subsidiaries with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations. Therefore, nothing has come to the PRC Legal Advisor’s attention that, as of the Latest Practicable Date, the Company and its subsidiaries had any instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations in any material respect. Nothing has come to the Joint Sponsors’ attention that would cause them to disagree with our Directors’ confirmation.

SUMMARY

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 224,519,800 H Shares are issued pursuant to the Global Offering, (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised, and (iii) 6,603,522,074 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK\$41.45 per H Share	Based on an Offer Price of HK\$44.05 per H Share
	HK\$9.31	
Market capitalization of our H Shares	billion	HK\$9.89 billion
	HK\$351.90	HK\$352.48
Market capitalization of our Shares ⁽¹⁾	billion	billion
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share ⁽²⁾	HK\$8.01	HK\$8.10

Notes:

- (1) The total market capitalization of the Company is calculated based on (i) 6,374,971,964 A Shares (excluding 4,030,310 A Shares repurchased and held in the Company's stock repurchase account) as of the Latest Practicable Date at the average closing price of the A Shares of the Company for the five trading days immediately preceding the Latest Practicable Date at RMB50.41 (or approximately HK\$53.74) per Share, and (ii) the expected market capitalization of the Company's H Shares at Listing (assuming Offer Size Adjustment Option is not exercised).
- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 6,603,522,074 Shares in issue, assuming that the Global Offering had been completed on December 31, 2024, but does not take into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2024. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account a cash dividend of RMB1,275.5 million to the holders of our A shares on the relevant record date proposed by the Board in March 2025 and approved by our shareholders in April 2025. The unaudited pro forma net tangible assets would have been HK\$7.80 and HK\$7.89 per H Share based on the Offer Price of HK\$41.45 and HK\$44.05 respectively if the dividend had been accounted for as at December 31, 2024.

For the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share, see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$9,457.8 million (after deducting the underwriting fees and other estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$42.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus, and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 75%, or HK\$7,093.4 million, will be allocated to our R&D initiatives.
- Approximately 15%, or HK\$1,418.7 million, will be allocated to fund the construction of new production and R&D facilities in China and overseas markets, as well as the expansion or upgrade of our existing production and R&D facilities.
- The remaining amount of approximately 10%, or HK\$945.8 million, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. Please refer to the section headed “Future Plans and Use of Proceeds” for further details.

DIVIDEND POLICY

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our dividend policy under our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions. In 2022, 2023 and 2024, we declared dividends of RMB1,020.5 million, RMB1,019.9 million and RMB1,273.8 million in respect of the years ended December 31, 2021, 2022 and 2023, respectively. As of the Latest Practicable Date, we had paid these dividends in full. In April 2025, our shareholders approved a proposal of our Board and Supervisory Committee to declare a cash dividend of RMB1,275.5 million to holders of our A Shares on the relevant record date in respect of the year ended December 31, 2024. For the avoidance of doubt, holders of our H Shares will not be entitled to receive this cash dividend. As of the Latest Practicable Date, we have not paid this dividend. See “Financial Information—Dividend Policy” for more information on factors affecting our dividend distribution.

SUMMARY

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors, the Reporting Accountants and other professional advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price range stated in this prospectus and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) for the Global Offering are approximately HK\$140.4 million, representing 1.5% of the gross proceeds of the Global Offering. The estimated total listing expenses consist of: (i) underwriting-related expenses of HK\$76.8 million, and (ii) non-underwriting related expenses of HK\$63.6 million, comprising (a) fees and expenses of legal advisors and Reporting Accountants of HK\$42.5 million and (b) other fees and expenses of HK\$21.1 million. We do not believe that any of these fees or expenses are material to our Group, taken as a whole, or are unusually high. During the Track Record Period, we incurred listing expenses of HK\$28.9 million, of which HK\$0.1 million was charged to our consolidated statements of profit or loss and HK\$28.8 million was directly attributable to the issue of our Offer Shares and will be deducted from equity upon the Listing. We expect to incur additional listing expenses of approximately HK\$111.5 million after the Track Record Period, of which approximately HK\$3.2 million will be recognized as expenses and approximately HK\$108.3 million will be deducted from equity upon the Listing.

DEFINITIONS

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

“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“A Share Employee Stock Ownership Scheme(s)”	the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and/or the 2024 Employee Stock Ownership Scheme, the principal terms of which are set out in “Statutory and General Information—D. A Share Employee Stock Ownership Schemes” in Appendix VI to this prospectus
“Accountants’ Report”	the report of our Company’s reporting accountant, Ernst & Young, the text of which is set out in Appendix I of this prospectus
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on December 26, 2024 with effect from the Listing Date, a summary of which is set out in Appendix V to this prospectus
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate

DEFINITIONS

“Capital Market Intermediaries”	the capital market intermediaries as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus only, except where the context requires otherwise, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Jiangsu Hengrui Pharmaceuticals Co., Ltd. (江苏恒瑞医药股份有限公司), a joint stock company with limited liability established in the PRC on April 28, 1997, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 600276)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“EMA”	European Medicines Agency, a decentralised agency of the European Union responsible for the evaluation, supervision and safety monitoring of medicines
“ESG”	environmental, social and governance
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“FINI”	“Fast Interface for New Issuance,” an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group”, “we”, “our” or “us”	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, and as amended, supplemented or otherwise modified from time to time
“H Share Registrar”	Tricor Investor Services Limited
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Stock Exchange
“Hengrui Group” or “Single Largest Shareholder”	Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司), a limited liability company established in the PRC on December 6, 1996 controlled by our chairman of the Board and executive Director, Mr. Sun Piaoyang. Hengrui Group is a substantial shareholder, and the single largest shareholder, of our Company

DEFINITIONS

“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“ HKSCC EIPO ”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is an HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
“HKSCC Participant(s)”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong Offer Shares”	the 12,348,600 H Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus
“Hong Kong Takeovers Code” or “Takeover Codes”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 14, 2025 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Overall Coordinators and the Hong Kong Underwriters
“ICH”	The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use
“IFRS”	IFRS Accounting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
“International Offer Shares”	the 212,171,200 H Shares being initially offered for subscription under the International Offering together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering”)

DEFINITIONS

“International Offering”	the offer of the International Offer Shares at the Offer Price outside the U.S. in offshore transactions in accordance with Regulation S and in the U.S. to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as further described in the section headed “Structure of the Global Offering” in the prospectus
“International Underwriters”	the underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Overall Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting—International Offering—International Underwriting Agreement” in this prospectus
“Joint Bookrunners”	the joint bookrunners as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“Joint Lead Managers”	the joint lead managers as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“Joint Sponsors”	the joint sponsors as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“Latest Practicable Date”	May 5, 2025, being the latest practicable date for ascertaining certain information contained in this prospectus before its publication
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about May 23, 2025, on which the H Shares are listed on the Stock Exchange and from which dealings in the H Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NHC”	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
“NHSA”	National Healthcare Security Administration of the PRC (中華人民共和國國家醫療保障局)
“NMPA”	National Medical Products Administration (國家藥品監督管理局) of the PRC, formerly known as China Food and Drug Administration (“CFDA”) (國家食品藥品監督管理局) or China Drug Administration (“CDA”) (國家藥品監督管理局); references to NMPA include CFDA and CDA
“Nomination Committee”	the nomination committee of the Board
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NRDL”	National Reimbursement Drug List

DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and the International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering—Pricing of the Global Offering” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option
“Offer Size Adjustment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), pursuant to which the Company may allot and issue up to an aggregate of 33,677,800 additional H Shares (representing in aggregate approximately 15.0% of the Offer Shares initially being offered under the Global Offering assuming the Over-allotment Option is not exercised), to cover the excess demand in the International Offering, if any, as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by us to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), to require our Company to allot and issue up to an aggregate of 33,677,800 additional H Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an aggregate of 38,729,600 additional H Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price to cover over-allocations in the International Offering, if any
“Overall Coordinators”	the overall coordinators as named in the “Directors, Supervisors and Parties Involved in the Global Offering” section of this prospectus
“Overseas Listing Trial Measures”	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, modified and/or otherwise supplemented from time to time
“PRC GAAP”	generally accepted accounting principles in mainland China
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Commerce & Finance Law Offices, our legal advisor as to PRC laws

DEFINITIONS

“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, May 21, 2025 and in any event no later than 12:00 noon on Wednesday, May 21, 2025, on which the Offer Price will be fixed for the purposes of the Global Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“R&D”	research and development
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR

DEFINITIONS

“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT” or “State Administration of Taxation”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“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-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and upon Listing, our H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company

DEFINITIONS

“Track Record Period”	the financial years ended December 31, 2022, 2023 and 2024
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. FDA”	the Food and Drug Administration of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“2022 Employee Stock Ownership Scheme”	the 2022 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on August 19, 2022 and September 8, 2022, respectively, and as subsequently amended on November 3, 2023
“2023 Employee Stock Ownership Scheme”	the 2023 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on November 3, 2023 and November 23, 2023, respectively
“2024 Employee Stock Ownership Scheme”	the 2024 employee stock ownership scheme of our Company, as approved by our Board and Shareholders on August 20, 2024 and September 6, 2024, respectively
“%”	per cent

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“5-HT3”	a ligand-gated ion channel activated by the neurotransmitter serotonin
“active pharmaceutical ingredient” or “API”	the main ingredient in a medicine that causes the desired effect of the medicine
“AE”	adverse event, a harmful and negative outcome that happens when a patient has been provided with medical care
“ANDA” or “Abbreviated New Drug Application”	application for a U.S. generic drug approval for an existing licensed medication or approved drug
“ANGPTL3”	angiotensin-like 3, an inhibitor of lipoprotein lipase and endothelial lipase
“antibody-drug conjugate” or “ADC”	a class of biopharmaceutical drugs that comprise an antibody conjugated to a payload molecule, typically a cytotoxic agent, via a chemical linker
“AOC”	antibody-oligonucleotide conjugate
“androgen receptor”	also known as NR3C4 (nuclear receptor subfamily 3, group C, member 4), a type of nuclear receptor that is activated by binding any of the androgenic hormones. Androgen receptors are widely expressed in many cells and tissues
“aromatase”	an enzyme that plays a crucial role in the production of estrogen from androgen precursors in various tissues of the body
“A β ”	amyloid beta, a self-aggregating peptide that is the main component of extracellular plaques in Alzheimer’s Disease
“BID”	bis in die, which means twice a day
“BLA”	Biologics License Application

GLOSSARY OF TECHNICAL TERMS

“BsAb” or “bispecific antibody”	antibody that combines two antigen-recognizing elements into a single construct, able to bind to two different antigens at the same time
“BTK”	Bruton’s Tyrosine Kinase, a non-receptor tyrosine kinase that plays a crucial role in the signal transduction of the B-cell antigen receptor and other cell surface receptors
“c-Met”	mesenchymal epithelial transition factor, a receptor tyrosine kinase
“carcinoma”	cancer that forms in epithelial tissue of organs
“CD3”	Cluster of Differentiation 3, a protein complex and T cell co-receptor that is involved in activating both the cytotoxic T cell and T helper cells
“CD40”	Cluster of Differentiation 40, a costimulatory protein found on antigen-presenting cells, essential in mediating immune and inflammatory responses
“CD79b”	Cluster of Differentiation 79B, a protein expressed specifically in the majority of B-cells that are impacted in some types of non-Hodgkin lymphoma, making it a promising target for the development of new therapies
“CDK”	Cyclin-Dependent Kinase, a protein kinase involved in critical cellular processes, such as cell cycle or transcription
“cGMP”	Current Good Manufacturing Practice regulations enforced by the U.S. FDA, which provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities
“chemo” or “chemotherapy”	a category of cancer treatment that uses one or more anti-cancer small molecule chemical agents as part of its standardized regimen
“cHL”	classic Hodgkin Lymphoma, the most common type of Hodgkin lymphoma (a cancer of the immune system). Classic Hodgkin lymphoma contains abnormal cells called Reed–Sternberg cells

GLOSSARY OF TECHNICAL TERMS

“CLDN18.2” or “Claudin 18.2”	a tight junction protein and isoform of Claudin 18 that is expressed on a variety of tumor cells
“CMC”	chemistry, manufacturing and controls
“CRO”	contract research organization
“CTLA-4”	cytotoxic T-lymphocyte associated protein 4, a protein expressed on all T cells and functions as an immune checkpoint that downregulates immune responses
“DAC”	degrader-antibody conjugates
“DCR”	disease control rate
“DLL3”	delta-like ligand 3, an inhibitory Notch ligand that is highly expressed in SCLC and other neuroendocrine tumors but minimally expressed in normal tissues
“DMPK”	drug metabolism and pharmacokinetics
“DPP-4” or “DPP-IV”	dipeptidyl peptidase-4, a type II transmembrane glycoprotein that is widely expressed in various organs and cells
“EGPA”	eosinophilic granulomatosis with polyangiitis
“ER”	estrogen receptor, a nuclear receptor that mediates estrogen signaling and regulates transcription driving growth, proliferation, and differentiation, among many cellular processes
“ES-SCLC”	extensive-stage small cell lung cancer
“ET”	endocrine therapy
“EZH2”	enhancer of zeste homolog 2
“FcRn”	neonatal fragment crystallizable receptor (also known as the Brambell receptor), a specialized receptor that binds serum IgG, protects IgG and albumin from catabolism and mediates transport of IgG across epithelial cells
“GCG”	glucagon, a hormone produced by the pancreas that increases the level of glucose in the blood

GLOSSARY OF TECHNICAL TERMS

“GCP”	Good Clinical Practices
“G-CSF”	granulocyte colony-stimulating factor
“GI”	gastrointestinal
“GIP”	glucose-dependent insulintropic polypeptide
“GLP-1”	glucagon-like peptide-1, a gastrointestinal peptide that is released in response to food intake. It plays an important role in glucose homeostasis and augments glucose-induced insulin secretion and inhibits glucagon secretion
“GMP”	Good Manufacturing Practices
“GnRH”	gonadotropin-releasing hormone
“HbA1c”	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes
“HCC”	hepatocellular carcinoma
“HER2”	human epidermal growth factor receptor 2, also known as receptor tyrosine-protein kinase erbB-2. HER2 is a member of the human epidermal growth factor receptor family
“HR”	hormone receptor
“IgG1”	immunoglobulin G1, a subclass of the antibody isotype IgG that is found in the serum
“IL”	interleukin, a type of cytokine secreted by lymphocytes that promote the development and maturation of T cell and B cell populations
“ILD”	interstitial lung diseases
“IND”	Investigational New Drug
“innovative drug”	innovative or modified new pharmaceutical that has never been marketed worldwide

GLOSSARY OF TECHNICAL TERMS

“ITP”	immune thrombocytopenia, an illness that leads to bruising and bleeding
“JAK1”	Janus Kinase 1
“KAT6”	lysine acetyltransferase 6
“KRAS”	Kirsten rat sarcoma viral oncogene homolog
“KRAS G12C,” “KRAS G12D” and “KRAS G12V”	mutations of the KRAS protein
“LDL”	low-density lipoprotein, one of the five major groups of lipoprotein that transport all fat molecules around the body in extracellular water
“LDL-C”	low-density lipoprotein cholesterol
“liposome”	a spherical vesicle composed of phospholipids and compatible with a lipid bilayer structure
“Lp(a)”	Lipoprotein(a), a particle that carries cholesterol in the blood. High levels of Lp(a) have been shown to be a significant risk factor for atherosclerotic cardiovascular disease
“mAb”	monoclonal antibody, antibodies capable of binding to specific antigens and inducing immunological responses against the target antigens
“metastatic cancer”	cancer that has spread from where it started to another part of the body
“MOA”	mechanism of action, the specific biochemical interaction through which a drug substance produces its pharmacological effect
“MOR”	a μ -opioid receptor, a dominant receptor involved in controlling pain transmission, particularly effective against morphine-resistant interactive pain
“Na _v 1.8”	voltage-gated sodium ion channel subunit 1.8, a genetically validated target for pain and mostly expressed in the peripheral nervous system

GLOSSARY OF TECHNICAL TERMS

“NDA”	New Drug Application
“Nectin-4”	Nectin cell adhesion molecule 4, a type I transmembrane polypeptide that is overexpressed in urothelial carcinoma and several other malignancies
“NGS”	a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena
“NK cell”	natural killer cell, a type of white blood cell
“NK-1R” or “NK1R”	Neurokinin-1 receptor
“NME”	new molecular entity
“non-small cell lung cancer” or “NSCLC”	any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
“ORR”	objective response rate
“OS”	overall survival
“PARP”	poly (ADP-ribose) polymerase, a family of proteins involved in numerous cellular processes, mostly involving DNA replication and transcriptional regulation, which plays an essential role in cell survival in response to DNA damage
“PCSK9”	proprotein convertase subtilisin/kexin type 9, an enzyme that plays a critical role in regulating cholesterol levels in the blood
“PD-1”	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
“PD-L1”	programmed death-ligand 1, a protein on the surface of a normal cell or a cancer cell that can attach to PD-1 on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell
“peptide”	a molecule that contains two or more amino acids
“PFS”	progression-free survival

GLOSSARY OF TECHNICAL TERMS

“Phase I clinical study”	a study that tests the safety of a new drug candidate
“Phase II clinical study”	a study that tests the new drug candidate on a larger group of patients, to gather information about whether and how well it works
“Phase III clinical study”	a study for a new drug candidate that has already passed Phases I and II, which tests the new drug candidate in larger groups of patients, and compares the new drug candidate against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
“PI3K”	phosphatidylinositide-3 kinase, a lipid kinase that, through a series of intermediate processes, controls the activation of several important signaling proteins including the serine/threonine kinase AKT signaling pathway
“pivotal clinical study”	a clinical study designed to provide definitive evidence of a drug’s efficacy and safety, often serving as the basis for regulatory approval
“placebo”	a substance or treatment that is designed to have no therapeutic value
“potential best-in-class”	a product candidate that has publicly available sources (such as papers, oral presentations during conferences, and study protocols) showing efficacy, safety, dosage interval, or route of administration better than representative products and product candidates of the same category, with the potential to be the standard of care, a blockbuster drug, or an innovative product under clinical development that has revealed study results. The study design of this product candidate has to be comparable with registrational studies of representative products and product candidates in terms of, among others, indication, patient inclusion and exclusion criteria, and primary clinical study endpoints
“potential first-in-class”	for a certain indication with no product of the same category approved by regulatory authority, a product candidate that has the most advanced clinical development with the earliest first posted date of the most advanced clinical stage, the earliest date of NDA acceptance by regulatory authority, or the earliest study result disclosure

GLOSSARY OF TECHNICAL TERMS

“PROTACs” or “proteolysis-targeting chimeras”	a bifunctional molecule that combines an active site selective for binding to the target of interest and a ligand of E3 ubiquitin ligase to drive selective proteasome mediated degradation
“PSMA”	prostate specific membrane antigen
“PTCL”	peripheral T-cell lymphoma
“QD”	quaque die, which means once a day
“r/r”	relapsed and refractory
“RAS”	rat sarcoma, a family of proteins that are critical regulators of cellular signaling pathways; it primarily includes HRAS, KRAS, and NRAS
“Rb”	retinoblastoma protein
“RDCs”	radionuclide drug conjugates
“RLTs”	radioligand therapies
“RNA”	ribonucleic acid, a nucleic acid present in all living cells that has structural similarities to DNA
“SAA”	severe aplastic anemia
“SCLC”	small cell lung cancer
“SERD”	selective ER degrader
“SGLT-2”	Sodium-glucose Cotransporter-2
“siRNA”	small interfering RNA, sometimes known as short double-stranded RNAs
“SMO”	site management organization
“sNSCLC”	squamous non-small cell lung cancer
“SPID”	sum of pain intensity differences
“T2D”	type 2 diabetes

GLOSSARY OF TECHNICAL TERMS

“TAA”	tumor (or target)-associated-antigen
“TCR”	T cell receptor
“TGF- β ”	transforming growth factor beta
“TKI”	tyrosine kinase inhibitor
“TOP1i”	topoisomerase I inhibitor, a new class of anti-cancer agents with a mechanism of action aimed at interrupting DNA replication in cancer cells, the result of which is cell death
“Trop2” or “Trop-2”	trophoblast cell-surface antigen-2
“TSLP”	thymic stromal lymphopoietin, a cytokine that plays a key role across the spectrum of asthma inflammation
“uHCC”	unresectable HCC
“VBP”	volume-based procurement
“VEGFR”	vascular endothelial growth factor receptor
“VVC”	vulvovaginal candidiasis, a fungal infection of the lower female reproductive tract
“ $\gamma\delta$ T cells”	gamma delta ($\gamma\delta$) T cells, T cells that have a $\gamma\delta$ T cell receptor (TCR) on their surface

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “potential”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business prospects;
- our business strategies and plans to achieve these strategies, including our global expansion plans;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and future developments, trends and conditions in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors”.

FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements contained in this prospectus are expressly qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus and, in particular, the risks and uncertainties described below, before making an investment in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.

The risks described below are not the only risks that may affect us or our Global Offering. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, results of operations, financial condition and growth prospects. If any of the possible events described below occurs, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. The market prices of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The development process of new pharmaceutical products, in particular innovative drugs, is typically lengthy and costly and the outcome is uncertain. If the development and commercialization processes of new pharmaceutical products are unsuccessful or prolonged, our profitability and business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and develop and commercialize new pharmaceutical products that address significant unmet medical needs. To this end, we have invested significant resources in advancing our technology platforms and building a strong pipeline of product candidates. The development process of innovative drugs, our key growth driver, is particularly time-consuming and costly. There can be no assurance that our R&D activities will deliver the expected results.

There is an inherent risk of failure for each of our product candidates. We cannot predict when or if any of our product candidates will prove effective and safe for humans or will receive regulatory approval. Before obtaining the required regulatory approval, our product candidates must pass preclinical studies and extensive clinical trials to demonstrate their safety and efficacy in humans. In particular, clinical trials are expensive, difficult to design and implement, and can take many years to complete, and their outcomes are inherently uncertain. While we aim to develop product candidates that are novel, highly differentiated, or even potentially first-in-class or best-in-class globally, we cannot guarantee that we are able to achieve this goal. Failure can occur at any time during the clinical development process, including after significant resources have been invested. The outcomes of preclinical studies and early-stage clinical trials may not be predictive of the success in later phases, and interim results of a clinical trial do not necessarily predict final results. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and even product candidates that perform satisfactorily in clinical trials may still fail to obtain regulatory approval.

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Specifically, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our product candidates;
- regulators, institutional review boards (“IRBs”), or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;
- the patient enrollment may be insufficient or slower than we anticipate or patients may drop out or fail to return for post-treatment follow-up at a higher rate than anticipated;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements, undesirable side effects, or a finding that participants are being exposed to unacceptable health risks;
- third-party contractors, if any, used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the clinical trial, which may require that we add new clinical trial sites or investigators;
- the costs of clinical trials for our product candidates may be greater than we anticipate, or changes in the applicable regulatory framework may make our R&D process more time-consuming and costly;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials may be insufficient or inadequate;
- our product candidates may fail to demonstrate satisfactory efficacy or safety profiles, particularly in comparison with competing products;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon certain product development programs; and
- we may fail to obtain, or experience delays in obtaining, approvals for intended indications from relevant regulatory bodies, such as the NMPA and other comparable regulatory authorities, or approved indications for our product candidates may be more limited than anticipated.

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Decisions about research studies made early in the development process of a product candidate can affect the marketing strategy once such candidate receives regulatory approval. We cannot guarantee that a proper balance of research study efficiency and quality will be achieved for each product candidate, nor can we ensure that decisions in this area would not adversely affect our results of operations.

Furthermore, even if we successfully develop and market new products or make enhancements to our existing products, they may be quickly rendered obsolete by changing clinical preferences, evolving industry standards, or innovation from our competitors. Our innovations may not be accepted quickly by the market because of existing clinical practices, lack of awareness among the medical practitioners, or uncertainty over third-party reimbursement. We cannot be certain whether or when any of our products under development will be launched, whether we will be able to develop, license, or otherwise acquire products, or whether any products will be commercially successful. Failure to develop and launch successful new products or new indications for existing products may cause our products or product candidates to become obsolete and adversely affect our profitability and business prospects.

Decreases in our products' sales volume and price levels and changes in the cost structures may adversely affect our revenue and profitability.

Our revenue and profitability depend largely on our products' commercial success, and we may be particularly susceptible to factors adversely affecting the sales volume, price levels or profitability of these products. Factors that could adversely affect their sales volumes, pricing levels and cost structures include: exclusion from, delayed inclusion in, or reduced coverage under, government-sponsored medical insurance programs; the impact of government pricing regulations; failure to win the bids in centralized tender processes necessary for sales to public hospitals and other relevant medical institutions; the availability of substitute products and the perceived advantages of competing products; interruptions in the supply of raw materials; increases in the cost of raw materials; issues with product quality or side effects or any negative publicity on our products; intellectual property infringements; adverse changes in sales network; our failure to respond to changes in needs and preferences of healthcare practitioners and patients; and unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and decreases in sales volume, pricing levels and profit margins of our drugs may cause our revenue and profitability to decline.

In addition, we derive a significant portion of our revenue and gross profit from our major pharmaceutical products. During the Track Record Period, our major pharmaceutical products consisted of seven products. For details, see "Business—Our Products and Product Candidates—Overview." If the revenue or gross profit of any of these products experiences a significant decline, our financial condition and results of operations could be adversely affected.

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If our products fail to be timely included in, or are removed or excluded from, national, provincial or other government-sponsored medical insurance programs, our revenue and profitability could be adversely affected.

Insurance coverage is a critical factor in a patient's ability to afford treatments. If a pharmaceutical product is covered by medical insurance, whether provided by the government or a commercial insurer, patients may receive reimbursement for all or a portion of the cost. For instance, in the PRC, government-sponsored medical insurance programs reimburse patients for pharmaceutical products listed in the NRDL or relevant provincial medical insurance catalogs, or included in provincial insurance schemes regarding special medications for major diseases treatment. Consequently, the inclusion or exclusion of a pharmaceutical product in or from such programs, or any limitation on their coverage could significantly affect patient demand for our pharmaceutical products. Any delay in inclusion of our products in the NRDL or other government-sponsored medical insurance programs may adversely affect their market adoption and sales growth.

The decision to include pharmaceutical products in insurance coverage depends on various factors, including efficacy, safety and price, which may be outside of our control. Moreover, government authorities may, from time to time, review and adjust the scope of reimbursement for products that are listed in any medical insurance catalog. For example, in the PRC, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security, together with other government authorities, regularly review the inclusion or removal of drugs from the NRDL. Our drugs that had been included in the NRDL as of December 31, 2024 contributed over 80% of our total revenue and gross profit in 2024. If our products are not timely included in relevant government-sponsored medical insurance programs, or if they are removed from these programs, or if the scope of reimbursement is reduced, demand for our products may decrease, which could adversely affect our revenue and profitability. See “Business—Product Pricing—NRDL” for more information on the NRDL's impact on us.

If we are unable to succeed in a competitive centralized tender process to supply our products to public hospitals and other relevant medical institutions, we may lose market share and our revenue and profitability could be adversely affected.

Most pharmaceutical products that are sold to public hospitals and other relevant medical institutions in China must go through a competitive centralized tender process. This government-led mechanism regulates the purchasing of pharmaceuticals by public hospitals and other relevant medical institutions and aims to make the price of drugs more affordable. In this process, we submit bids in a centralized tender process to supply our products to these institutions at specified prices. Our bids are evaluated mainly based on several criteria, including prices relative to substitute products, clinical effectiveness, and the quality of our products and services. If we succeed in a centralized tender process, the relevant products will be sold to the public hospitals and other relevant medical institutions at the bid prices, which

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is also the primary determinant of the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products.

Our sales volume and profitability depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in centralized tender processes at profitable levels. We cannot assure that we will always succeed in a competitive centralized tender process. If we are unable to do so, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant public hospitals and other relevant medical institutions in China, which may have a material adverse impact on our market share and results of operations.

We may fail to win bids in a centralized tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet tender requirements, perceived inferior clinical efficacy or safety compared to competing products, or perceptions that our services or other aspects of our operations are less competitive. If our products are not selected in the centralized tender process in one or more regions, we will be unable to sell the relevant products to the public hospitals and other relevant medical institutions in those regions. Consequently, our market share, revenue and profitability could be adversely affected.

Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs.

Prices of pharmaceutical products typically will decline over the life of the product due to factors such as the centralized tender process, pricing regulation by the PRC government, or increased competition from substitute products. Additionally, the importation of competing products from countries where government price controls or market dynamics result in lower prices can also exert downward pressure on the prices of our products.

The PRC government has recently increased its efforts to reduce overall healthcare costs by reforming the schemes of pricing regulation and statutory tender processes for pharmaceutical products. Currently, prices of pharmaceutical products are mainly determined by market competition through the centralized tender process at the provincial level, without being subject to price ceilings previously set by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the “NDRC”) for drugs listed in national or provincial medical insurance catalogs before June 1, 2015. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing. Competition from other manufacturers, particularly those offering similar products at more competitive prices, may force us to lower prices of our products upon commercialization. In addition, some new methods are used in recent centralized tender processes at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase

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pricing pressure. There is no guarantee that new policies on pharmaceutical pricing or changes in centralized tender processes would not create any further downward pressure on the prices of our existing and future products.

In November 2018, the PRC government launched the national pilot scheme of public medical institutions for tendering with minimum procurement quantities (*i.e.*, the volume-based procurement scheme, or the “VBP” scheme). This initiative is aimed at reducing drug prices and may potentially impact how generic drugs are priced and procured in China. The VBP scheme aims to secure larger quantities of pharmaceutical products at lower prices. While bidding successfully under the VBP scheme allows us to sell our products in larger volumes, it also exerts downward pressure on our product pricing to win bids and influences on the prices at which we sell our products to our distributors, thus impacting our revenue and profitability. There are also uncertainties with respect to future drug coverage of the VBP scheme. As a result, there can be no assurance that we will have additional drugs included in such scheme in the future. If our competitors win the bid under such scheme while we fail to do so for our products with the same generic names, demand for our products may decrease and our revenue, profitability and market share could be adversely affected. Moreover, even if our products win the bid, there may be discrepancies between the estimated procurement volumes set out in the tender documents and the actual procurement volumes. Consequently, there are uncertainties regarding the impact of the implementation of the VBP scheme on the sales volume and revenue of the winning products. Any such or future changes of policies, which we may not be able to predict or control, could create uncertainties that materially and adversely affect our product pricing, and accordingly, our revenue and profitability. Many of our generic drugs have been subject to the national VBP scheme, provincial VBP schemes and/or other VBP schemes such as interprovincial alliance VBP schemes. Our generic drugs that had not been included in the VBP schemes as of December 31, 2024 contributed less than 12% of our total revenue and gross profit in 2024. See “Business—Product Pricing—Centralized Tender Process and Volume-based Procurement” for more information on the VBP schemes’ impact on us.

If government pricing regulation or other policies aimed at reducing healthcare costs cause our product prices to decline, there can be no assurance that we will be able to mitigate the adverse effects of the price reductions without incurring substantial expenses to enhance the competitiveness of our products. Consequently, our profit margins and profitability could be materially and adversely affected.

We are exposed to specific risks of conducting our business and operations in international markets.

We sell pharmaceutical products and active pharmaceutical ingredients to overseas markets, such as in Europe and the U.S. We also out-license some of our commercialization rights and engage in other forms of collaboration worldwide, including conducting clinical trials abroad. We plan to further expand our international business and multi-regional clinical development. If we fail to obtain applicable licenses or fail to enter into strategic collaboration arrangements with third parties in our target overseas markets, or if these collaboration

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arrangements turn out unsuccessful, our revenue growth potential will be adversely affected. In addition, if the clinical trials conducted by our out-licensing collaboration partners fail to achieve the desired efficacy or safety profiles, it could adversely affect our clinical trials or our ability to obtain regulatory approvals in a timely manner, or at all. Moreover, if we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements from third parties, we may have to relinquish valuable rights to our products and technologies, or future revenue streams, or grant licenses on terms that are not favorable to us.

Our global expansion may expose us to risks and uncertainties, including:

- policies with which we may be unfamiliar, which may differ materially from those in the PRC or other jurisdictions where we currently operate, to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;
- risks associated with compliance of laws and regulations in foreign jurisdictions, including the rules and regulations from the Office of Foreign Assets Control and the U.S. Bureau of Industry and Security, the U.S. Foreign Corrupt Practices Act (the “FCPA”), and other applicable rules and regulations;
- changes in a specific country’s or region’s political and cultural climate or economic condition, such as political instability, inflation, currency fluctuations, unexpected changes in tariffs, trade barriers and regulatory requirements;
- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- risks of increase in our expenses or diversion of our management’s attention from the development of product candidates due to our efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution;
- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products;
- failure by us to enter into out-licensing arrangements for more of our innovative drugs, failure by our collaboration partners to achieve milestones or perform the out-licensing agreements, and any disputes arising under the out-licensing agreements;

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- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sales of pharmaceutical products in overseas markets and the costs incurred for dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- potentially reduced protection for intellectual property rights and potential third-party patent rights;
- compliance with tax, employment, immigration and labor laws;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally; and
- business interruptions resulting from geo-political actions, including war and terrorism, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires, or health epidemics.

These and other risks may materially and adversely affect our ability to attain or sustain revenue from international markets. If we are unable to successfully implement our global expansion strategies, our business prospects may be adversely affected.

All material aspects of our operations are heavily regulated, and any failure to comply with these regulations could have a material adverse effect on our business.

We operate our business primarily in China and have increasing global presence, mainly through sales to over 40 countries, overseas clinical trials, product out-licensing and other international collaborations. The pharmaceutical industry is strictly regulated in China and certain overseas markets, covering aspects such as product development and approval, manufacturing and quality management, sales and marketing, and distribution of products. For example, the NMPA, the U.S. FDA or other relevant regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. We cannot assure you that we will be able to pass all such inspections. Moreover, differences in regulatory regimes across these markets could increase the complexity and compliance costs for a company like us that is expanding its business globally.

The pharmaceutical industry is subject to extensive government regulation and supervision, which cover all aspects of a pharmaceutical company's operations. Violating relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Specific laws, rules and regulations may also affect the pricing, demand and distribution of our products, such as those relating to the procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacies, government funding for private healthcare and medical services, and the inclusion of products in national or provincial medical insurance drug catalogs. In addition, the pharmaceutical manufacturing, distribution and retail, healthcare services, and medical device

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sectors are each subject to extensive and evolving government regulations and supervision. Changes in these regulations could increase our compliance costs and materially and adversely affect our business, profitability and prospects.

The process of obtaining regulatory approvals and maintaining compliance with applicable laws and regulations in different jurisdictions requires significant time and financial resources. Failure to comply with applicable regulatory requirements in the jurisdictions where we operate or target to operate in the future, at any time during the drug development, approval or post-approval stages, may subject us to administrative or judicial sanctions. These sanctions could include, but are not limited to, refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties. Any occurrence of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Any failure to comply with existing laws, regulations and industry standards could result in fines or other punitive actions against us, termination of ongoing research and disqualification of data for submission to regulatory authorities, or a ban on our future drug sales, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant laws, regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from our business operations, and adversely affect our reputation and financial results.

If we or our business partners fail to obtain, maintain or renew necessary licenses and permits for the development, production, promotion, and sale of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

We are required to obtain, maintain and renew various licenses and permits to develop, produce, promote, and sell our pharmaceutical products. Our business partners, such as suppliers, distributors, licensing collaboration partners, and other third-party contractors, on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. For details, see "Business—Legal and Compliance—Licenses, Permits and Certificates." We and our business partners may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of, permits, licenses and certifications may change from time to time, and there can be no assurance that we or parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain

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or renew material permits, licenses and certifications, it could materially impair our ability to conduct our business. While we have always been able to maintain and renew our material permits, licenses and certificates, there is no assurance that we will be able to continue doing so in the future.

Any changes in the standards used by government authorities in considering whether to renew or reassess our licenses, permits and certificates, as well as any enactment of new regulations that may restrict the conduct of our business, may decrease our revenue and increase our costs, which in turn could materially and adversely affect our profitability and prospects. Furthermore, if the interpretation or implementation of existing laws and regulations changes, or any new regulation comes into effect, so as to require us or parties upon whom we rely to obtain any additional licenses, permits or certificates that were previously not required to operate our business, there can be no assurances that we or parties upon whom we rely will successfully obtain such permits, licenses or certificates.

The regulatory approval process of the NMPA and other comparable regulatory authorities for our product candidates is lengthy and the result is unpredictable. Any failure to timely obtain these regulatory approvals could adversely affect our business prospects and profitability.

We are subject to risks associated with obtaining regulatory approvals. New pharmaceutical products must be approved by the NMPA and other comparable regulatory authorities before they can be marketed and sold. The time required to obtain approvals from the relevant regulatory authorities in different jurisdictions is unpredictable, typically taking years following the commencement of preclinical studies and clinical trials, and depends on numerous factors, including the substantial discretion of the regulatory authorities. Significant time, efforts and financial resources are required to bring our product candidates to market in compliance with the regulatory processes, and we cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those jurisdictions. Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we intend to market the relevant product, therefore restricting its market size and adversely affecting our business, results of operations and growth prospects.

We may fail to receive regulatory approvals from the NMPA or other comparable regulatory authorities for our product candidates due to a number of reasons, including:

- disagreement in the design or implementation of our clinical trials;
- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;

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- insufficient or suboptimal data collected from the clinical trials, or failure of our clinical trial results to meet the level of statistical and medical significance required for approvals;
- failure of our clinical trial process to pass the Good Clinical Practice, or the GCP, inspections;
- unexpected changes in regulations, testing requirements, or approval policies that render our preclinical and clinical data insufficient for approvals;
- failure of our drug candidates to pass GMP inspections during the regulatory review process or across the production cycle of our drugs;
- failure of our clinical sites to pass audits carried out by the NMPA or other comparable regulatory authorities, resulting in a potential invalidation of our research data; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

In addition, the NMPA or other comparable regulatory authorities may require more information to support approval, including additional preclinical or clinical data, which may result in delay in or denial of regulatory approval. Moreover, policies of the NMPA and other comparable regulatory authorities may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. For example, in recent years, PRC regulatory authorities have been introducing new policies and measures with respect to the review, approval and regulation of pharmaceutical products, raising the standards for the review of each stage of the development of new drugs. Furthermore, clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions, and regulatory approval in one jurisdiction does not mean that regulatory approval will be obtained in any other jurisdiction. Approval procedures vary among jurisdictions and can involve additional product testing and validation and additional administrative review periods. We cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our product candidates will be approved for sale in those jurisdictions. Additional time, efforts and expenses may be required to bring our product candidates, upon regulatory approval, to the international markets in compliance with different regulatory processes.

Failure to obtain regulatory approvals in a timely manner, or at all, or failure to obtain regulatory approvals with an intended scope of indications, could have a negative impact on the commercial prospects of our product candidates, and may cause reputational damage to us. Consequently, we would not be able to realize any revenue on such product candidate despite

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the significant amount of resources we would have spent on its development, and we may need to incur additional expenses and recognize impairment on our intangible assets, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to achieve or maintain market acceptance for our products could have an adverse impact on our profitability and business prospects.

The commercial success of our products, including existing or future products, depends on the degree of market acceptance they achieve among the medical community, particularly medical professionals and hospitals. The acceptance of our products will depend upon several factors, including:

- the safety and efficacy of our products and the prevalence and severity of side effects, if any;
- the pricing and cost-effectiveness of our products;
- the perceived advantages and disadvantages of our products, including the prevalence and severity of side effects, relative to competing products or treatments;
- the effectiveness of our sales and marketing efforts;
- publicity concerning our products or competing products;
- our ability to respond to changes in needs and preferences of healthcare practitioners and patients; and
- the inclusion of our products in key medical insurance schemes.

If our products fail to achieve or maintain widespread market acceptance, or if new products or treatments introduced by our competitors are perceived more favorably by healthcare practitioners and patients, our products may be rendered obsolete, and the demand for our products may decline. As a result, our profitability and business prospects may be materially and adversely affected.

In addition, the actual market size of our product candidates may not be as large as we anticipate, influenced by various factors such as market acceptance, pricing, and patient availability. The number of patients in addressable markets may turn out to be lower than expected, or new patient identification and access may become more challenging. Any of the above unfavorable developments could adversely impact on our business, financial condition and results of operations.

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We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

We operate in a highly competitive environment. Failure to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and prospects. Our products primarily compete on the basis of efficacy, safety, price and general market acceptance. Our competitors include large domestic and international pharmaceutical companies, as well as smaller emerging pharmaceutical and biotechnology companies. There are a number of potential competitors that currently market and sell drugs or are pursuing the development of drugs for the treatment of the same indications as our product candidates. In particular, we may face intense competition in the development of innovative drugs. Some of these competitors have better resources and expertise than us. The competitive landscape of our target market is constantly evolving with the introduction of next-generation treatments and advanced technologies, which could provide more effective or convenient treatment options. In light of the intense competition, we may not be able to compete effectively and obtain substantial market share even if we successfully complete the development and commercialization of our product candidates. We anticipate that we will face increasing competition as new drugs enter the market and advanced technologies become available.

Our commercial opportunity could be significantly reduced or even eliminated if our competitors develop and commercialize drugs that are safer, more effective, more convenient, or less expensive than the drugs we may develop or commercialize. Our competitors also may obtain approval from the NMPA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. They may render our product candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our product candidates.

Our products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to access or further penetrate the PRC market. To the extent that our competitors' substitute products are, or are perceived to be, more clinically or cost effective than ours, or otherwise gain wider market acceptance than any of our pharmaceutical products, this could adversely affect our sales volumes and pricing levels for the relevant products. If pharmaceutical products manufactured overseas are perceived more favorably than products manufactured domestically in the PRC, it could erode our market share and have a material adverse impact on our results of operations and prospects.

Successful sales and marketing are crucial for us to enhance our competitiveness, including our ability to increase the market penetration of our existing products, expand our coverage of hospitals and other medical institutions and promote new products. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volume and business prospects could be adversely affected.

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In addition, there may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative or licensing arrangements with large and established companies. If we fail to effectively compete with our competitors or adjust to structural changes in the pharmaceutical industries, our revenue and profitability may be materially and adversely affected.

Even after we obtain regulatory approval for the marketing of our product candidates, they remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may expose us to liabilities and result in significant additional expenses.

Our product candidates, once approved, will be subject to ongoing or additional regulatory requirements of the NMPA or other comparable regulatory authorities, including those relating to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, and conduct of post-marketing studies. These requirements also include submissions of safety, efficacy and other post-marketing information and reports, registration, as well as continued compliance with the applicable GMP and GCP, for any clinical trials that we conduct post-approval.

Any approvals that we receive for our product candidates may be subject to limitations on the indications approved for which the drugs may be marketed, which could adversely affect the drugs' commercial potential. In addition, the approvals may contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the product candidates. The NMPA or a comparable regulatory authority may also require a post-approval risk evaluation and mitigation strategy program as a condition of approval of our product candidates.

Once a drug is approved by the NMPA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems with the drug, including issues with manufacturing processes, or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our drug products, it may result in, among other things:

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of drug approvals;

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- drug seizure or detention, or refusal to permit the import or export of drugs; and
- injunctions or the imposition of civil, administrative or criminal penalties.

In addition, we are subject to ongoing regulatory requirements for our day-to-day business operations. Accordingly, we must continue to expend time, costs and efforts in all areas of regulatory compliance, including manufacturing and quality management. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or other jurisdictions, especially when the regulatory environment is constantly evolving. If we are unable to maintain regulatory compliance, or if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, we may lose any regulatory approval that we have obtained, and we may not achieve or sustain profitability.

If we fail to obtain facilitated regulatory pathways from the NMPA or comparable regulatory authorities in other jurisdictions, we may be required to conduct additional clinical trials, which would result in additional costs and expenses and delay our receipt of relevant approvals.

The NMPA and comparable regulatory authorities in other jurisdictions may allow the use of data from a registrational trial and grant facilitated regulatory pathways to a product candidate that provides meaningful therapeutic benefit over available therapies for the treatment of a serious or life-threatening conditions. The determination is made based on a finding that the product candidate has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. For example, the U.S. FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality.

For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that is considered reasonably likely to predict the clinical benefit of a drug, such as an effect on irreversible morbidity or mortality. The facilitated regulatory pathways may be used in cases in which treating serious diseases with a new drug is in every one's interest, especially when the drug is the first available treatment or if the drug has advantages over existing treatments. Prior to seeking such facilitated regulatory pathways, we will continue to seek feedback from the NMPA and comparable regulatory authorities in other jurisdictions and otherwise evaluate our ability to obtain such accelerated approval.

There can be no assurance that in the future regulatory authorities will agree with our surrogate endpoints or intermediate clinical endpoints, or that we will decide to pursue or submit any new drug applications, or other comparable applications, for accelerated approval or any other form of facilitated regulatory pathways. Similarly, there can be no assurance that, after feedback from the regulatory authorities, we will continue to pursue or apply for accelerated approval or any other form of facilitated regulatory pathways, even if we initially

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decide to do so. Furthermore, for any submission of an application for accelerated approval or application under another facilitated regulatory pathway, there can be no assurance that such submission or application will be accepted for filing or that any expedited development, review or approval will be granted on a timely basis, or at all. A failure to obtain accelerated approval or any other form of facilitated regulatory pathways for our product candidates would result in a longer time period for commercialization of such product candidate, could increase the cost of development of such product candidate, and could harm our competitive position in the marketplace. Even if we obtain accelerated approval of a product candidate based on a surrogate endpoint, we will likely be required to conduct a post-approval clinical outcomes trial to confirm the clinical benefit of the product candidate and, if the post-approval trial is not successful, we may not be able to continue marketing the drug for the relevant indication.

Our historical operational and financial performance may not be indicative of our future performance, and we may not be able to sustain similar growth in the future.

We have experienced steady financial growth during the Track Record Period. Our revenue increased from RMB21.3 billion in 2022 to RMB22.8 billion in 2023, and further to RMB28.0 billion in 2024. However, you should not rely on the revenue growth of any prior period as an indication of our future performance, as our operational and financial growth is not necessarily indicative of results that we may achieve in the future. There are a wide array of factors that will affect our performance and growth, including the overall economy, market acceptance of our products, competitive products and technologies, and pricing pressures, many of which are beyond our control. We cannot assure you that we will be able to maintain our growth at the same rate as we did in the past, or avoid any decline in the future.

In addition, we will continue to develop new products and technologies in the future, but we cannot assure you that our efforts will be successful or generate results that meet our expectations, or at all. Failure to achieve our intended business results may have a material adverse impact on our business and results of operations. Furthermore, the pharmaceutical market, as well as applicable laws and regulations governing the pharmaceutical market, in China and other jurisdictions where we operate, are subject to further changes. As market conditions and the regulatory environment continue to evolve, we cannot assure you that our operations will continue to deliver the expected business results.

If we fail to achieve our expected product development milestones, it could adversely affect our business prospects.

Achieving product development milestones is critical to the success of our business, as these milestones directly influence our ability to successfully launch our products and meet our strategic goals. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including product development risks, the availability of funds, competition, obtaining of relevant approvals and permits, changes in regulations and government policies, and the continued growth of the pharmaceutical market. The actual timing for achieving our expected product development milestones could vary significantly from our expectations due to a

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number of factors, many of which are outside our control, including delays or failures in our preclinical studies or clinical trials, challenges in maintaining or establishing relationships with our research collaborators or co-development partners, uncertainties inherent in the regulatory approval process for new pharmaceutical products, and delays in manufacturing or marketing arrangements needed to commercialize our pharmaceutical products. There can be no assurance that our preclinical studies or clinical trials will be completed on schedule, or at all, or that we will make regulatory submissions or receive regulatory approvals as planned. As such, our ability to adhere to our current schedule for the launch of any of our products candidates is subject to these uncertainties. If we fail to achieve one or more of these milestones as expected, we may need to incur additional expenses and recognize impairment on our intangible assets, which could adversely affect our business prospects. Furthermore, if our collaboration partners fail to meet the product development milestones for our out-licensed products, or fail to achieve expected commercialization or sales targets for these products, it could adversely affect our ability to receive the milestone or royalty payments, damage our reputation, and diminish market confidence in our products, thus negatively impacting our business prospects, financial position and results of operations.

We may be unable to manage our future growth effectively. Failure to execute our business strategies could have an adverse effect on our business prospects.

We make continuous efforts to expand and develop our business. Our business growth requires managing complexities across all aspects of our business, including those associated with the development of new products and technologies and our global expansions. Executing our business strategies requires significant time and attention from our management, and any failure to effectively execute our business strategies could adversely affect our business prospects.

In addition, the growth of our business places strains on our operational systems and processes, financial systems, internal controls and other aspects of our business. To effectively manage our growth, we must continue to improve our operational efficiency and strengthen our talent pool by effectively hiring, training and managing our personnel. The time and resources required to improve our existing systems and procedures, implement new ones and staff them adequately are uncertain. Failure to do so in a timely and efficient manner could adversely affect our operations and negatively impact our business and financial performance.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demand and market changes in the pharmaceutical industry.

The pharmaceutical industry is characterized by rapid advancements in science and technology and the continuous emergence of new treatment options. Our future success depends on our ability to launch new products that meet evolving market demand, in particular, new drugs that are effective in treating or diagnosing new diseases and illnesses. We cannot assure you that we will be able to respond to emerging or evolving trends by improving our product matrix, technology platforms, and R&D capabilities in a timely manner, or at all.

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In addition, clinical demand for pharmaceutical products may change rapidly. Our success depends on our ability to anticipate product offering lead time and demand, identify clinical demand and customer preferences, and adapt our products accordingly. We may need to adjust our R&D plan, production scale and schedule, product matrix, and inventory levels in response to clinical demand, customer preferences, sales trends and other market conditions. There can be no assurance that we will be able to sufficiently and promptly respond to changes in clinical demand and other market conditions in the future, and any such failure may have a material adverse effect on our business, financial condition, results of operations and profitability.

If we fail to maintain, expand and optimize an effective distribution network for our pharmaceutical products, our sales and business prospects could be adversely affected.

We have established a network of distributors in China and overseas markets, which we rely on to distribute our pharmaceutical products to meet market demand and drive our sales. In each of the years ended December 31, 2022, 2023 and 2024, revenue from our five largest customers, a substantial majority of whom were our distributors, accounted for 59.8%, 62.0% and 58.7% of our total revenue, respectively. For more details on our five largest customers, see “Business—Customers.” Our ability to maintain and expand our business and satisfy the demand for our drugs will depend on our ability to maintain, expand, and optimize a distribution network to timely deliver our products throughout our target markets. However, we have limited control over third-party distributors. They may not distribute our pharmaceutical products in the manner we anticipate, which may impair the effectiveness of our distribution network. In addition, our distributors do not sell our products exclusively, which may put our products in direct competition with similar ones from our competitors that are sold by our distributors.

Moreover, in line with industry practice, we typically enter into distribution agreements with our distributors for a term of one year, which requires continuous renewal of these agreements to maintain our relationships with them. Our distributors might choose not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including adverse impact from pricing regulations in China or other jurisdictions where we operate, or other factors that limit the margins our distributors can obtain through the resale of our pharmaceutical products to hospitals, other medical institutions and retail pharmacies.

Our strategies contemplate expanding our coverage of medical institutions in lower-tier cities, rural areas and community healthcare service centers and collaborating with leading pharmaceutical distributors to leverage their channel resources and marketing networks to swiftly penetrate key markets around the globe. However, we may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. Furthermore, if a significant number of our distributors cease or reduce their purchases of our products or fail to perform their obligations under the distribution agreements, our business, financial condition and results of operations may be materially and adversely affected.

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The data and information that we gather in our R&D process could be inaccurate or incomplete, which could affect the clinical development of our product candidates and harm our business, reputation, financial condition and results of operations.

We receive, collect, and analyze data and information from our preclinical studies and clinical trials. Because data in the pharmaceutical industry are often fragmented in origin, inconsistent in format, and incomplete, the overall quality of data collected or accessed in the industry is often subject to challenges, and the degree or amount of data which is knowingly or unknowingly absent or omitted can be material. Consequently, we may discover issues or errors during our data monitoring and auditing processes. If we make mistakes in the capture, input, or analysis of these data, our ability to advance the development of our product candidates may be materially and adversely affected and as a result, our business, prospects and reputation may suffer.

We also manage and submit data to governmental agencies to obtain necessary regulatory approvals. These processes and submissions are governed by complex data processing and validation policies and regulations. Notwithstanding such policies and regulations, interim, top-line or preliminary data from our clinical trials that we release from time to time may change as more patient data become available and undergo audit and verification procedures. Such changes could expose us to liabilities if a patient, court or government agency concludes that our storage, handling, submission, delivery, or display of data was wrongful or erroneous. Although we maintain insurance coverage for clinical trials, this coverage may prove to be inadequate. Even unsuccessful claims could result in substantial costs and diversion of management time, attention, and resources. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations.

In addition, we engage certain third parties to monitor and manage data for our clinical trials. If any of these third parties do not perform to our standards in terms of data accuracy or completeness, data from those clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities. For details, see “—If we, our employees, affiliates or business partners engage, or are perceived to engage, in misconduct or other improper activities, including corrupt practices and non-compliance with regulatory standards and requirements, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.”

Any failure to perform proper quality control or assurance or produce products that satisfy necessary quality standards could harm our business and reputation, and our revenue and profitability could be adversely affected.

Our products and manufacturing processes are required to meet necessary quality standards. Despite our quality management system and procedures, we cannot eliminate the risk of errors, defects or failure. We may fail to detect or resolve quality defects as a result of a number of factors, many of which are outside our control, including:

- manufacturing errors;

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- technical or mechanical malfunctions in the manufacturing process;
- human error or malfeasance by our quality management personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between products manufactured in the existing and new facilities, or may need to incur substantial costs for doing so. Furthermore, if we acquire other pharmaceutical companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Failure to detect quality defects in our pharmaceutical products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, license revocation or regulatory fines, or other consequences that could seriously harm our reputation and business, expose us to liability, and adversely affect our revenue and profitability.

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.

Our pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors include potential side effects not revealed in clinical studies, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable. In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products are known or perceived to have caused severe side effects. Similarly, if one or more regulators in China or other jurisdictions, or an international institution, determines that products containing the same or similar pharmaceutical ingredients as ours cause or lead to severe side effects, this could also affect the perception of our products.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recall or withdrawal of the relevant products;

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- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and our reputation;
- stricter and more frequent regulatory inspections of our manufacturing facilities and products;
- removal of relevant products from any medical insurance catalogs, including provincial lists of special medications related to the severe diseases insurance;
- inability to participate in the centralized tender processes; and
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

Any of these potential consequences could materially and adversely affect our revenue, profitability and business prospects.

We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management. It may also result in damage to our reputation, product recalls, loss of revenue, and inability to commercialize our products. If we are unable to defend ourselves against such claims and our pharmaceutical products are found to be defective, we may be subject to civil liability for physical injury, death or other losses caused by our products, as well as criminal liability and the revocation of our business licenses. In addition, we may be required to recall the relevant products, suspend sales, or cease sales altogether. Other jurisdictions in which our products are sold, or may be sold, particularly more developed markets such as Europe and the U.S., may have similar or more onerous product liability and pharmaceutical regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

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PRC laws and regulations currently do not require us to maintain liability insurance to cover product liability claims, and product liability insurance we have purchased is limited. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we develop. For details, see “—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.”

If safety, efficacy, or other issues arise with any medical product that is used in combination with our product candidates, we may be unable to market such product candidates or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We are actively expanding indications for our commercialized products and developing product candidates for use as a combination therapy. If a regulatory authority revokes its approval of the other therapeutic that we use in combination with our product candidates, we will not be able to market our product candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our product candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any component of our combination product candidates, we may not be able to complete clinical development of our product candidates on our current timeline or within our current budget, or at all.

If we suffer substantial disruption to any of our manufacturing facilities or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.

We manufacture substantially all of our products through our own manufacturing facilities in China. The continued operation of our manufacturing facilities and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, health epidemics, terrorist attacks and wars, or other natural disasters; loss of licenses, permits or certificates; and changes in governmental planning for land used for these facilities or their vicinity, and other regulatory changes.

If the operation of any of our manufacturing facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facilities, or use alternative sites or third-party contractors to continue our production in a legal, timely and cost-effective manner, or at all. Although we maintain property insurance for our production facilities and equipment, we do not maintain business interruption insurance, and the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our manufacturing facilities.

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Additionally, we may experience disruptions to our supply chain, such as shortages in supplies of raw materials and other products from our suppliers, whether due to dependency on single-source or a few major market players or otherwise, or industry-wide disruptions in the supply chain for reasons beyond our control, such as pandemics, regional conflicts, global crises and destruction of transportation infrastructure or routes. Should any of these occur, it could materially and adversely affect our manufacturing operations, negatively impacting our business and results of operations.

Furthermore, problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing production facilities (including changes in production sites and limits to manufacturing capacity due to regulatory requirements), changes in the types of products produced, physical limitations that could inhibit continuous supply, and man-made or natural disasters and environmental factors. As a result of disruption to our manufacturing facilities or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenue and profitability could be adversely affected.

If we fail to increase our production capacity or upgrade our existing production facilities in response to increasing demand for our products, our business prospects could be adversely affected.

As part of our strategies, we intend to expand or upgrade our production facilities in China and establish new production facilities in China and key overseas markets. See “Business—Our Strategies” for more details. However, our ability to successfully implement such expansion and upgrade plan is subject to a number of risks and uncertainties, including our ability to obtain the requisite licenses, permits and approvals for the construction and operation of any new manufacturing facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the expansion of our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacity and upgrade our existing production facilities in the manner we contemplate, if at all. In the event we fail to do so, we may not be able to capture the potential growth in demand for our products or successfully commercialize additional products, which could adversely affect our results of operations and business prospects. Moreover, our plans to increase our production capacity and upgrade our existing production facilities require significant capital investment, and the actual costs of our expansion and upgrade plan may exceed our original estimates, which could adversely affect the return on our expenditure. The implementation of our expansion and upgrade plan may also increase our operating costs, such as higher staff costs, depreciation, and utility costs, which may adversely affect our results of operations and financial condition.

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Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material adverse effect on our business and results of operations.

As of December 31, 2022, 2023 and 2024, we had inventories of RMB2,450.6 million, RMB2,314.0 million and RMB2,417.1 million, respectively. We seek to maintain optimal inventory levels to fulfill orders coming from our extensive distribution network and successfully meet our customers' demand. However, we are exposed to inventory risk as a result of rapid changes in product lifecycles, changing clinical demands, uncertainty of product developments and launches as well as the volatile global economic environment. Further, demand for products could change significantly between the time when the products are approved for market introduction and the time they are ready for sale and delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately.

There can be no assurance that we can accurately predict customer demand and market trends and avoid over-stocking or under-stocking our products. Inventory levels in excess of demand may result in inventory write-downs, expiration of our products or an increase in inventory holding costs, and a potential negative effect on our liquidity. On the contrary, if we underestimate demand, we may experience inventory shortages, which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships and loss of sales opportunities and revenue. There can be no assurance that we will be able to maintain proper inventory levels of our products, and any such failure may have a material adverse effect on our business and results of operations.

Adverse drug reactions and negative results from off-label use of our products could materially and adversely affect our business, reputation, brand name, and results of operations and expose us to liability claims.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use, which involves prescribing a product for an indication, dosage or dosage form that is not in compliance with regulatory approved usage and labeling. The NMPA and other comparable regulatory authorities actively enforce laws and regulations against off-label use, and companies found to have improperly promoted off-label uses may be subject to significant liabilities. There remains the risk that our products are subject to off-label drug use and are prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities, rendering our products less effective or entirely ineffective or causing adverse drug reactions. Any of these occurrences can create negative publicity and significantly damage our business, reputation and brand name, and expose us to liability claims and penalties. These occurrences may also cause a delay in the progress of our clinical studies, such as those for indication expansions of our relevant products, which may ultimately result in failure to obtain regulatory approval for our product candidates, and, in turn, adversely affect our business and results of operations.

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Our products may involve risks of contamination.

Our products, especially our therapeutic biological products, may involve the risk of contamination. The manufacturing of therapeutic biological products usually requires cultivation steps, including growth of the appropriate organism and the use of substances of animal origin, which makes it easy to introduce a contaminant and amplify low levels of contamination. In addition, cross-contamination could result from manufacturing activities at shared equipment and facilities, which are common. Other activities such as diagnosis and research are frequently linked to manufacturing, which may create opportunities for cross-contamination. Furthermore, improper actions during the long-distance transportation, storage and delivery services may also result in contamination.

In the event of contamination or injury resulting from such contamination, we could be subject to liabilities for any resulting damages to patients, product recalls, confiscation or destruction. We could also incur significant costs associated with civil or criminal fines and penalties for failure to comply with laws and regulations. In addition, contamination of our products could cause customers or other third parties with whom we conduct business to lose confidence in our products' quality and the reliability of our manufacturing procedures, which could adversely affect our sales and profits. Furthermore, if contaminated products are unknowingly distributed, they could harm patients, damage the reputation of our products and expose us to product liability claims, criminal charges and administrative sanctions.

If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, our competitors could compete against us more effectively, which may have a material adverse impact on our business and results of operations.

Our success depends in large part on our ability to protect our valuable innovations, including our products, product candidates and proprietary technologies, by obtaining, maintaining and enforcing our intellectual property rights, such as patent rights. We seek to protect our intellectual property that we consider commercially important by filing patent and trademark applications, securing pharmaceutical regulatory protection, enforcing contractual confidentiality obligations, relying on trade secrets, or employing a combination of these methods. For details of our intellectual property rights, see "Business—Intellectual Property Rights" and Appendix VI to this prospectus. If we fail to adequately protect our intellectual property, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantage we may have, which could adversely affect our business and results of operations.

However, there are a number of risks and uncertainties related to the patent application process. Filing, prosecuting and maintaining patents or patent applications on our products or product candidates worldwide could be time-consuming and expensive, and there is no assurance that any of our pending patent applications will lead to issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages. In addition, the patentability requirements across countries and regions vary and

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the laws of different countries or regions do not provide patent protection to pharmaceutical inventions to the same extent. Therefore, our patent applications may not be granted in all countries and regions, and the scope and strength of issued patents can vary globally. Moreover, different countries and regions may provide varying regulatory exclusivities to pharmaceutical products, and some countries or regions provide no regulatory exclusivities at all. Consequently, we may not be able to achieve uniform protection or exclusivities for our products or product candidates. Furthermore, given the lengthy process required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with an adequate exclusivity period for our products or product candidates.

Moreover, the patents that we hold are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce substitute products to ours which may be identical in formulation. In the event that our competitors introduce substitutes for these products post-patent expiration, it could have an adverse impact on the sales volume and pricing levels for such products. Although extensions may be available, there is no guarantee that we will be able to secure such extensions, or that they will be extensive as requested. This might allow our competitors to obtain approval for competing products following our patent expirations. Furthermore, there are a number of factors that could cause our existing patents or other intellectual property to become invalid or unenforceable, including known or unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. If the patents relevant to our products or product candidates were to be declared invalid or unenforceable, it could have an adverse impact on the sales volume and pricing levels for our products and our ability to successfully commercialize the product candidates.

Certain of our patents and patent applications, including those developed under our collaboration and licensing agreements, may from time to time be co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in relevant patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors. In addition, we may need the cooperation of such co-owners to enforce these patents or patent applications against third parties, while these co-owners may not be willing to cooperate with us. Any of these factors could adversely affect our competitive position and results of operations.

In addition, our employees or partners might disclose our proprietary information or trade secrets. We may be unsuccessful in securing confidentiality agreements with our employees or business partners. Our employees or partners may also breach the confidentiality clauses and disclose our trade secrets to third parties, which could adversely affect our competitive position.

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Changes in patent laws in China, Europe, the U.S., and other jurisdictions where we hold intellectual property could raise challenges with respect to our intellectual property protection in such jurisdictions.

Our success is heavily dependent on obtaining, maintaining, enforcing and defending intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry often involve technological and legal complexity and are costly, time-consuming and inherently uncertain. Changes in patent laws or their interpretation in China, the U.S., Europe or other jurisdictions may increase the uncertainties and costs surrounding the prosecution of our patents, diminish our ability to protect our inventions, and, more generally, affect the value of our intellectual property or narrow the scope of our intellectual property rights.

In China, the relatively recent amendment to the PRC Patent Law in October 2020, which became effective in June 2021, introduced patent term compensation mechanism for eligible invention patents related to new drugs. The patents owned by third parties may be extended, which may in turn affect our ability to commercialize our drug candidates (if approved) without facing infringement risks. According to the PRC Patent Law, in order to compensate for the time used for the review and approval of new drugs for marketing, the patent administration department of the State Council must, at the request of the patentee, provide patent term compensation for invention patents of new drugs approved for marketing in China. The patent term compensation may not exceed five years, and the total effective term of the patent after the new drug approved for marketing should not exceed 14 years. If we are required to delay commercialization for an extended period of time, technological advances may develop and new products may be launched, which may in turn render our products non-competitive. We cannot guarantee that any other changes to PRC intellectual property laws would not have a material impact on our intellectual property protection.

Furthermore, the PRC and the U.S. have adopted the “first-to-file” system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Publications of discoveries in the scientific literatures often lag behind the actual discoveries. In the PRC, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date. Similarly, patent applications in the U.S. and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Even after reasonable investigation, we may not know with certainty whether any third-party may have filed a patent application without our knowledge while we are still developing or producing that product. In addition, recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. These events have created uncertainty with respect to the validity and enforceability of patents once obtained. Additionally, laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our patent rights and our ability to protect, defend and enforce our patent rights in the future.

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We may be subject to intellectual property infringement claims, which could divert our management's attention, expose us to substantial liability, harm our reputation, limit our R&D or other business activities and impair our ability to sell our products or commercialize our product candidates.

Our success depends significantly on our ability to develop, manufacture, market and sell our products and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. We have been, and may from time to time become party to, or threatened with, adversarial proceedings or litigation in the PRC and overseas regarding intellectual property rights with respect to our technology and any products or product candidates we may develop. As the pharmaceutical industry expands and more patents are issued, the risk increases that our products or product candidates or technologies that we develop may be subject to claims of infringement of the patent rights of third parties.

Third parties may assert infringement claims against us based on patents or other proprietary rights that we currently hold or may be granted in the future, regardless of their merit. The risk of being subject to intellectual property infringement claims will increase as we continue to expand our operations and product offerings. Additionally, as patent applications can take many years to issue, there may be pending patent applications which might eventually lead to issued patents which our products or product candidates could inadvertently infringe. Moreover, there may be existing patents that we are not aware of or that we have incorrectly concluded are invalid or not infringed by our activities. As such, we may be unable to determine whether any of our products, product candidates, processes and other related matters infringe upon the intellectual property rights of others. We have received, and may from time to time receive, notices that claim our technologies or certain other aspects of our business have infringed, misappropriated or misused third parties' intellectual property rights. Whether or not third-party intellectual property claims have merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. Defending against these claims, regardless of their merit, would also involve substantial litigation expenses and create a significant diversion of resources from our business. A court of competent jurisdiction could hold that these third-party patents or other intellectual property rights are valid and enforceable and infringed by us, which could materially and adversely affect our ability to commercialize product candidates we may develop and any other product or technologies covered by the asserted third-party patents or other intellectual property rights.

If we are found to have infringed on a third party's intellectual property, and we are unsuccessful in demonstrating that such patents or other intellectual property rights are invalid or unenforceable, we could be required to:

- obtain royalty-bearing licenses from such third party, which may not be available on commercially reasonable terms, if at all;

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- acquire any necessary licenses from third parties, which could be non-exclusive, give our competitors and other third parties access to the same technologies licensed to us, and require us to make substantial licensing and royalty payments;
- defend litigation, arbitration, or administrative proceedings;
- reformulate our product or product candidate so that it does not infringe the intellectual property rights of others, which may not be possible or could be costly and time-consuming;
- cease developing, manufacturing and commercializing the infringing products, product candidates or technologies; or
- pay such third party significant monetary damages, if we are found to have willfully infringed a patent or other intellectual property right.

Some of our competitors may have substantially greater resources, and therefore are likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

Claims that we or our employees have misappropriated the confidential information or trade secrets of third parties could have a material adverse effect on our business, financial condition, results of operations, and prospects. Certain of our employees were previously employed at medical institutions and pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of their former employers. Litigation may be necessary to defend against these claims, and even if we are successful in litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources.

Patent terms may not be sufficient to effectively protect our products and business.

The newly amended Patent Law of the PRC, which took effect in June 2021, introduces patent extensions to patents of new drugs commercialized in the PRC. It stipulates that the patentee of relevant invention patents of a new drug that is approved for marketing in China can apply for patent term extension to compensate for the time spent for the regulatory review, examination and approval process. The compensated extension is up to five years, provided that the total valid patent term will not exceed 14 years after drug approval.

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Invention patents we hold in the PRC for the compounds and preparation methods of our commercialized NME drugs are expected to expire on various dates as described in “Business—Intellectual Property.” For example, an invention patent in the PRC on the compound for one of our commercialized NME drugs will expire in October 2026. We have applied and will apply for an extension of the term of our major patents before they expire, and we have developed a commercialization strategy for our relevant products. However, there can be no assurance that our application and commercialization strategy will be successful. An extension may not be granted because of, for example, failure to apply within applicable deadlines or prior to expiration of relevant patents, or otherwise failure to satisfy applicable eligibility requirements.

Although patent extensions may be available, the applicable time period or the scope of patent protection afforded could be less than what we request. If we are unable to obtain any patent term extension or the term of any such extension is less than what we request, our competitors could face reduced barriers to marketing competing products, including generic or biosimilar drugs, following our patent expiration, and our revenue could be reduced, possibly materially. Further, if this occurs, our competitors may take advantage of our investment in development and trials by referencing our clinical data and launch their product sooner than they otherwise would. If we are unable to successfully challenge potential patent infringement, our competitors may obtain approval of competing products following or before our patent expiration, and our business, financial condition, results of operations and prospects could be materially harmed.

In addition, manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office. We may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product.

If we fail to comply with our obligations under our existing intellectual property licensing agreements or under any future intellectual property licenses, or otherwise experience disruptions to our business relationships with our current or future licensors, we could lose intellectual property rights that are important to our business.

We are party to a few in-licensing agreements pursuant to which we have been granted by third parties rights to, among other things, develop, manufacture and commercialize licensed pharmaceutical products in designated regions. Our current license agreements impose, and we expect that future licenses will continue to impose, specified royalty payments and other obligations on us. For more details on our in-licensing arrangements, see “Business—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements.”

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In spite of our best efforts, current or any future licensors might conclude that we have materially breached our license agreements with them and might therefore terminate the license agreements, thereby impacting our ability to market and sell the relevant pharmaceutical products. If these in-licenses are terminated, or if the underlying intellectual property fails to provide the intended exclusivity, our competitors could market and sell the same products or products similar to our licensed products. This could adversely affect our results of operations and business prospects.

Collaboration and licensing agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. Disputes may arise regarding intellectual property under these agreements, including: the scope of ownership or license rights granted; the assignment or sublicensing of intellectual property and other rights; and the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by us and our collaboration partners. The resolution of any contract interpretation disagreement or other disputes that may arise could narrow the expected scope of our rights to the relevant intellectual property or technology, or increase our expected financial or other obligations under the relevant agreement. If disputes arise over intellectual property or other matters under our license agreements or if we fail to maintain our current licensing arrangements on commercially acceptable terms, we may experience delays in the development and commercialization of licensed products, which could have an adverse effect on our business, financial condition, results of operations and prospects.

In addition, we are party to and may continue to pursue a number of out-licensing agreements, pursuant to which we have granted third parties rights to develop, manufacture and commercialize certain of our licensed pharmaceutical products in designated regions. We have either joint or no ownership rights to certain intellectual property generated through these collaborations. If we are unable to obtain ownership or licensing of such intellectual property, our business and results of operations could be adversely affected.

We depend on the supply of certain raw materials. Such supplies may not be available to us in acceptable quality or on commercially acceptable terms or at all, which could adversely affect our sales volume and margins for the relevant product.

Purchases of raw materials accounted for a significant portion of our total cost of sales during the Track Record Period. To efficiently manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. During the Track Record Period, we primarily source APIs, intermediates, excipients and other raw materials from qualified suppliers. For details, see “Business—Manufacturing and Quality Management—Raw Materials.” We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices.

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As we continue to develop and scale our manufacturing process and capacity, there is no assurance that we will be able to, at all times, procure raw materials we need in adequate amount or on commercially reasonable terms, in a timely manner or at all. The availability and prices of these raw materials may be impacted for various reasons that are beyond our control. We might in the future encounter temporary difficulties in sourcing key raw materials as a result of health epidemics or outbreaks of contagious diseases as well as natural disasters, which could have a material impact on our business operations. For details, see “—An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.” The availability and prices of these raw materials may also be impacted due to other reasons, such as regulatory actions or requirements affecting certain suppliers, adverse financial or other strategic developments experienced by certain suppliers, labor disputes or shortages, unexpected demands, or quality issues. Failure to obtain sufficient supply of these materials could delay the production and delivery schedules of the relevant products, thereby adversely affecting our ability to satisfy the market demand. In addition, a significant increase in the cost of supplies may directly and negatively affect our profitability, and we cannot assure you that we would be able to pass on any increase in raw material costs to our customers. Any potential interruption in our supply of raw materials or substantial fluctuation in market prices of raw materials could result in a decrease in our sales volume and profit margins, thereby adversely affecting our operation, financial condition and prospects.

We engage with third parties for certain aspects of our business. If these third parties fail to reliably, timely or cost-effectively provide us with their obligated services, our business could be adversely affected.

We rely on third parties, such as qualified medical institutions, contract research organizations (“CROs”) and site management organizations (“SMOs”), in certain aspects of our business, including the design and conduct of clinical trials for our product candidates as well as commercialization of our products or product candidates in specific regions. Our business will be adversely affected if business or economic conditions or future developments in applicable laws and regulations negatively impact the operations of these third parties and, consequently, result in a reduction of their provision of services to us. If these third parties, whom we do not control, do not successfully fulfill their contractual duties or regulatory obligations or meet expected deadlines, or if our collaboration partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development and commercialization efforts could be delayed, suspended or terminated. In addition, if the quality or accuracy of the data we obtain from these third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical activities could be delayed and we may not be able to obtain regulatory approvals for our product candidates.

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If we, our employees, affiliates or business partners engage, or are perceived to engage, in misconduct or other improper activities, including corrupt practices and non-compliance with regulatory standards and requirements, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.

We are subject to risks in relation to improper actions taken by us, our employees, affiliates or business partners. Misconduct by these individuals and institutions could include intentional, reckless or negligent conduct that violates applicable laws and regulations, including on the reporting of true, complete and accurate information and data to regulatory authorities, data privacy and security, product quality and manufacturing standards. For example, we are subject to the anti-bribery and corruption laws of China, which generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. We are also subject to the FCPA, which generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. As our business expands globally, our exposure to the FCPA and other anti-bribery and corruption laws relevant to our operations is expected to increase. In addition, sales, marketing, and business arrangements in the pharmaceutical industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. Any allegations of such behavior against us, our employees, affiliates or our business partners or even the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation and business prospects.

The PRC government has launched increasingly stringent initiatives to combat corrupt practices in the pharmaceutical industry since 2023, targeting not only medical and healthcare institutions, but also pharmaceutical manufacturers, distributors, and industry organizations and associations (the “Anti-corruption Campaign”). For instance, in May 2023, 14 government departments, including the National Health Commission of the PRC (the “NHC”), jointly issued the Key Points for Rectifying Unethical Practices in the Purchase and Sales of Medical Products and Medical Services in 2023 (《2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點》). The concerted effort aimed to achieve full coverage of areas with high corruption risks such as speaker programs, hospitality expenses, sponsorships, and donations. In May 2024, 14 government authorities, including the NHC, jointly issued the Key Points for Rectifying Unethical Practices in the Purchase and Sales of Medical Products and Medical Services in 2024 (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點》). This 2024 guideline emphasized strengthening efforts to crack down on commercial bribery in the pharmaceutical industry, particularly in high-risk areas such as procurement, price determination, and payment settlements. See “Regulatory Overview—Overview of Laws and Regulations in the PRC—Laws and Regulations in Relation to Anti-money Laundering, Anti-corruption and Anti-Bribery” for more details.

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We do not and cannot fully control the conduct of our employees, affiliates or business partners. Our employees, affiliates or business partners may conduct their sales and marketing or other activities in violation of the applicable anti-corruption, anti-fraud and other related laws. If our employees, affiliates or business partners engage in corruption, fraud or other improper conduct that result in violation of these laws in the PRC or other jurisdictions, our reputation could be harmed. While we have implemented protocols against fraud, corruption and bribery, there can be no assurance that we have been and will be able to entirely prevent our employees, affiliates or business partners from engaging in such activities. We may be held liable for actions taken by our employees, affiliates or business partners, which could expose us to regulatory investigations and penalties. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, reputational harm and divert the attention of management in defending ourselves against any of these claims or investigations. These factors could have a material adverse impact on our business, financial condition and results of operations.

Illegal and parallel imports and counterfeit pharmaceutical products could negatively affect our sales and damage our reputation and the brand names for relevant products.

The illegal import of similar or competing products from countries where government price controls or market dynamics result in lower prices may adversely affect the demand for our products and, in turn, may adversely affect our sales and profitability in China and other jurisdictions where we operate or plan to commercialize our product candidates. Unapproved foreign imports of prescription drugs are illegal under current laws of China as well as many other countries. Notwithstanding this, illegal imports may continue to occur or even increase as the demand of patients and other customers for these lower-priced imports remains strong. Furthermore, cross-border imports from lower-priced markets (*i.e.*, parallel imports) into higher-priced markets could negatively impact sales of our products and exert pressure on our pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to access lower priced substitutes of our products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower priced medicines from outside China or other jurisdictions where we operate could have a material adverse effect on our business.

Certain pharmaceutical products distributed or sold in pharmaceutical markets in the PRC and overseas may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content, usage or manufacturers. These products are generally known as counterfeit pharmaceutical products. Regulatory control and law enforcement in the jurisdictions where we operate may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including those imitating our products, in a timely manner, or at all. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our products. Moreover, counterfeit products may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity,

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reputational damage, fines and other administrative penalties, and may even result in litigation against us. The presence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products from time to time may also reinforce the negative image of the pharmaceutical industry as a whole and may harm our reputation and brand name. Similarly, consumers may buy counterfeit products that are in direct competition with ours, which may materially and adversely affect the sales volumes of our products and adversely affect our business, financial condition, results of operations and prospects.

Negative publicity about our industry, us, or our management, employees, affiliates or business partners may adversely affect our brand, reputation and business prospects.

Our brand is important to attracting and retaining customers and collaborators, and our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting and growing our brand depend largely on the success of our efforts to deliver high-quality products, our marketing efforts, and our ability to successfully secure, maintain, and defend our rights to use our brand and tradenames. Our brand could be harmed if we fail to achieve our objectives.

There can be no assurance that we will be able to maintain a positive reputation or brand name for all our products in the future. Our reputation and brand name may be adversely affected by a number of factors, many of which are beyond our control, including:

- negative publicity associated with our products, including with respect to their efficacy or side effects;
- the effects of counterfeit products purporting to be our products;
- improper or illegal conduct by our employees, affiliates and business partners, whether or not authorized by us;
- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded; and
- lawsuits and regulatory investigations against us, our management, employees, affiliates or business partners or otherwise relating to our products or industry.

Our brand value also depends on our ability to maintain a positive customer perception of our corporate integrity, purpose and brand culture. Any negative publicity concerning the pharmaceutical industry, us, or our management, employees, affiliates or business partners, or any entity that we may authorize to use our brand name, even if untrue, could materially and adversely affect our brand, reputation, and business prospects. In addition, negative publicity about any entity that uses (whether with our authorization or not) our brand name could damage our brand image or business prospects.

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In addition, social media are increasingly being used, by patients and industry players alike, to communicate about the diseases that our pharmaceutical products are designed to treat. Social media practices in the pharmaceutical industry continue to evolve and regulations relating to such use are not always clear. This evolution creates uncertainty and risk of non-compliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a pharmaceutical product or report an alleged adverse event. We may not be able to closely monitor every one of such posts or comments, therefore may not be able to fully comply with applicable adverse events reporting obligations. We also may not be able to defend ourselves due to restrictions on what we are allowed to comment about our product candidates. We also face risks arising from inappropriate disclosure of sensitive information or negative or inaccurate posts or comments about us on social networking websites. If any of these events occur or we otherwise fail to comply with applicable regulations, we may incur liability, face regulatory actions or incur other harms to our business.

We have engaged and may continue to pursue collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investments or arrangements, which may fail to produce the anticipated benefits and adversely affect our operations.

We have engaged in, and may continue to pursue opportunities for, collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements that we believe would advance our business development. For details, see “Business—Collaboration and Licensing Arrangements.” We may also consider pursuing growth through acquisitions of technology, assets or other businesses that may enable us to enhance our technologies and capabilities. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Our competitors, including those with substantially greater financial, marketing, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on acceptable terms, or at all.

To the extent that we are successful in entering into such commercial arrangements, the management and integration required in relation to a licensing arrangement, collaboration, joint venture or other strategic arrangements may disrupt our current operations, result in significant expenses, decrease our profitability, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any or all of our collaborations, licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements in the time frame expected or at all. In addition, valuations supporting our acquisitions and strategic investments could change rapidly. Following any such transaction, there could be impairments of our investments or assets we acquired, which could materially and adversely affect our business, financial condition and operating results.

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Moreover, partners, collaborators, or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons and subject us to potential risks, including that partners, collaborators, or other parties:

- may have significant discretion in determining the efforts and resources that they will apply to a transaction or arrangement;
- could independently develop, or develop with third parties, services and products that compete directly or indirectly with the product candidates developed under the collaboration with us;
- may stop, delay or discontinue clinical trials or repeat clinical trials or conduct new clinical trials by using our intellectual property or proprietary information;
- may not properly maintain or defend our intellectual property rights, or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information, or expose us to potential liabilities;
- may have disputes with us that cause the delay or termination of the research, development, or commercialization of the product candidates developed under the collaboration with us, or result in costly litigation or arbitration that diverts management's attention and resources; and
- may own or jointly own the intellectual property pertaining to the product candidate(s) developed under the collaboration with us, and in such cases, deny us the exclusive right to commercialize such intellectual property.

Any such transactions or arrangements may also require actions, consents, approval, waiver, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders, or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

Furthermore, with respect to the product candidates that are developed under licensing arrangements, our collaborators may have significant discretion in determining when to make announcements about the status of our collaborations, such as preclinical and clinical developments and timelines for advancing the collaborative programs. Such collaborators, and in particular, the privately-held collaborators, may wish to report such information more or less frequently than we intend to or may not wish to report such information at all. The price of our H Shares may decline as a result of the public announcement of unexpected results or adverse developments in our collaborations, or as a result of our collaborators withholding such information.

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We may grow our business through acquisitions or investments in the future, and we may fail to identify suitable targets and complete planned acquisitions or investments or enhance post-acquisition performance to achieve our intended benefits.

To accelerate our business growth in the relatively fragmented pharmaceutical industry, we may pursue selective acquisitions or investments of suitable targets, such as pharmaceutical and biotechnology companies. From time to time, we may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses, as we may deem appropriate to carry out our business plan. However, our ability to successfully complete and realize the intended benefits of any acquisition or investment is subject to a number of risks and uncertainties, including:

- we may not be able to identify suitable acquisition or investment targets or have to engage in intense competition for attractive targets, which may make it difficult to consummate acquisitions or investments on commercially acceptable terms or at all;
- we may be subject to increased operating expenses and cash requirements and additional indebtedness or contingent liabilities;
- we may not have access to financing for acquisitions or investments on acceptable terms or at all; and
- increasingly intense competition for attractive acquisition or investment targets makes the consummation of such transactions on commercially acceptable terms more difficult.

In addition, the consummation of a proposed acquisition or investment is subject to governmental approvals. According to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《關於經營者集中申報標準的規定》) issued by the State Council of the People's Republic of China (中華人民共和國國務院) ("State Council"), the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or exert decisive impact on another market player must also be notified in advance to the State Administration for Market Regulation (中華人民共和國國家市場監督管理總局) ("SAMR"), when a threshold is reached and the relevant transaction or arrangement may not be completed without the clearance of prior notification. We may also be subject to similar review and regulations in other jurisdictions, such as the laws and regulations on foreign investment in the U.S. under the jurisdiction of the Committee on Foreign Investment in the U.S., or CFIUS, and other agencies, including the Foreign Investment Risk Review Modernization Act.

Complying with the requirements of the above-mentioned regulations and other relevant rules to complete acquisition or investment transactions could be time-consuming, and any required approval or filing processes, including obtaining approval from or filing with CFIUS, the SAMR, the Ministry of Commerce of the PRC (中華人民共和國商務部) (the "MOFCOM"),

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the NDRC, the China Securities Regulatory Commission (the “CSRC”) or other agencies may delay or hinder our ability to complete such transactions. Furthermore, government agencies may make further determinations that increase the scrutiny of our future acquisitions or investments, or prohibits such acquisitions or investments. We may fail to obtain or secure governmental approvals necessary to consummate any proposed acquisition or investments, which may materially and adversely affect our ability to expand our business or maintain or expand our market share and even result in liabilities, fines or penalties on us.

Even if we are able to consummate acquisitions or investments, our ability to successfully grow our business through such transactions remains subject to further risks and uncertainties, including:

- the acquired or invested businesses do not provide us with the intellectual property rights, technology, R&D capability, production capacity, or sales and marketing infrastructure we have anticipated;
- the acquired or invested businesses are subject to unforeseen liabilities;
- we may have to manage a larger, growing business, operating in new geographies and optimizing the allocation of resources and operational efficiency;
- we may fail to retain the management team or R&D professionals of the acquired or invested businesses; and
- the acquired or invested businesses do not generate the revenue and profitability we had anticipated.

Moreover, the process of seeking and consummating acquisitions or investments, whether or not they are successful, may divert our resources and management attention from our existing businesses.

If we suffer technological failures, security breach or other disruptions in our information and data management systems, it could adversely affect our ability to effectively manage our business operations.

In the ordinary course of our business, we receive, collect, store and transmit preclinical and clinical data, and other confidential and proprietary information, including that relating to our R&D and intellectual property. We also utilize external security and infrastructure vendors to maintain our information security management system. We face a number of risks relative to protecting our confidential information and data, including material system failure or security breach, loss of access and data, inappropriate use or disclosure, inappropriate modification, and the risk of inability to adequately monitor, audit, and modify our controls over our critical data and information. This risk extends to our vendors and sub-contractors we use to manage our sensitive data and our collaborators who share with us sensitive data.

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The secure processing, storage, maintenance and transmission of our data and information are vital to our operations. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to confidential data, there is no guarantee we can protect our data from breach. Furthermore, failures of our information technology infrastructure may result in delays in our R&D efforts and disruptions to our operations, which may in turn materially and adversely affect our business, reputation, financial condition, results of operations and prospects.

We may be exposed to environmental liabilities or compliance costs that could materially and adversely affect our business and results of operations.

Our pharmaceutical manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, as well as similar laws, rules and regulations in other jurisdictions where we operate or plan to operate our business. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities, which may potentially arise from the discharge of effluent water and solid waste, as well as the disposal of hazardous substances, may increase our costs and have an adverse effect on our profitability. There can be no assurance that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business and results of operation, if it is not adequately covered by insurance.

Furthermore, the government authorities may take steps towards the adoption of more stringent environmental regulations. As a result of such regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive,

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we may be forced to curtail or cease certain of our pharmaceutical manufacturing business. In addition, if we become subject to any significant environmental-related liabilities, it could adversely affect our financial condition and results of operations.

Economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations may expose us to potential compliance risks.

We are subject to economic sanctions, export controls, anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. Any violation of these laws or regulations could result in governmental or regulatory investigations, civil or criminal fines or other sanctions, whistleblower complaints and adverse publicity, which could have an adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action may result in a significant diversion of management's attention and significant defense costs and other professional fees.

The U.S., the United Kingdom and other jurisdictions or organizations, including the EU and the United Nations, have, through executive orders, passing of legislation or other governmental means, implemented measures that impose economic sanctions or export control restrictions on certain countries or jurisdictions, persons or organizations within these countries or jurisdictions, or targeted industry sectors, groups of companies, or persons. There can be no assurance that we will be able to prevent or detect all inadvertent business dealings with sanctioned parties or the dispatch of freight to higher-risk or prohibited end-uses. We cannot predict the interpretation or implementation of government policies in the U.S. at the federal, state or local levels or any policy of the United Kingdom, the European Union, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our business partners in countries subject to international sanctions or otherwise sanctioned, or our business activities subject to export control restrictions. As a result, we cannot assure you that our future business will be free of risk under sanctions or export control restrictions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the authorities of the U.S. or any other government or organization that, with or without jurisdiction over our business, assert the right to impose sanctions or export control restrictions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the U.S., the United Kingdom, the European Union, the United Nations or any other government or organization were to determine that any of our activities constitutes a violation of the sanctions or export control restrictions they impose or provide a basis for a sanctions designation of or other restrictions on us. In addition, as many sanction programs are constantly evolving, new requirements or restrictions could come into effect, which might increase scrutiny of our business or result in additional compliance risks.

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If we become a party to litigation, arbitration, legal disputes, claims or administrative proceedings, it may divert our management's attention, result in costs and liabilities and damage our reputation.

We have been, and may from time to time become, involved in litigation, arbitration, legal disputes, claims or administrative proceedings arising in the ordinary course of business with our customers, suppliers, business partners, minority shareholders of our non-wholly owned subsidiaries, joint venture partners, employees, competitors, regulatory agencies, or other parties in respect of contractual, commercial, labor, intellectual property, or other matters. Such involvement can distract our management's attention and consume our time and other resources. Furthermore, any litigation, arbitration, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to various factors, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

Negative publicity arising from litigation, arbitration, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends on our senior management members and other key personnel. If we fail to retain our key senior management members or to attract, retain and train qualified personnel, our business prospects could be adversely affected.

Our success depends heavily upon the continued services of our senior management members, key R&D personnel and key sales and marketing personnel. In particular, the industry experience, management expertise and contributions of our Directors and other members of our senior management are crucial to our success. They play a crucial role in the development and commercialization of our products and realization of the potential benefits of our intellectual property. In addition, success in the pharmaceutical distribution and pharmaceutical retail of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness.

Although we have employment agreements or offer letters with each of our senior management members, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain any key person insurance. If we lose the services of any key personnel, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. In addition, if any of our key personnel joins a competitor or forms a competing business, we may lose know-how, trade secrets and customers.

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Furthermore, as we expect to continue expanding our operations and product portfolio, recruiting, retaining and training qualified R&D, manufacturing and quality management, and sales and marketing personnel will be critical to our success. We will need to continue attracting and retaining personnel with extensive experience and industrial knowledge. We may also need to hire, train and manage individuals with expertise that is separate, supplemental or different from expertise that we currently have. Competition for these individuals in the pharmaceutical industry is intense and could cause us to offer higher compensation and other benefits in order to attract and retain them, thereby increasing our operating costs and in turn, materially and adversely affecting our financial condition and results of operations. If we are unable to attract, motivate, train and retain these key personnel required to achieve our business objectives, our business prospects could be adversely affected.

We are subject to credit risk in relation to our trade and bills receivables.

As of December 31, 2022, 2023 and 2024, we had trade and bills receivables of RMB8,341.5 million, RMB6,134.9 million and RMB6,159.5 million, respectively. We are subject to credit risk in relation to our trade and bills receivables. There is no assurance that we will be able to collect all or any of our trade and bills receivables in a timely manner, or at all. We recognized impairment for trade receivables of RMB98.0 million, RMB82.3 million and RMB53.6 million as of December 31, 2022, 2023 and 2024, respectively. If any of our customers faces unexpected situations, such as financial difficulties or deterioration in creditworthiness, there may be challenges in collecting full or part of our receivables from them, and enforcing judgments against them could be difficult. Such unforeseen circumstances may also render our accounting judgments or estimations on impairment inaccurate, potentially resulting in higher losses than currently estimated. As a result of these factors, our profitability, working capital and cash flow may be adversely affected.

We may incur impairment losses for intangible assets, which may adversely affect our results of operations.

Our intangible assets comprised primarily capitalized development costs, as well as software and exclusive distribution rights. As of December 31, 2022, 2023 and 2024, our intangible assets amounted to RMB1,730.7 million, RMB2,917.8 million and RMB4,556.3 million, respectively. Among these intangible assets, capitalized development costs not yet available for use and not subject to amortization were RMB1,681.0 million, RMB2,492.5 million and RMB3,837.6 million as of these respective dates. Intangible assets not ready for use are tested annually for impairment or more frequently if indicators of impairment exist. This requires an estimate of the recoverable amount, which is the higher of value in use and fair value less costs of disposal. The estimation is based on key assumptions such as the expected achievement of drug development milestones, the outcome of new drug development, estimated revenue to be generated from the drug under development, and the discount rate. If any of these assumptions do not materialize, or if the performance of our business is not consistent with our assumptions, we may need to record an impairment loss. We did not recognize any impairment on intangible assets as of December 31, 2022, 2023 and 2024. However, any significant impairment losses charged against our intangible assets could have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

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

During the Track Record Period, we had certain financial assets at fair value through profit or loss, which mainly included our minority equity investments in unlisted companies at fair value and investments in wealth management products offered by licensed banks. As of December 31, 2022, 2023 and 2024, our financial assets at fair value through profit or loss amounted to RMB3,500.2 million, RMB855.4 million, and RMB1,338.8 million, respectively. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in profit or loss, and therefore directly affect our results of operations. In 2022, 2023 and 2024, we realized gain on financial assets at fair value through profit or loss of RMB230.9 million, RMB28.3 million, and RMB117.1 million, respectively.

For financial reporting purposes, fair value measurement of financial assets and liabilities at fair value through profit or loss is categorized into Level 1, 2 or 3, based on, among other things, the observability and significance of the inputs used in the valuation technique. The fair value of financial assets and liabilities classified in Levels 1 and 2 is determined based on observable inputs, while the determination of the fair value of Level 3 financial assets and liabilities is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. For details, see “Material Accounting Policies—Fair value measurement” in Note 2.3 to the Accountants’ Report included in Appendix I to this prospectus. Given the use of unobservable inputs, our financial assets at fair value are classified as Level 3 financial instruments subject to uncertainties in valuation. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use, thereby affecting the fair value of these assets and liabilities. These factors include general economic conditions, changes in market interest rates, and stability of the capital markets. Any of these factors could cause our estimates to vary from actual results and cause the fair value of our financial assets and liabilities to fluctuate substantially, which may in turn have a material adverse effect on our financial position and results of operations. Moreover, the value ultimately realized by us on disposal of these investments may be lower than their current fair value. Any of these factors could have an adverse impact on our results of operations and financial condition.

We have adopted share award schemes and may continue to grant share-based awards in the future, which may increase expenses associated with share-based payments and have an adverse effect on our share price and financial performance.

Historically, we have adopted certain share award schemes to recognize the contribution of certain eligible participants and to provide incentives to retain and attract quality personnel for the continued operation and development of our business. For more details on our historical share award schemes, see “Appendix VI Statutory and General Information—D. A Share Employee Stock Ownership Schemes.” In 2022, 2023 and 2024, our share-based payment expenses were RMB32.1 million, RMB166.7 million and RMB209.3 million, respectively, related to our share awards granted under the share award schemes.

RISK FACTORS

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees. As a result, we may continue to grant share-based compensation to employees in the future, which may further increase our expenses associated with share-based payments and adversely affect the market price of our Shares, and in turn materially and adversely affect our business, financial condition, and results of operations.

If our preferential tax treatments and government grants become unavailable or otherwise change or terminate, it could adversely affect our profitability.

Historically, we have benefited from a number of preferential tax treatments and tax allowances. During the Track Record Period, our Company and certain of our subsidiaries in the PRC were qualified as High and New Technology Enterprises, or HNTes. Our subsidiaries qualified as HNTes are eligible for a preferential income tax rate of 15%, compared to the 25% income tax rate generally applicable to PRC resident enterprises under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT law”). In addition, during the Track Record Period, we also received additional deductible allowance for qualified R&D costs, which resulted in tax savings of RMB548.1 million, RMB601.2 million, and RMB828.2 million in 2022, 2023 and 2024, respectively.

The preferential tax treatments and tax allowances applicable to our Company and our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policies or administrative decisions by relevant government authorities. Our post-tax profitability may be adversely affected as a result of one or more of these or other factors. For example, HNTe qualifications are subject to review by the relevant PRC tax authority every three years. There is no guarantee that we will be able to renew these qualifications. If we fail to do so, the affected subsidiaries will no longer enjoy the 15% preferential income tax rate, and will be subject to the 25% income tax rate, unless eligible for other preferential tax treatments.

Furthermore, we have historically received government grants in the form of subsidies received from the government. In 2022, 2023 and 2024, our government grants were recognized as other income, which amounted to RMB287.4 million, RMB498.5 million and RMB394.3 million, respectively.

There can be no assurance that we would continue to enjoy these preferential tax treatments and government grants at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and government grants to us could adversely affect our financial condition, results of operations and cash flows.

RISK FACTORS

The implementation of our strategies and other aspects of our business will require significant funding. If we do not have access to sufficient funding on terms acceptable to us, or at all, it could adversely affect our business prospects.

The implementation of many aspects of our strategies will require significant funding, including:

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion of our portfolio in our key therapeutic areas, namely oncology, immunological and respiratory diseases, metabolic and cardiovascular diseases and neuroscience;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to make upgrades and enhancements.

In addition, many aspects of our general business operations have ongoing funding requirements that may increase over time. Over the longer term, we expect that the implementation of our strategy and business plans may require us to rely in part on external financing sources. However, our ability to obtain external financing on commercially reasonable terms, or at all, will depend on a number of factors, many of which are outside of our control, including our financial condition, results of operations and cash flows, China's and global economic condition, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient funding on commercially acceptable terms, or at all, to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, which could adversely affect our business prospects.

We may seek additional funding through a combination of equity and debt financings. To the extent that we raise additional capital through the issuance of equity or convertible debt securities, the beneficial ownership interest of existing Shareholders could be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing Shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as incurring additional debt, making capital expenditures, or declaring dividends.

RISK FACTORS

Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited, and we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in mainland China. For details of our insurance coverage, see “Business—Insurance.” We are not required under PRC laws and regulations to, and we do not, purchase any business interruption insurance, employer’s liability insurance or key person insurance, and we have limited product liability insurance.

If we experience disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. We maintain limited product liability insurance, which may not fully cover all product liability claims we may face in our operations. For a discussion of the potential impact of product liability on us, see “—We are subject to product liability claims against us, which could expose us to substantial costs and liabilities and adversely affect our operations, profitability and reputation.” In addition, there are certain types of losses, such as losses from war, acts of terrorism, epidemics, public security hazards, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

As of the Latest Practicable Date, we had a risk management and internal control system in place to monitor and control potential risk areas relevant to our business operations. In connection with the Global Offering, we have examined our risk management and internal control system and made certain enhancements where appropriate. However, due to the inherent limitations in the design and implementation of our risk management and internal control system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Further, integration of various business operations from potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management and internal control system fails to detect potential risks in our business as intended, or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended, or such implementation will not be subject to human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, Ebola, and Zika, or other events, including wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations.

These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our R&D, manufacturing and operations, which would severely disrupt our product development and manufacturing process and overall business operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our distributors or other business partners were suspected of contracting or contracted an epidemic disease, since this could require us, our distributors or other business partners to quarantine some or all of these employees and disinfect facilities used for operations. In addition, the commencement of new clinical trials for product candidates in our development pipeline could also be delayed or prevented by any delay or failure in subject recruitment or enrollment. Our commercialization plan for commercial-ready or near commercial-ready product candidates could also be disrupted. If we are not able to effectively and efficiently develop and commercialize our product candidates as planned, we may not be able to grow our business and generate revenue from sales of our product candidates as anticipated, and our business operations, financial condition and prospects may subsequently be materially and adversely affected. Furthermore, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general.

RISK FACTORS

RISKS RELATED TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

We are required to complete filing procedures with the CSRC for the Global Offering and the Listing of our H Shares on the Hong Kong Stock Exchange, and we may be subject to additional regulatory requirements under new laws and regulations on overseas securities offering and listing issued by the PRC government authorities for our future offerings.

On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed PRC-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five supporting guidelines, which took effect on March 31, 2023. According to the Overseas Listing Trial Measures, we, as a PRC domestic company seeking to offer and list securities in overseas markets, are required to file with the CSRC within three working days after submitting the listing application documents to the overseas supervisory authorities. In addition, pursuant to the Overseas Listing Trial Measures, issuers are also required to submit subsequent reports to the CSRC on relevant information or material events, such as change of control or voluntary or forced delisting of the issuers who have completed overseas offerings and listings.

Given that the Overseas Listing Trial Measures are relatively new, their interpretation, application, and enforcement are still evolving and we are closely monitoring how they will affect our operations and our future financing. In addition, we cannot assure you that we will be able to complete all filing or report requirements in time or at all. Any failure to complete or delay in completing such filing or reporting procedures for our financing activities could subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on us, limit our ability to pay dividends outside of the PRC, limit our operating activities in the PRC, delay or restrict the repatriation of the net proceeds from the Global Offering or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our H Shares.

Changes in the economic, political and other policies of the jurisdictions where we operate could have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our assets and operations are located in the PRC, and we also operate our business in several other jurisdictions and sell our products to over 40 countries. As a result, our business, financial condition, results of operations and prospects are substantially affected by political, economic and legal developments both in the PRC and overseas markets where we operate or sell our products. Economic growth in these markets has been uneven, varying both geographically and across different sectors within the economies.

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Government authorities in China and other jurisdictions implement various measures to encourage economic growth. These measures may include differential policies towards specific groups of pharmaceutical companies, such as the promotion of traditional medicines or investments in competing pharmaceutical companies, which may have an adverse effect on us. In addition, the overall economic growth in jurisdictions where we operate is influenced by government regulations and policies related to capital investments, monetary policies, regulation of financial services and institutions, preferential treatment to particular industries or companies. Any changes in these regulations and policies could affect the business environment in the jurisdictions where we operate changes, thus impacting our business and its growth prospects.

Furthermore, any economic downturn could create an uncertain economic outlook in markets where we currently operate or may operate in the future, which may adversely affect our business, financial condition and results of operations. Changes in the political environment could also increase our costs, heighten our exposure to legal and business risks, disrupt our operations and affect our results of operations. For example, the U.S. Department of Treasury issued a final rule on outbound investment that became effective on January 2, 2025. This rule established a new national security regulatory framework to control outbound investment from the United States in certain sensitive industry sectors in China. Subsequently, the U.S. government issued (i) a broadly worded “America First Trade Policy” on January 20, 2025, which directs the Treasury and several other executive departments and offices to review a range of international trade and investment policies and rules, including the outbound investment security program; and (ii) an “America First Investment Policy” on February 21, 2025, which contemplates changes to U.S. international investment policies and rules, including possible application of the outbound investment security program to a wider range of technologies, including biotechnology, and a wider range of investments, including publicly traded securities. Any expansion of the restrictions under the outbound investment security policy could limit the ability of Chinese companies (including us) to raise capital from U.S. investors and could limit or prohibit U.S. investors’ ability to trade the securities of such companies, which could negatively affect the value of these securities. Separately, beginning in April 2025, the U.S. imposed substantially higher tariffs on products from its trading partners, including higher tariffs on products from China. Although on April 10, 2025, the U.S. government announced a 90-day pause in implementing most of these additional tariffs (excluding those on Chinese goods), the remaining tariffs are still far higher than those previously in place. In response to the higher tariffs announced by the United States, China announced retaliatory tariffs and other countermeasures. Our revenue from overseas sales of pharmaceutical products accounted for less than 3% of our total revenue in 2024. However, this trade tension, particularly the tensions between China and the United States, could intensify and last for an extended period. As a result, the global trade patterns and economic growth in China, the United States, and globally could be materially and adversely affected, which could harm our business prospects and results of operations.

RISK FACTORS

We are subject to laws and regulations in jurisdictions where we operate, and any failure to respond to future changes in the regulatory environment in these jurisdictions could have an adverse effect on our business, results of operations and financial condition.

We are subject to various laws and regulations in jurisdictions where we operate. For example, in China, we are required to contribute to statutory employee benefit schemes. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), an employer is required to open its social insurance registration account and housing provident funds account and pay social insurance and housing provident funds for its employees. As advised by our PRC Legal Advisor, an employer is required under relevant laws and regulations to pay the social insurance and housing provident fund contributions for its employees by itself, and engaging a third-party human resources agency to do so is not in strict compliance with applicable PRC laws and regulations. During the Track Record Period, some of our subsidiaries in the PRC engaged a third-party human resources agency to make social insurance and housing provident fund contributions for their employees, and this third-party human resources agency made such social insurance and housing provident fund contributions in full as required by the relevant PRC laws and regulations. As advised by our PRC Legal Advisor, there are no national laws and regulations that explicitly specify penalties (including fines) concerning employers that use a third-party human resources agency to make these contribution for their employees. During the Track Record Period and up to the Latest Practicable Date, none of these subsidiaries had received any administrative penalty regarding the payment of contributions through a third-party human resources agency or any notice from the regulatory authorities requiring the subsidiaries to rectify this practice. However, our relevant subsidiaries may be ordered to rectify such practice or be subject to penalties imposed by the local social insurance authorities or the local housing provident fund management centers for failing to make social insurance and housing provident fund contributions for the employees in the employer's own name.

In addition, we are subject to evolving laws and regulations governing the pharmaceutical industry in China and other markets where we operate. Laws and regulations that are recently enacted in our industry may not comprehensively cover all aspects of economic activities within pharmaceutical markets. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations. We cannot predict the effect of future legislative developments in the PRC and other jurisdictions on the pharmaceutical industry, including the enactment of new laws, amendments to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws.

Changes to laws and regulations applicable to our industry could lead to new and unexpected challenges. The history of prior enforcement activity, or lack of enforcement activity, cannot be predictive of future enforcement actions. Therefore, our business operations are subject to increased uncertainties and risks. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings may be protracted and may result in substantial cost, diversion of resources and management attention, negative publicity, and damage to reputation. As a result, our business, results of operations and financial condition may be adversely affected.

RISK FACTORS

We are subject to privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks related to our management of the medical data of subjects enrolled in our clinical trials and other personal or sensitive information.

We have access to and handle certain personal data in our business operations, and we need to comply with relevant data privacy and protection laws and regulations that apply to our data activities in the jurisdictions where we operate and conduct our clinical trials. For details, see “Business—Data Privacy and Protection.”

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. Particularly in China, where we operate substantially all our businesses, the PRC government has enacted a series of laws and regulations in respect of information security, data collection, privacy and protection, including the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), the Cybersecurity Review Measures (《網絡安全審查辦法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and the Measures for the Security Assessment of Data Export (《數據出境安全評估辦法》).

Under the Personal Information Protection Law of the PRC, in case of any personal information processing, such individual’s prior consent are required to be obtained, unless other legal bases are satisfied. Further, any data processing activities that are in relation to the sensitive personal information, including biometrics, medical health and personal information of teenagers under 14 years old, are not allowed, unless such activities have a specific purpose and are highly necessary and unless strictly protective measures have been taken and separate consent has been obtained from the individuals involved. In addition, certain industry-specific laws and regulations affect the collection and transfer of data in China. The Regulations on the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》), or the HGR Regulation, was promulgated by the State Council in May 2019, which was last amended and became effective from May 1, 2024. For details, see “—We are subject to restrictions on transferring our scientific data abroad or using human genetic resources collected in China. Any violation of laws and regulations with respect to the management of scientific data and human genetic resources could subject us to administrative penalties and adversely affect our business operations.” In October 2020, the Standing Committee of the National People’s Congress (the “SCNPC”) promulgated the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), which was last amended and became effective from April 26, 2024. The Biosecurity Law of the PRC reaffirms the regulatory requirements stipulated by the HGR Regulation while potentially increasing the administrative sanctions where China’s human genetic resources are collected, preserved, exported or used in international cooperation in violation of applicable laws. In addition, the Implementation Rules for the Regulations on the Administration of Human Genetic Resources (《人類遺傳資源管理條例實施細則》), or the HGR Regulation Implementation Rules, was promulgated in May 2023 and came into effect on July 1, 2023, which provide further detailed implementation regulations for the administration of human genetic resources in the PRC. Although we have made great efforts to comply with

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mandatory requirements of laws and government authorities in this regard, we cannot assure you that we will be deemed at all times in full compliance with the HGR Regulation, the HGR Regulation Implementation Rules, the Biosecurity Law of the PRC and other applicable laws in our utilizing of and dealing with China's human genetic resources. As a result, we may be exposed to compliance risks under the HGR Regulation and the Biosecurity Law of the PRC. For details of the HGR Regulation and the Biosecurity Law of the PRC, see "Regulatory Overview—Overview of Laws and Regulations in the PRC—Laws and Regulations in Relation to New Drugs—Gathering, Collection and Filing of Human Genetic Resources."

Numerous U.S. federal and state laws and regulations relate to the privacy and security of personal information. In particular, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, establish privacy and security standards that limit the use and disclosure of individually identifiable health information, known as "protected health information," and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations may require complex factual and statistical analyses and may be subject to changing interpretation. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, manipulated, publicly disclosed, lost or stolen. Any such access, breach or other loss of information could result in legal claims or proceedings, and liability under federal or state laws that protect the privacy of personal information, such as the HIPAA, the Health Information Technology for Economic and Clinical Health Act, and regulatory penalties. Notice of breaches must be made to affected individuals, the Secretary of the Department of Health and Human Services, and for extensive breaches, notice may need to be made to the media or State Attorneys General. Such a notice could harm our reputation and our ability to compete.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

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We are subject to restrictions on transferring our scientific data abroad or using human genetic resources collected in China. Any violation of laws and regulations with respect to the management of scientific data and human genetic resources could subject us to administrative penalties and adversely affect our business operations.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. To the extent our R&D of drug candidates are subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, if we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of drug candidates may be hindered, which may materially and adversely affect our business, operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

On July 7, 2022, the Cyberspace Administration of China published the Measures for Security Assessment of Data Export (《數據出境安全評估辦法》), which took effect on September 1, 2022. It specifies the circumstances in which data processors exporting data are required to apply for outbound data transfer security assessment with the Cyberspace Administration of China, including the outbound data transfer of important data. In addition, according to the Measures for Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) issued by the Cyberspace Administration of China on February 22, 2023 and effective from June 1, 2023, to provide personal information to an overseas recipient through the conclusion of the standard contract, a personal information processor shall apply for filing within 10 working days after the standard contract enters into effect. On March 22, 2024, the Cyberspace Administration of China issued the Provisions on Facilitating and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》). It provides that a data handler that is not a critical information infrastructure operator will be exempted from declaring for security assessment for outbound data transfer, signing a standard contract with overseas recipient, or passing the personal protection certification, if such data handler accumulatively transfers overseas personal information (excluding sensitive personal information involving at least 10,000 individuals) of less than 100,000 individuals since January 1 of the relevant year. See “Regulatory Overview—Overview of Laws and Regulations in the PRC—Regulations in Relation to Information Security and Data Privacy—Data Security and Export” for more information. To the extent that any of our cross-border data transfers meet the requirements for declaring security assessment and fail to complete this assessment, we may not be able to carry out such transfers, which could adversely affect our ability to

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conduct out-licensing transactions or obtain overseas regulatory approvals for our drugs, among others, in a timely manner, or at all. Any failure to timely complete the standard contract filing for cross-border data transfers could also subject us to penalties.

Cross-border data transfer across different jurisdictions may also be limited if we fail to comply with relevant requirements, such as obtaining authorization from subjects regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and thus any failure to comply with data privacy protection may lead to a restriction of transferring our data across different jurisdictions.

In addition, on July 2, 2015, the Ministry of Science and Technology (the “MOST”) issued the Service Guide for Administrative Licensing Items Concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) (the “Service Guide”), which became effective on July 2, 2015 and was updated on July 14, 2023. According to the Service Guide, the sampling, collecting, trading, or exporting activities of human genetic resources through clinical trials should be filed with the China Human Genetic Resources Management Office through the online system. Subsequently, on May 28, 2019, the State Council promulgated the HGR Regulation, which was most recently amended and became effective from May 1, 2024. The HGR Regulation stipulates that collecting human genetic resources of China’s important genetic families and specific regions collecting those human genetic resources in such categories and quantities as prescribed by the National Health Commission of the PRC, preserving China’s human genetic resources and providing a basic platform for scientific research, utilization of China’s human genetic resources for international cooperation in scientific research, as well as transporting China’s materials of human genetic resources abroad are subject to the approval of the National Health Commission of the PRC. In addition, the HGR Regulation Implementation Rules, effective from July 2023, stipulate that (i) under certain circumstances where China’s human genetic resources are used to carry out international cooperative clinical trials, the types, quantities, and purposes of the resources must be filed with the MOST, (ii) unless a prior license is obtained, any Chinese information owner who intends to provide or make available human genetic resource information to overseas organizations, individuals, or entities they control must report in advance to the MOST and submit a record of the information, and (iii) providing human genetic resources to overseas organizations, individuals, or entities they control that could impact public health, national security, or public interests in China must undergo a security review organized by the MOST. If we are unable to obtain necessary approvals or comply with the regulatory requirements in a timely manner, or at all, our R&D of drug candidates may be hindered. If the relevant government authorities consider the transmission of our scientific data or collection and usage of human genetic resources to be in violation of the requirements under applicable PRC laws and regulations, we may be subject to fines and other administrative penalties imposed by those government authorities.

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Laws and regulations over foreign currency conversion and on the remittance of funds into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends.

Laws and regulations over foreign currency conversion and on the remittance of funds into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends. The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of funds into and out of the PRC. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, can be made in foreign currencies without prior approval of the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (“SAFE”) by complying with certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially and adversely affect our financial performance.

We generate part of our revenue from foreign jurisdictions and, consequently, are exposed to risks associated with foreign currency exchange fluctuations. Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign operations. Therefore, any fluctuations in the value of foreign currencies against RMB could materially and adversely affect our results of operations. In addition, the fluctuation of foreign exchange rates affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We recorded net foreign exchange gains of RMB93.2 million in 2022 and RMB7.9 million in 2023, and net foreign exchange losses of RMB24.0 million in 2024. We cannot guarantee that future foreign exchange rate fluctuations will be favorable, and any adverse change would not have a material adverse impact on our financial condition and results of operations.

In addition, we may need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies is based on rates set by the People’s Bank of China (the “PBOC”), which is affected by, among other things, changes in global and geographical political and economic conditions, foreign exchange policy adopted by the PRC government, supply and demand in the monetary markets, and economic and political developments domestically and internationally. It is difficult for us to predict how external factors in respect of markets or policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our net proceeds from

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the Global Offering. In addition, the value of Renminbi is subject to regulation by the PBOC in the foreign exchange market to limit fluctuations in Renminbi exchange rates. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in a foreign currency. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these global and geographical political and economic factors may adversely affect the value of and any dividends payable on, our H Shares in Hong Kong dollars.

Dividends received by foreign holders of our H Shares and gains derived from the disposition of our H Shares by such holders may be subject to PRC taxation.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not effectively connected to such establishments or premises, are subject to the enterprise income tax of the PRC at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, unless a treaty or similar arrangement provides otherwise. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, non-PRC resident individuals are generally subject to PRC individual income tax with respect to PRC-sourced income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the “SAT” or the “State Administration of Taxation”), domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC resident individual holders of H Shares whose name appear on the register of member of H Shares may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto.

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Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to verification by PRC tax authorities.

Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) (the “MOF” or “Ministry of Finance”) and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident individuals, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with PRC may not qualify for benefits under such tax treaties or arrangements.

You may have limited resources in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC against us or our Directors, Supervisors or senior management members named in this prospectus based on Hong Kong or other foreign laws.

Substantially all of our business operations are conducted in the PRC. In addition, a substantial majority of our Directors, Supervisors and senior management members reside in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons residing in the PRC or to enforce against us or them in PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

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On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. In addition, the Arrangement has expressly provided for “enforceable final judgment,” “specific legal relationship” and “written form.” As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets, Directors, Supervisors, or senior management members in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong. However, the Arrangement remains applicable to a written choice of court agreement within the meaning of the Arrangement that was made before the effective date of the New Arrangement. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

We are subject to risks relating to some of the properties we use.

We are required under applicable PRC laws and regulations to obtain various permits, certificates, and approvals from relevant government authorities for the properties that we own and use in China. Our rights to certain of our properties may be limited or challenged by relevant government authorities, including due to any failure to complete the as-built

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acceptance procedures for certain major properties (including eight properties used for our production or R&D activities and one property for other purposes) and our use of one of these properties inconsistent with the land's designated use. We may also be penalized by relevant government authorities for these issues. We use a property located on a parcel of allocated land. Separately, we have used one of our leased properties as our office premises inconsistent with the land's specified use, which could affect our ability to continue our use of the property. For more details, see "Business—Land and Properties." If we were required to relocate our production or other operations, we cannot assure you that we can do so in a timely manner, or at all, and we may incur relocation costs and suffer disruption to our business operations. As a result, our business, results of operations and financial condition may be adversely affected.

In addition, under PRC laws and regulations, lease agreements in general are required to be registered with local land authorities. As of the Latest Practicable Date, we had not completed such registration for 48 of the lease agreements for the leased properties that we held as of December 31, 2024. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed timeframe after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. If any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

RISKS RELATED TO THE GLOBAL OFFERING

We will be concurrently subject to listing and regulatory requirements of the PRC and Hong Kong.

As we are listed on the Shanghai Stock Exchange and will be listed on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available. Accordingly, we may incur additional costs and resources in continuously complying with all applicable listing rules and other regulatory regimes in the two jurisdictions.

Our A Shares are listed on the Shanghai Stock Exchange. The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "Hong Kong Stock Exchange"). Under the current PRC laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. The H Share and A Share markets have different trading characteristics, each have different trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable, and the historical prices of our A Shares may not be indicative of the prices of our H Shares. Nonetheless, fluctuations

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in the price of our A Shares may adversely affect the price of our H Shares, vice versa. Therefore, you should not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares, and their liquidity and market price may be volatile, which could lead to substantial losses to investors.

Prior to the completion of the Global Offering, there has been no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the Global Offering. The Offer Price for our H Shares to the public will be the result of negotiations between us and the Overall Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the completion of the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of our H Shares will not decline following the Global Offering.

Furthermore, the price and trading volume of our H Shares may be volatile. The following factors, among others, may affect the volume and price at which our H Shares will trade:

- variations in our revenue, earnings and cash flow;
- announcement of new investments, business collaborations, strategic alliances or acquisitions;
- any unexpected business interruptions resulting from epidemics, natural disasters or power shortages;
- any major changes in our Directors, senior management or other key personnel;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete with our competitors effectively;
- political, economic, financial and social developments; or
- fluctuations in market prices for our products or raw materials.

Moreover, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

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Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.

Substantial future sales or the expectation of substantial sale of our Shares in the public market following the Global Offering could materially and adversely affect the price of our H Shares. Future sales of a significant number of our Shares by our Single Largest Shareholder or other existing shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Single Largest Shareholder will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors or otherwise. We cannot predict the effect, if any, that any future sales of Shares by our Single Largest Shareholder, or the availability of Shares for sale by our Single Largest Shareholder, or the issuance of Shares by the Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Single Largest Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in “Cornerstone Investors”), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold either immediately, or within certain period upon the completion of the Global Offering for legal and regulatory, business and market, or other factors. Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

As the Offer Price of our H Shares is higher than our consolidated net tangible asset per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional H Shares in the future to raise additional capital.

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Our Single Largest Shareholder may have substantial influence over the Company and their interests may not be aligned with the interests of other Shareholders.

Our Single Largest Shareholder may have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering, our Single Largest Shareholder will be entitled to exercise approximately 23.3% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interest of our Single Largest Shareholder may differ from the interests of our other Shareholders. It is possible that our Single Largest Shareholder may exercise their influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will declare and pay dividends in the future.

We have declared dividends in the past. However, we cannot make any assurance that dividends of any amount will be declared or distributed by us in any period in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. For further details of our dividend policy, see "Financial Information—Dividend Policy." No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of the PRC, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange regulations affect our ability to

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obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that could affect the remittance of Renminbi into or out of China.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in the PRC, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this prospectus. Therefore, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to invest in our H Shares, should rely only on the financial, operating and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and any formal announcements made by us in Hong Kong with respect to the Global Offering.

Certain facts, forecast and other statistics in this prospectus are derived from various publicly available sources, which have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this prospectus are derived from various publicly available sources, including government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from government and official sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “aim,” “anticipate,” “believe,” “could,” “predict,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and the negative of these terms as well as similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully and only rely on the information included therein, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

We may be subject to press and media coverage prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering. The press and media may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this prospectus.

You should rely solely upon the information contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding the H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the Global Offering.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering.

In making their decisions as to whether to invest in our H Shares, prospective investors should only rely on the financial, operational and other information included in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our Group's management, business operations and assets are primarily based outside Hong Kong. The headquarters and senior management of our Group are primarily based in the PRC, where the Group's management is best able to attend to its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and Shareholders as a whole. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures:

- we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Jiang Frank Ningjun (江寧軍先生), our Executive Director, Executive Vice President and Chief Strategy Officer, and Ms. Leung Wing Han Sharon (梁穎嫻女士), our joint company secretary (together, the "Authorized Representatives"). The Authorized Representatives will be readily contactable by the Stock Exchange by telephone and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;
- each of the Authorized Representatives will have all necessary means to contact the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- Somerley Capital Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange, and we will ensure that the compliance advisor will have access to our Authorized Representatives, Directors and other officers. We shall also ensure that such persons will promptly provide such information and assistance as the compliance advisor may need or may reasonably request in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A of the Listing Rules; and
- pursuant to Rule 3.20 of the Listing Rules, each Director has provided his or her telephone number, mobile phone number, email address, residential address and correspondence address, where available, to the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the "relevant experience", the Stock Exchange will consider the individual's:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Our Company has appointed Ms. Liu Xiaohan (劉笑含女士) (“Ms. Liu”), our Board Secretary, and Ms. Leung Wing Han Sharon (梁穎嫻女士) (“Ms. Leung”) of Tricor Services Limited, as the joint company secretaries of our Company. Please see the section headed “Directors, Supervisors and Senior Management—Joint Company Secretaries” in this prospectus for their biographies.

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional, a fellow member of both The Hong Kong Chartered Governance Institute, The Chartered Governance Institute in the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company’s principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Ms. Liu, who is a member of the senior management of our Company and who has day-to-day knowledge of our Company’s affairs. Ms. Liu has the necessary nexus to the Board and close working relationship with the management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date, in accordance with paragraphs 11 to 17 of Chapter 3.10 of the Guide for New Listing Applicants, on the conditions that: (i) Ms. Leung is appointed as a joint company secretary to assist Ms. Liu in discharging her functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; (ii) the waiver will be revoked immediately if Ms. Leung, during the three-year period, ceases to provide assistance to Ms. Liu as a joint company secretary; and (iii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Ms. Liu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Liu has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Ms. Liu and the need for on-going assistance of Ms. Leung will be further evaluated by our Company. We will demonstrate that Ms. Liu, having benefited from the assistance of Ms. Leung for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of a listing applicant may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a listing applicant either in his/her/its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled, namely that (i) no securities are to be offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix F1 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors or existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Chapter 4.15 of the Guide provides that the Stock Exchange will consider granting a waiver from Rule 10.04 of the Listing Rules and a consent, pursuant to paragraph 5(2) of Appendix F1 to the Listing Rules, to allow a listing applicant's existing shareholders or their close associates to participate in its initial public offering if any actual or perceived preferential treatment arising from their ability to influence the listing applicant during the allocation process can be addressed.

Prior to the Listing, our share capital comprises entirely A Shares listed on the Shanghai Stock Exchange. As a company listed on the Shanghai Stock Exchange with its A Shares publicly traded thereon and with a large public A Shares shareholder base, it would be unduly burdensome for us to seek the prior consent of the Stock Exchange for each of our minority existing Shareholders or their close associates who subscribe for the H Shares in the Global Offering.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of, and a consent under paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% of the voting rights in our Company prior to the completion of the Global Offering and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "Permitted Existing Shareholder"), on the following conditions:

- (a) each Permitted Existing Shareholder to whom our Company may allocate the H Shares under the International Offering holds less than 5% of the voting rights in our Company prior to the completion of the Global Offering;
- (b) each Permitted Existing Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) none of the Permitted Existing Shareholders has the power to appoint any Directors nor have any other special rights in our Company;
- (d) allocation to the Permitted Existing Shareholders and their close associates will not affect our Company's ability to satisfy the public float requirement as prescribed by the Stock Exchange under the waiver in respect of the strict compliance with the requirements of Rule 8.08(1)(b) of the Listing Rules;
- (e) to the best knowledge and belief of our Company and the Joint Sponsors, and based on discussions between our Company and the Overall Coordinators and confirmations required to be submitted to the Stock Exchange by the Joint Sponsors, we will confirm to the Stock Exchange that:
 - a. in case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and/or their close associates by virtue of their relationship with our Company, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide, and the Permitted Existing Shareholders' cornerstone investment agreements do not contain any material terms which are more favorable to the Permitted Existing Shareholders than those in other cornerstone investment agreements;
or
 - b. in case of participation as placees, no preferential treatment will be given to the Permitted Existing Shareholders and/or their close associates in the allocation process by virtue of their relationship with our Company;
- (f) in the case of participation as placees, the Overall Coordinators will confirm to the Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to any of the Permitted Existing Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the International Offering; and
- (g) the Joint Sponsors will confirm to the Stock Exchange that based on (a) their discussions with our Company and the Overall Coordinators; and (b) the confirmations provided to the Stock Exchange by our Company and the Overall Coordinators, and to the best of their knowledge and belief, they have no reason to believe that the Permitted Existing Shareholders and/or their close associates received any preferential treatment in the allocation process either as cornerstone investors or as placees by virtue of their relationship with our Company, other than, in the case of participation as cornerstone investors, the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide, and details of allocation to the Permitted Existing Shareholders and/or their close associates will be disclosed in this prospectus (for cornerstone investors) and allotment results announcement (for both cornerstone investors and placees) of our Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of the issuer's total issued share capital must at all times be held by the public. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK\$125 million.

Based on the minimum Offer Price of HK\$41.45 and assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option, we expected that the market capitalization of our H Shares will exceed the minimum expected market capitalization of HK\$125 million required by Rules 8.08(1)(b) and 19A.13A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver that the minimum public float requirement under Rules 8.08(1)(b) and 19A.13A be reduced and the minimum percentage of our Company's H Shares (being the securities for which listing on the Stock Exchange is sought) upon completion of the Global Offering held by the public to be the higher of (a) 3.4% (assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option) and (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering, as increased by the H Shares to be issued upon any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, of the total enlarged issued share capital of the Company (excluding A Shares repurchased and held in the Company's stock repurchase account).

In order to support the application of this waiver, the Company has confirmed to the Stock Exchange that the Company will:

- (a) comply with the public float requirement under Rule 8.08 of the Listing Rules where at least 25% of the Company's total number of issued shares (A Shares and H Shares in aggregate) must be held by the public from time to time;
- (b) announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option and upon any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option);
- (c) confirm the sufficiency of public float in successive annual reports after its Listing; and
- (d) implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 3.4% public float of H Shares upon completion of the Global Offering (or such higher percentage upon completion of any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

After the Listing, the Company may consider issuance of new H Shares for various purposes, including for additional funding for the Company's research and development initiative, which may increase the total number of and size of the H Shares and enhance the public float and liquidity of the H Shares after the Listing.

It is also noted that the Company has been from time to time repurchasing its A Shares on the Shanghai Stock Exchange. The Company may further repurchase its A Shares if and when appropriate, and such repurchases of A Shares will also increase the percentage of the H Shares in the total issued share capital of the Company (excluding treasury shares) and increase the public float percentage of the H Shares of the Company.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

Subject to the Stock Exchange granting the waiver described below, the Hong Kong Public Offering and the International Offering will initially account for 5.5% and 94.5% of the Global Offering, respectively, subject to the clawback mechanism described below. We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Paragraph 4.2 of Practice Note 18 to the Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering will be adjusted as follows:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 48 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 19,084,200 Offer Shares, representing approximately 8.5% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised);
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 48 times or more but less than 97 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 24,697,200 Offer Shares, representing approximately 11.0% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised); and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 97 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 48,271,800 Offer Shares, representing approximately 21.5% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate. In addition, the Overall Coordinators would have discretion to allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is not fully subscribed, the unsubscribed Offer Shares under the Hong Kong Public Offering may be reallocated to the International Offering. See “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation and Clawback” for further details.

CONSENT IN RESPECT OF THE PROPOSED SUBSCRIPTION OF H SHARES BY UBS AM SINGAPORE

Paragraph 5(1) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to “connected clients” of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)) (collectively, the “Distributors”, and each a “Distributor”), without the prior written consent of the Stock Exchange.

Paragraph 13(7) of the Appendix F1 to the Listing Rules states that “connected client” in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

As further described in the section headed “Cornerstone Investments” in this prospectus, UBS AM Singapore has entered into a cornerstone investment agreement with the Company and the Overall Coordinators to subscribe for the Offer Shares. UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management, an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organized under Swiss law as a corporation that has issued shares of common stock to investors. UBS AG Hong Kong Branch has been appointed as one of the Overall Coordinators and Capital Market Intermediaries of the Global Offering. UBS AM and UBS AG Hong Kong Branch are members of the same group of companies. As a result, UBS AM is a connected client of UBS AG Hong Kong Branch for the purpose of paragraph 13(7) of Appendix F1 to the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied for, and the Stock Exchange has granted, a consent under paragraph 5(1) of Appendix F1 to the Listing Rules to permit UBS AM Singapore to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 5 of Chapter 4.15 of the Guide:

- (a) any Offer Shares to be allocated to UBS AM Singapore will be held on discretionary basis and on behalf of independent third parties;
- (b) the cornerstone investment agreement of UBS AM Singapore does not contain any material terms which are more favourable to UBS AM Singapore than those in other cornerstone investment agreements;
- (c) no preferential treatment has been, nor will be, given to UBS AM Singapore by virtue of their relationship with UBS AG Hong Kong Branch in any allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreement;
- (d) UBS AM Singapore confirms that to the best of its knowledge and belief, UBS AM Singapore has not received and will not receive preferential treatment in the allocation of Offer Shares in the Global Offering as a placee by virtue of their relationship with UBS AG Hong Kong Branch other than the assured entitlement under the relevant cornerstone investment agreement;
- (e) each of the Company, the Overall Coordinators, UBS AM Singapore and UBS AG Hong Kong Branch has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide; and
- (f) details of the cornerstone investment and details of the allocation will be disclosed in this Prospectus and the allotment results announcement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

CSRC FILING

According to the Overseas Listing Trial Measures, we are required to complete the filing procedures with the CSRC in connection with the Listing. We have submitted the filing application for the Listing to the CSRC within three business days after our initial application for listing of the H Shares on the Hong Kong Stock Exchange. The CSRC issued a notice of filing dated April 16, 2025 for the Global Offering and the listing of our H Shares on the Hong Kong Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 12,348,600 Offer Shares and the International Offering of initially 212,171,200 Offer Shares (subject, in each case, to reallocation and the Offer Size Adjustment Option on the basis as set out in the section headed “Structure of the Global Offering” in this prospectus).

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

The Offer Price is expected to be determined between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, May 21, 2025. If, for any reason, the Offer Price is not agreed among us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before 12:00 noon on Wednesday, May 21, 2025, the Global Offering will not proceed and will lapse.

For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option).

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, May 23, 2025. Except for the A Shares that have been listed on the Shanghai Stock Exchange and our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us for permission by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the shareholders as recorded on our H Share register and sent by ordinary post, at the shareholders' risk, to the registered address of each shareholder of our Company.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Hong Kong dollars, Renminbi and U.S. dollars.

Unless otherwise specified, this prospectus contains translations, for the purpose of illustration only, at the following exchange rates:

US\$1 = HK\$7.7500

US\$1 = RMB7.2706

HK\$1 = RMB0.9381

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No representation is made that any amounts in Hong Kong dollars, Renminbi or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, the English translations of the names of the PRC entities, enterprises, nationals, facilities and regulations in Chinese included in this prospectus are for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail. In addition, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Sun Piaoyang (孫飄揚先生)	Room 301, Unit 1 Building 15 Oriental Ruiyuan No. 1 Yulan Road Haizhou District Lianyungang City Jiangsu Province PRC	Chinese
Mr. Dai Hongbin (戴洪斌先生)	Room 102, Building 7 Lane 397 Zhangjiang Sunnong Road Pudong New District Shanghai PRC	Chinese
Ms. Feng Ji (馮倍女士)	Room 2302, Building 4 Luyue Tiandi, Lane 185 Xuelin Road Pudong New District Shanghai PRC	Chinese
Mr. Zhang Lianshan (張連山先生)	2 Country Squire Lane Princeton Junction, NJ U.S. 08550	American
Mr. Jiang Frank Ningjun (江寧軍先生)	House B15, Dongjiao State Guest Hotel Garden Villa Lane 1800 Jinke Road Pudong New District Shanghai PRC	American
Mr. Sun Jieping (孫杰平先生)	Room 101, Building 17 Oriental Ruiyuan No. 1 Yulan Road Haizhou District Lianyungang City Jiangsu Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Non-executive Director</i>		
Ms. Guo Congzhao (郭叢照女士)	Room 101, Building 3 Courtyard 6 Yuanda South Street Haidian District Beijing PRC	Chinese
<i>Independent Non-executive Directors</i>		
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Please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus for further details.

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Company's website	<u>www.hengrui.com</u> <i>(The information on the website does not form part of this prospectus)</i>
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Mr. Dong Jiahong (董家鴻先生)
Mr. Sun Jinyun (孫金雲先生)

Remuneration and Evaluation Committee

Mr. Sun Jinyun (孫金雲先生)
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Mr. Dai Hongbin (戴洪斌先生)
Mr. Zeng Qingsheng (曾慶生先生)

Nomination Committee

Mr. Dong Jiahong (董家鴻先生)
(Chairperson)
Mr. Sun Piaoyang (孫飄揚先生)
Mr. Sun Jinyun (孫金雲先生)

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INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from a report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (“Frost & Sullivan”) to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy, fairness and completeness. For a discussion of the risks relating to our industry, see “Risk Factors.” Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

GLOBAL AND CHINA’S PHARMACEUTICAL MARKETS

Recent Trends in Pharmaceutical Markets

Driven by aging population, rising health awareness and life expectancy, as well as increasing R&D expenditure, the global pharmaceutical market grew at a CAGR of 3.1% from US\$1,266.7 billion in 2018 to US\$1,472.3 billion in 2023, and is projected to grow at a CAGR of 5.7% to reach US\$1,938.7 billion in 2028. Concurrently, China’s pharmaceutical market grew from RMB1,533.4 billion in 2018 to RMB1,618.3 billion in 2023, and is projected to grow at a CAGR of 7.7% to reach RMB2,342.0 billion in 2028. The growth of China’s pharmaceutical market is expected to accelerate driven by a combination of social-economic factors, including the expediting approval of innovative drugs, expanding medical insurance coverage and implementing of healthcare reform plans.

China has periodically launched healthcare reform plans to improve its healthcare system. China’s most recent healthcare reform plan aims to strengthen coordination among insurance providers, medical services providers, and pharmaceutical companies. The plan also aims to reform medical pricing and payment systems, upgrade healthcare facilities, and establish advanced medical centers. These reforms are designed to improve the service quality of public hospitals through better hospital management and expanded nursing services, and enhance insurance coverage through increased government subsidies and better commercial insurance options. In addition, the plan streamlines approval processes for innovative drugs, promotes digital healthcare services, and extends support for elderly care and childcare programs. Overall, these comprehensive reforms aim to create a more efficient, affordable and higher-quality healthcare system in China.

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In recent years, the development of innovative drugs has been one of the main growth drivers of the global pharmaceutical market, and this trend is expected to continue. Pharmaceutical companies have boosted their investments in R&D innovation to develop differentiated, innovative drug candidates with better safety and efficacy profiles and improved patient convenience. In the meantime, Chinese pharmaceutical companies have boosted their investments in R&D innovation to roll out more innovative drug candidates and establish advanced technology platforms, increasing their global presence.

Key Growth Drivers for China's Pharmaceutical Market

China's pharmaceutical market is expected to continue its growth based on several key drivers described below:

- ***Increasing healthcare expenditure.*** China's continuous economic growth is expected to boost disposable income and health awareness. The increasing disposable income has enhanced patients' ability to afford innovative treatments. In particular, per capita healthcare expenditure in China grew at a CAGR of 8.8% from RMB4,206.7 in 2018 to RMB6,425.3 in 2023. In addition, China's population aged 65 years or above increased from 166.6 million (or 11.9% of the entire population) in 2018 to 216.8 million (or 15.4% of the entire population) in 2023. The aging population is expected to further drive up the demand for relevant pharmaceuticals in China.
- ***Favorable government policies.*** In recent years, the PRC government has adopted a series of favorable national and regional policies and reformed measures to encourage drug innovation. For instance, the "Fourteenth Five-Year Plan National Drug Safety and High-quality Development Plan Promotion (《“十四五”國家藥品安全及促進高質量發展規劃印發》)", issued by the NHSA and the NMPA in 2021, aims to support innovative drug development by accelerating their registration process. The "Several Measures to Further Improve the Diverse Payment Mechanisms in Shanghai to Support the Development of Innovative Drugs and Medical Devices" (《上海市進一步完善多元支付機制支持創新藥械發展的若干措施》), issued by the Shanghai Healthcare Security Administration and other departments, aims to drive the growth of the PRC's pharmaceutical market by enhancing commercial insurance coverage and improving the affordability of innovative drugs. These measures incentivize pharmaceutical companies to increase their R&D investments. These policies have accelerated the development and commercialization of innovative drugs, fostering a more sustainable development of the pharmaceutical industry.

INDUSTRY OVERVIEW

- ***Expanding medical insurance coverage.*** In order to maximize the effectiveness of its medical insurance programs, the PRC government has expanded the coverage of public medical insurance to include more innovative drugs, improving the drugs' affordability and boosting demand for relevant drugs. Recently, the NHSA introduced the proposed Category C Drug List, which aims to enhance the commercial health insurance coverage of innovative drugs and clinically valuable drugs that are not covered by basic medical insurance. This initiative has expanded the coverage of medical insurance programs and helps to broaden revenue streams for companies focused on developing innovative drugs.

Drivers for Chinese Pharmaceutical Companies' Globalization

Innovation has been a key factor driving the globalization of Chinese pharmaceutical companies in recent years. In recognition of the innovative technologies and promising drug candidates developed by Chinese companies, there has been an increasing number of collaborations between global and Chinese companies through both out-licensing and M&A transactions. For example, in 2024, Chinese pharmaceutical companies engaged in 68 cross-border out-licensing transactions, with an aggregate deal value over US\$42.3 billion. The increasing number of transactions (including out-licensing and M&A transactions) centered on innovative drug assets underscores the global market's growing recognition of innovation from China.

Barriers for Chinese Pharmaceutical Companies to Expand Globally

Innovation is a critical success factor for pharmaceutical companies to explore opportunities in the global market. Chinese pharmaceutical companies with proven R&D capabilities and differentiated pipeline products are uniquely positioned to expand globally, creating significant entry barriers.

In addition, manufacturing facilities in compliance with global standards, such as the EU GMP, the U.S. cGMP and the ICH Quality Guidelines, are critical for a pharmaceutical company's global business development and commercialization. However, building qualified manufacturing facilities and quality management systems typically requires significant capital investments and extensive experience, which create additional barriers for new entrants.

Furthermore, new entrants in global pharmaceutical markets must navigate through complex and changing regulatory frameworks across various regions. It could be challenging for multi-regional clinical trials to meet the applicable regulatory requirements in each participating country or region. As a result, a proven track record of obtaining regulatory approvals for relevant products from the U.S. FDA or other comparable regulatory authorities, particularly those with facilitated regulatory pathways, creates a significant barrier for Chinese pharmaceutical companies' globalization.

INDUSTRY OVERVIEW

Competitive Landscape of China's Pharmaceutical Market

The key players in China's pharmaceutical market include large Chinese pharmaceutical companies and multinational pharmaceutical companies. China's NME drug market is fragmented, with the total market size being RMB367.5 billion in 2023. We ranked first among Chinese pharmaceutical companies in terms of revenue from NME drugs in 2023 and the number of commercialized NME drugs and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan. In terms of these parameters, the other companies ranking among the top five include: (i) Company A, listed on the Hong Kong Stock Exchange in 2000, is a leading innovative R&D-driven pharmaceutical group in China that focuses on oncology, liver diseases, respiratory system diseases, and surgery/analgesia, and its business covers the industry chain from R&D, manufacture, to sales and marketing; (ii) Company B, listed on the Hong Kong Stock Exchange in 1994, is an innovation-driven pharmaceutical company with R&D, manufacture and sales capabilities that operates primarily in the fields of finished drugs, bulk products, and functional food and others; (iii) Company C, listed on the Hong Kong Stock Exchange in 2019, is one of the leading R&D and innovation-driven pharmaceutical companies in China that focuses on oncology, anti-infectives, central nervous system diseases, metabolic and other diseases; and (iv) Company D, listed on the Hong Kong Stock Exchange in 2015, is a leading pharmaceutical company in China with expertise in researching, developing, manufacturing and marketing biologics that focuses on nephrology, hematology and oncology, immunology diseases, ophthalmology, and dermatology.

In 2023, our revenue from the sale of NME drugs exceeded RMB9 billion. In comparison, Company A and Company B each recorded revenue of RMB7-8 billion and Company C and Company D each recorded revenue of RMB6-7 billion from the sale of NME drugs, according to Frost & Sullivan. In addition, as of the Latest Practicable Date, we had 19 commercialized NME drugs and over 90 NME drug candidates in clinical or later stages of development. As of the same date, according to Frost & Sullivan, Company A, Company B, Company C and Company D had eight, three, seven and seven commercialized NME drugs, respectively, and over 60, over 40, over 50 and over 20 NME drug candidates in clinical or later stages of development, respectively.

PHARMACEUTICAL MARKETS BY THERAPEUTIC AREA

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

Over the period from 2023 to 2028, China's pharmaceutical market is expected to grow at a CAGR of 7.7%, higher than that of the global pharmaceutical market, which is expected to grow at a CAGR of 5.7%. The following tables set forth the market size and growth rate of the four major therapeutic areas we focus on, in both global and China's pharmaceutical markets, for the years indicated. In this prospectus, the years designated "E" represent amounts estimated by Frost & Sullivan.

INDUSTRY OVERVIEW

Global Pharmaceutical Market by Selected Therapeutic Area

	Market size			CAGR	
	USD billion			2018-2023	2023-2028E
	2018	2023	2028E		
Oncology	128.1	228.9	360.6	12.3%	9.5%
Metabolic and cardiovascular diseases	214.9	258.8	338.5	3.8%	5.5%
Immunological and respiratory diseases	198.9	228.3	294.6	2.8%	5.2%
Neuroscience	<u>119.7</u>	<u>129.8</u>	<u>159.3</u>	1.6%	4.2%
Total market size of selected therapeutic areas covered	<u>661.6</u>	<u>845.8</u>	<u>1,153.0</u>	5.0%	6.4%
<i>Percent of total market</i>	<i>52%</i>	<i>57%</i>	<i>59%</i>		
Total market	1,266.7	1,472.3	1,938.7	3.1%	5.7%

China's Pharmaceutical Market by Selected Therapeutic Area

	Market size			CAGR	
	RMB billion			2018-2023	2023-2028E
	2018	2023	2028E		
Oncology	157.5	241.6	448.4	8.9%	13.2%
Metabolic and cardiovascular diseases	287.2	289.3	414.3	0.1%	7.4%
Immunological and respiratory diseases	96.7	109.0	204.4	2.4%	13.4%
Neuroscience	<u>197.4</u>	<u>173.4</u>	<u>228.8</u>	-2.6%^	5.7%
Total market size of selected therapeutic areas covered	<u>738.8</u>	<u>813.3</u>	<u>1,295.9</u>	1.9%	9.8%
<i>Percent of total market</i>	<i>48%</i>	<i>50%</i>	<i>55%</i>		
Total market	1,533.4	1,618.3	2,342.0	1.1%	7.7%

Source: Frost & Sullivan analysis

^ The decrease was primarily because by the end of 2022, more than 30 neuroscience drugs were included in the VBP scheme, which affected the overall neuroscience market.

INDUSTRY OVERVIEW

Oncology

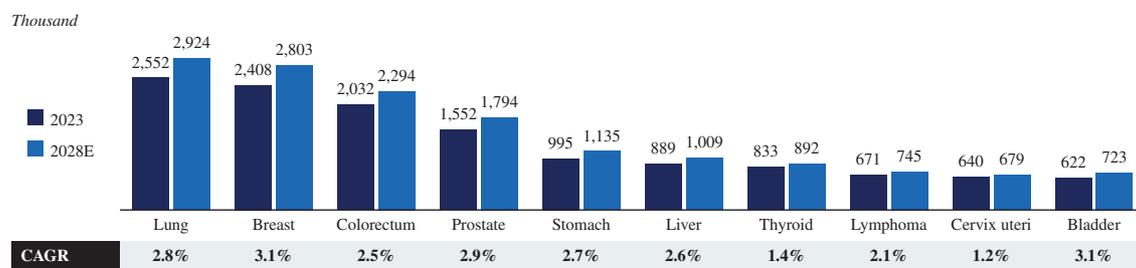
Overview

Cancer is the leading cause of mortality worldwide, resulting in approximately 10 million deaths globally each year. The cancer incidence has been increasing both in China and globally. The global incidence of cancer was 20.8 million cases in 2023 and is projected to grow at a CAGR of 2.4% to reach 23.4 million in 2028. In China, the incidence of cancer was 4.9 million cases in 2023 and is projected to grow at a CAGR of 2.0% to reach 5.4 million in 2028.

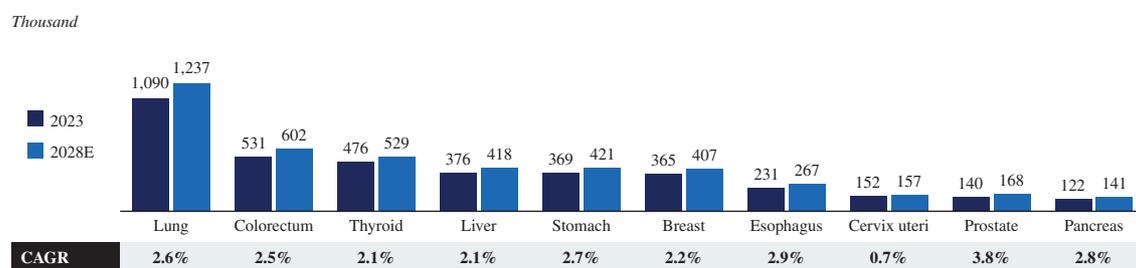
China has a high rate of cancer incidence, accounting for 23.7% of all new cancer cases globally in 2023. In addition, in the same year, there were nearly 2.6 million cancer deaths in China. The five-year survival rate of cancer patients in China is only 43.7%, compared to 69.0% in the U.S. This difference, compounded by China's high cancer incidence, demonstrates substantial unmet medical needs of China's cancer patients.

Several types of cancer—notably lung, breast, colorectal, and liver cancers—are among the Top 10 cancer types by incidence both in China and globally. The following charts set forth the Top 10 cancer types by incidence, globally and in China, respectively, for 2023 and 2028 (estimated):

Incidence of Top 10 Cancer Types Globally



Incidence of Top 10 Cancer Types in China



CAGR represents the CAGR over the period 2023-2028E

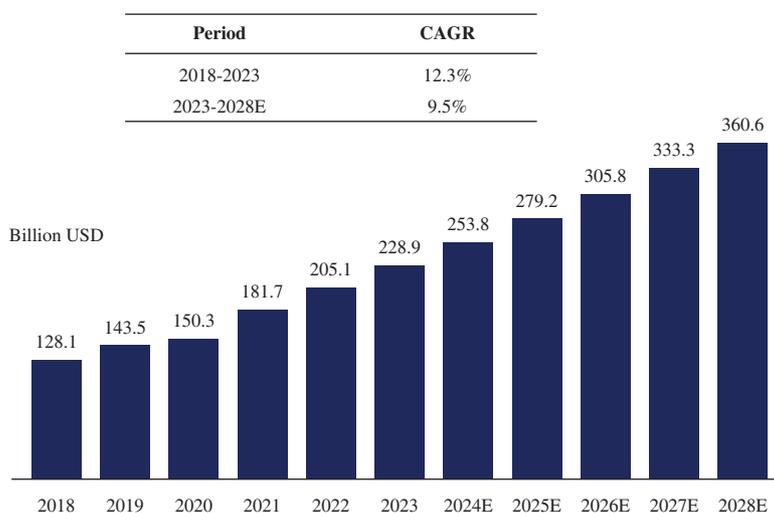
Source: Globocan, IARC, NCCR, Frost & Sullivan analysis

INDUSTRY OVERVIEW

In 2018, the market size of oncology pharmaceuticals was US\$128.1 billion globally, and it grew at a CAGR of 12.3% to US\$228.9 billion in 2023. This market segment is projected to grow at a CAGR of 9.5% to reach US\$360.6 billion in 2028.

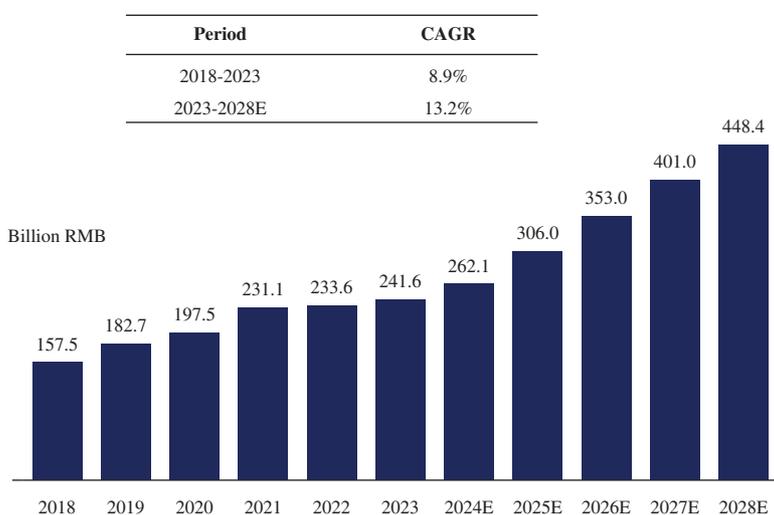
In 2018, the market size of oncology pharmaceuticals was RMB157.5 billion in China, and it grew at a CAGR of 8.9% to RMB241.6 billion in 2023. This market segment is projected to grow at a CAGR of 13.2% to reach RMB448.4 billion in 2028.

Global Oncology Pharmaceutical Market, 2018-2028E



Source: Frost & Sullivan analysis

Oncology Pharmaceutical Market in China, 2018-2028E



Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Evolution of the Oncology Treatment Paradigm

Over the past century, the oncology treatment paradigm has shifted from conventional broad-spectrum treatments to precision treatments. Targeted therapies (including small molecule targeted therapies and antibody-based targeted therapies) and immunotherapies offer oncology patients better prognosis and better chances of survival. In 2023, the market size of targeted therapies was US\$138.8 billion globally and RMB102.3 billion in China. In the same year, the market size of immunotherapies was US\$60.6 billion globally and RMB24.4 billion in China.

Targeted therapies can be further divided into small molecule targeted therapies and antibody-based targeted therapies. For small molecule targeted therapies, recent R&D trend focuses on improving target specificity while lowering off-target toxicity. The applications of novel technologies such as PROTACs are able to provide solutions to address “undruggability.” For antibody-based targeted therapies, an increasing number of ADCs have demonstrated promising results in various cancer types. Bispecific/multi-specific T cell engagers have also been developed for the treatment of hematological malignancies.

Immunotherapies are widely studied globally to develop treatments with improved safety and efficacy profiles. Together with anti-PD-(L)1 and anti-CTLA-4 bi/multi-specific antibodies, novel targets such as TGF- β are undergoing development to overcome the current limitations in immune-suppressive tumor microenvironments.

Cross-modality combination therapies have been rapidly emerging. This approach has demonstrated promising clinical advantages, which are expected to bring better survival benefits to patients and enable these novel combination therapies to potentially become the new standard of care. Examples of cross-modality combination therapies include immunotherapy in combination with ADCs, dual immunotherapy, and immunotherapy in combination with small molecule targeted therapies. In comparison with monotherapies, cross-modality combination therapies significantly improve patients’ chances of survival, with potential to achieve partial or complete tumor remission.

INDUSTRY OVERVIEW

The following table sets forth significant developments in oncology treatments as well as the general R&D trend of each therapy since chemotherapies were introduced.

	Current options	Innovative options under development	General R&D trend	
Precision therapy	Targeted therapy Targeted therapy, small molecule	• Kinase inhibitors targeting: • VEGFR1/2/3 • CDK4/6 • ... • PARP1/2/3 • AR/ER • ...	• Kinase inhibitor targeting: • VEGFR2 • CDK4, CDK6 • FGFR • PDGFR • ... • PARP1 • AR/ER PROTAC • KRAS • Radioligand Therapy (RLT) • ...	• Improvements in target selectivity and binding affinity, and lowering off-target toxicity • Investments in new technologies to turn the “undruggable” targets into promising targets
	Targeted therapy, antibody-based	• Monoclonal antibody (mAb) • ...	• Bi-/multi-specific antibody • Antibody-drug conjugate (ADC) • ...	• Development of new modalities with improved efficacy and safety profiles • Development of novel targets with better efficacy
	Immunotherapy	• anti-PD-(L)1 antibody • anti-CTLA-4 antibody • ...	• PD-(L)1 based Bi-/multi-specific antibody • CTLA-4 based Bi-/multi-specific antibody • TGF-β based antibody • ...	• Development of new modalities with improved efficacy and safety profiles • Development of novel targets with better efficacy
	Chemotherapy	• Topoisomerase inhibitors • Alkylating agents • ...	• Development of new formulations • ...	• Combination with other treatments
Conventional treatment	Evolution within each treatment			

Source: Frost & Sullivan analysis

Targeted Therapies

Targeted therapies interfere with cell-signaling pathways, thereby blocking the spread and growth of cancer. This mechanism minimizes harm to non-cancerous cells, which is a substantial pain point of conventional chemotherapies.

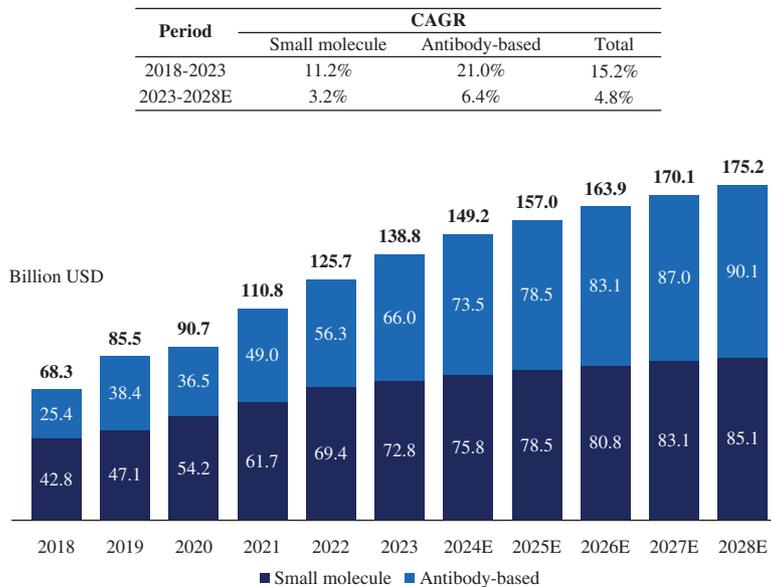
In 2018, the market size of targeted therapy pharmaceuticals was US\$68.3 billion globally, and it grew at a CAGR of 15.2% to US\$138.8 billion in 2023. This market segment is projected to grow at a CAGR of 4.8% and reach US\$175.2 billion in 2028.

In 2018, the market size of targeted therapy pharmaceuticals was RMB18.1 billion in China, and it grew at a CAGR of 41.5% to RMB102.3 billion in 2023. This market segment is projected to grow at a CAGR of 13.9% and reach RMB196.5 billion in 2028.

INDUSTRY OVERVIEW

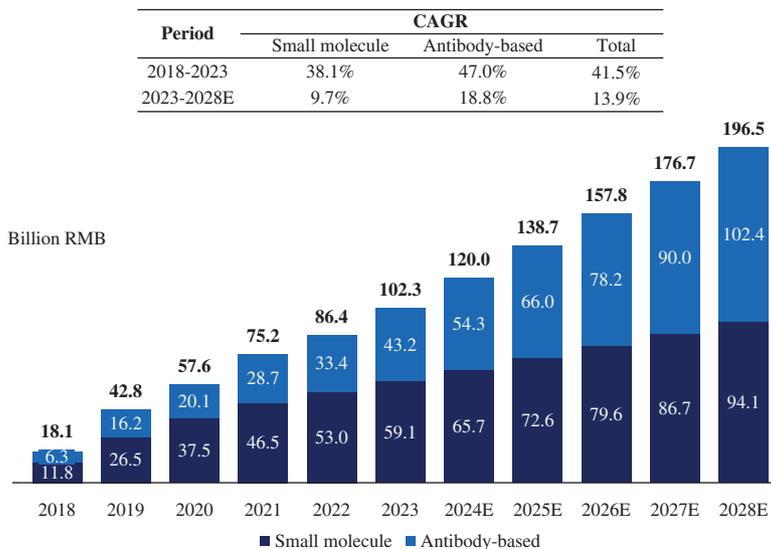
The following charts set forth the size of the targeted therapy pharmaceutical market, both globally and in China, for the years presented.

Global Targeted Therapy Pharmaceutical Market, 2018-2028E



Source: Frost & Sullivan analysis

Targeted Therapy Pharmaceutical Market in China, 2018-2028E



Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Targeted Therapies, Small Molecule

Small molecule targeted therapies, as single agents or in combination therapies, act with selective specificity on a well-defined target or biological pathway. Compared to chemotherapies, small molecule targeted therapies destroy cancerous cells with less harm to non-cancerous cells.

Small molecule targeted therapy pharmaceuticals can be divided into two categories: multi-kinase inhibitors and selective kinase inhibitors. The R&D of small molecule targeted drugs began with multi-kinase inhibitors and gradually moved towards the development of selective kinase inhibitors to overcome off-target toxicities.

Currently, there is a high chance of relapse for the majority of patients treated with small molecule targeted therapies due to the development of new aberrations or drug resistance during the long-term disease management process. The development of highly selective kinase inhibitors and novel technologies, such as PROTACs, may potentially address these limitations.

Targeted Therapies, Antibody-based

Antibody is a large, protective protein produced by the immune system in response to the presence of pathogens such as pathogenic bacteria and viruses, which are called antigens. Antibodies recognize and latch onto antigens to neutralize and remove them from the human body. Antibodies are currently used as medicines in the treatment of a number of diseases, including various types of cancer.

Among the major types of antibody-based targeted therapies, ADCs are one of the fastest-growing treatment modalities. ADCs utilize an antibody to selectively deliver biologically active cytotoxic agents to cancerous cells. ADCs combine the unique targeting capabilities of antibodies with the killing effects of cytotoxic agents, resulting in sensitive discrimination between normal and cancerous cells. After triggering the internalization of the corresponding antibody, cytotoxic payloads are released to kill cancerous cells.

The global ADC market has attracted significant interest and substantial investment from pharmaceutical companies, highlighted by a number of notable M&A transactions and licensing collaborations. Chinese companies have been heavily involved in some of these transactions and are increasingly recognized as innovative powerhouses in this area. From 2021 to 2024, Chinese companies had participated in approximately 40% of the M&A transactions and out-licensing deals involving ADCs.

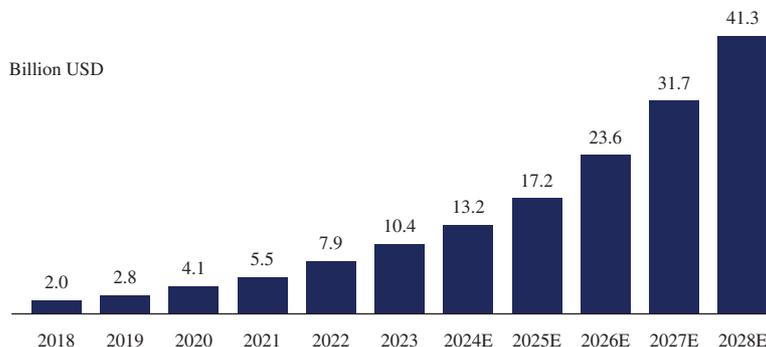
Continuous investments in ADC technologies are expected to accelerate the discovery of novel targets and payloads, the advancements in ADC designs, and the development of conjugation technologies. These efforts are expected to enhance ADC candidates, therapeutic windows and clinical profiles. Combination therapies using ADCs and immunotherapies have demonstrated great potential in enhancing anti-tumor efficacy in clinical studies and become a trend in cancer treatment.

INDUSTRY OVERVIEW

The following charts set forth the market size of ADCs, both globally and in China, for the years presented.

Global ADC Market, 2018-2028E

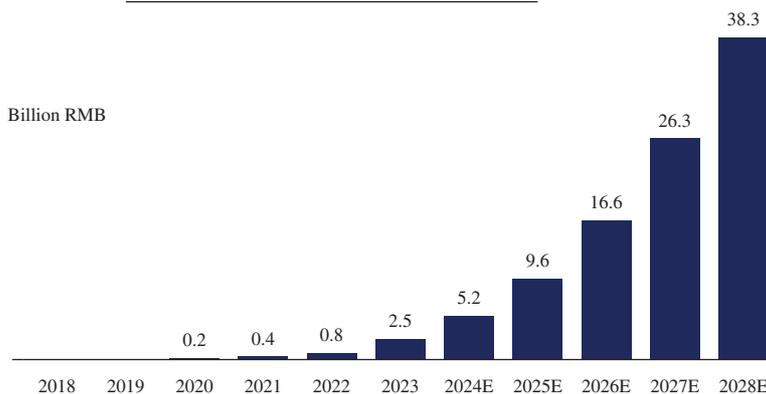
Period	CAGR
2018-2023	38.6%
2023-2028E	31.8%



Source: Frost & Sullivan analysis

ADC Market in China, 2018-2028E

Period	CAGR
2020-2023	149.0%
2023-2028E	72.6%



Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Immunotherapies

Immunotherapies are designed to stimulate patients' immune systems to generate or augment an antitumor immune response to control or kill cancerous cells. Immunotherapies have been widely applied to cancer patients at advanced stages due to their favorable efficacy and safety profiles.

Representative immunomodulators include anti-PD-(L)1 antibodies and anti-CTLA-4 antibodies. Anti-PD-(L)1 antibodies are widely developed in combination with other drug categories, including chemotherapies, small molecule targeted therapies, ADCs, and other immunotherapies. Anti-CTLA-4 antibodies regulate T cell proliferations early in an immune response, thus enhancing immune responses against cancerous cells.

Immunotherapies generally exhibit good efficacy and safety profiles, though their response rates vary significantly among patients with different types of cancer. Immunotherapies' efficacy and safety profiles carry great potential, and the existing limitations of immunotherapies may be mitigated through combination therapies.

Combination treatments of immunotherapies with other modalities intend to activate immune response, decrease immunosuppression, and target signaling and resistance pathways to offer a more durable, long-lasting treatment compared to traditional therapies and immunotherapies as monotherapies for cancers.

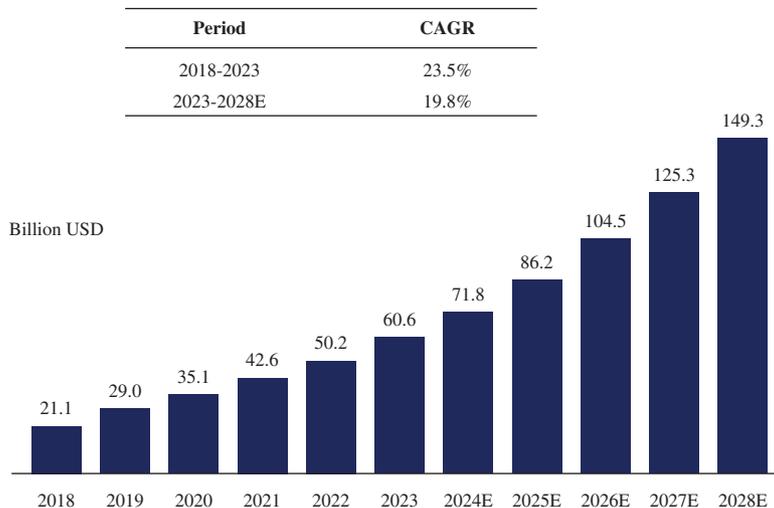
In 2018, the market size of immunotherapy pharmaceuticals was US\$21.1 billion globally, and it grew at a CAGR of 23.5% to US\$60.6 billion in 2023. This market segment is projected to grow at a CAGR of 19.8% to reach US\$149.3 billion in 2028.

In 2018, the market size of immunotherapy pharmaceuticals was RMB1.9 billion, and it grew at a CAGR of 66.4% to RMB24.4 billion in 2023 in China. This market segment is projected to grow at a CAGR of 41.7% to reach RMB139.6 billion in 2028.

INDUSTRY OVERVIEW

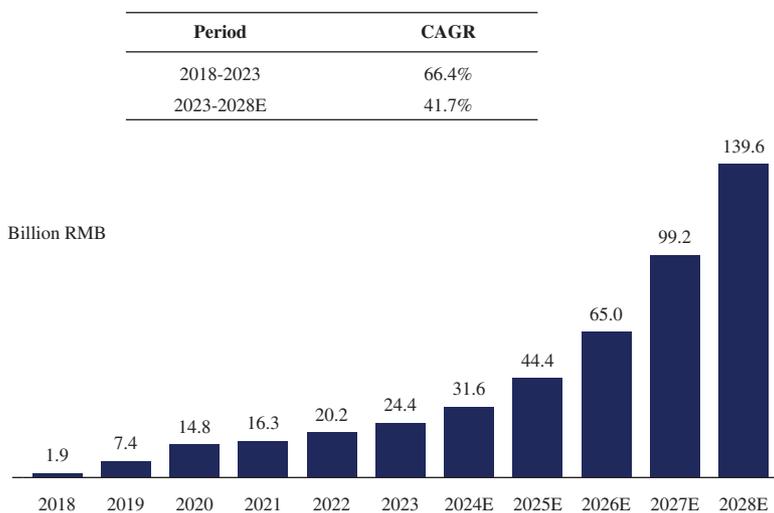
The following charts set forth the size of the immunotherapy pharmaceutical market, both globally and in China, for the years presented.

Global Immunotherapy Pharmaceutical Market, 2018-2028E



Source: Frost & Sullivan analysis

Immunotherapy Pharmaceutical Market in China, 2018-2028E



Source: Frost & Sullivan analysis

Other Novel Modalities for Oncology

Bispecific Antibodies (BsAbs)

Bispecific antibodies, or BsAbs, are an emerging treatment modality that concurrently binds to two distinct antigens or epitopes of antigens. BsAbs simultaneously block the biological functions mediated by the two antigens or draw the two antigens closer to enhance their interaction. Compared to other therapies, BsAbs' dual specificity potentially enables them to perform multiple synergistic functions. The probability of resistance to BsAbs is often lower due to their targeting of two distinct antigens. This mechanism potentially inhibits the metastasis of cancerous cells, while at the same time diminishing potential side-effects. The dual-specificity nature of BsAbs offers simplified treatment administration, improved safety profiles, and a lower possibility of drug resistance.

Bispecific T cell engagers have been widely developed for the treatment for various types of cancer. Representative bispecific T cell engagers targeting CD3/CD20, CD3/BCMA, and CD3/CD19 have exhibited enhanced cytotoxicity, target specificity, and unique mechanisms of action. These molecules have demonstrated promising efficacy in the treatment of hematological malignancies.

Proteolysis-Targeting Chimeras (PROTACs)

Proteolysis-targeting chimeras, or PROTACs, are a novel technology based on the ubiquitin-proteasome system. They induce targeted protein degradation through their utilization of small molecules.

PROTACs have demonstrated unique advantages in treatment of cancer patients with drug resistance through their degradation of the whole target protein. This is due to their potency to degrade targets that have long been considered to be “undruggable.” These targets include transcription factors and scaffold proteins, which are difficult to target through traditional small molecule inhibitors because of their lack of high-affinity ligands. PROTACs' capabilities and potential have garnered growing interest and investments globally.

Radioligand Therapies (RLTs)

Radioligand therapies, RLTs, are a promising modality in the treatment of cancer. With RLTs, different isotopes and ligands can be combined together to diagnose, monitor, or treat various types of cancer. RLTs are designed to specifically target cancerous cells, delivering radiation directly to the tumor while sparing the surrounding non-cancerous cells.

The global RLT market has seen an increasing number of innovative drugs under development. Pluvicto is a representative drug in the RLT market that has demonstrated promising efficacy in the treatment of prostate cancers. It was approved by the U.S. FDA in 2022, with sales reaching US\$980 million in 2023. The development of RLTs is subject to a high entry barrier as a result of its use of radioactive materials that require specific licenses, as well as the relatively short half-lives of these materials.

INDUSTRY OVERVIEW

Combination Therapies

With the emergence of novel drug modalities, there are numerous potential combination therapies. In particular, there are increasing numbers of combination therapies between immunotherapies and ADCs being evaluated in clinical studies, attributable to increasing clinical evidence of synergy between immunotherapies and ADCs. In December 2023, the U.S. FDA approved enfortumab vedotin-ejfv in combination with pembrolizumab for patients with locally advanced or metastatic urothelial cancer. Compared to a single-agent chemotherapy, this combination therapy demonstrated superior overall survival benefit with reduced risks of death and disease progression.

In addition, combinations of immunotherapies have demonstrated promising clinical results, enhancing the immune system's ability to respond to cancer. In October 2020, the U.S. FDA approved nivolumab in combination with ipilimumab as a first-line treatment for adult patients with unresectable malignant pleural mesothelioma. Subsequently, the combination of nivolumab and ipilimumab demonstrated more extensive improved survival benefit compared to the standard of care in broader types of cancers, such as HCC and metastatic colorectal cancer.

Immunotherapies can also be used in combination with small molecule targeted drugs. When combined, an immunotherapy activates immune cells to attack cancerous cells, while small molecule targeted drugs limit the nutrient supply of the tumor by blocking the formation of tumor blood vessels. In the global Phase III CARES 310 clinical study, camrelizumab in combination with apatinib (also known as rivoceranib) as a first-line treatment for advanced HCC achieved a median overall survival (mOS) of 23.8 months (compared with an mOS of 15.2 months for sorafenib), the longest among all first-line therapies for unresectable HCC (uHCC) with published clinical study results as of the Latest Practicable Date.

Market and Competitive Landscape of Selected Drug Assets

HER2 ADC

Globally, the market size of HER2 ADC drugs was US\$1.0 billion in 2018, and it grew at a CAGR of 37.1% to US\$4.8 billion in 2023. This market segment is projected to grow at a CAGR of 30.8% to reach US\$18.5 billion in 2028. In China, the first HER2 ADC drug was approved by the NMPA in 2020. The market size of HER2 ADC drugs grew significantly to RMB1.8 billion in 2023. This market segment is projected to further grow at a CAGR of 46.0% to reach RMB12.1 billion in 2028.

HER2 ADC works by specifically targeting HER2-overexpressing cancer cells with a monoclonal antibody, which then delivers a cytotoxic payload directly to cancer cells, causing cell death through mechanisms like DNA damage or disruption of the microtubule function, effectively killing the cancer cells while minimizing harm to healthy tissues.

INDUSTRY OVERVIEW

As of the Latest Practicable Date, adotrastuzumab emtansine, trastuzumab deruxtecan and disitamab vedotin were the only three marketed HER2 ADC drugs worldwide. These drugs have been approved by the NMPA for several oncological indications that our SHR-A1811 is also intended for.

Our NDA for SHR-A1811 was accepted by the NMPA in September 2024, and it was the second to have been accepted by the NMPA among all HER2 ADC drug candidates. As of the Latest Practicable Date, eight HER2 ADC drug candidates were in Phase III clinical studies in China.

Nectin-4 ADC

Nectin-4 ADC is a targeted therapy designed to deliver a cytotoxic payload specifically to cancer cells overexpressing Nectin-4, a type I transmembrane cell adhesion molecule associated with tumor progression and poor prognosis. By binding to Nectin-4, the ADC enables selective internalization and release of the cytotoxic agent, effectively killing cancer cells while minimizing damage to normal tissues. Nectin-4 ADC has shown potential in treating various malignancies.

As of the Latest Practicable Date, enfortumab vedotin was the only marketed Nectin-4 ADC drug worldwide. It has been approved for the treatment of urothelial cancer and bladder cancer, which SHR-A2102 is also intended for. Enfortumab vedotin was first approved by the U.S. FDA in December 2019 and by the NMPA in August 2024.

SHR-A2102, our Nectin-4 ADC drug candidate, is currently undergoing a Phase III clinical study in China. As of the Latest Practicable Date, there was one other Nectin-4 ADC drug candidate undergoing a Phase III clinical study and three Nectin-4 ADC drug candidates undergoing Phase I clinical studies in China.

AR PROTAC

AR PROTAC is a bifunctional molecule designed to selectively degrade the androgen receptor (AR) by leveraging the ubiquitin-proteasome system. It consists of a ligand that binds to AR and a ligand that recruits an E3 ubiquitin ligase, facilitating targeted protein degradation. By eliminating AR rather than merely inhibiting its activity, AR PROTACs offer a novel therapeutic approach to androgen-driven cancers, such as prostate cancer, with potential advantages in overcoming resistance to traditional AR inhibitors.

As of the Latest Practicable Date, there was no marketed AR PROTAC drug worldwide, and gridegalutamide was the only AR PROTAC drug candidate undergoing a Phase III clinical study for the treatment of prostate cancer, which HRS-5041 is also intended for.

HRS-5041, our AR PROTAC drug candidate, is currently undergoing a Phase II clinical study in China. As of the Latest Practicable Date, there was also one AR PROTAC drug candidate undergoing a Phase I/II clinical study in China.

INDUSTRY OVERVIEW

Metabolic and Cardiovascular

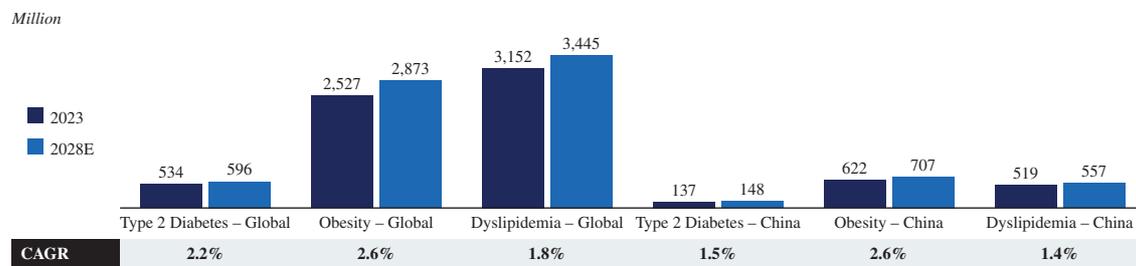
Overview

Metabolism refers to the process through which a human body breaks down consumed food into fundamental components within the digestive system. Any dysfunction in this process leads to metabolic diseases. Metabolic diseases, including diabetes and obesity, typically increase the risks of cardiovascular, cerebrovascular, and renal diseases.

Cardiovascular diseases, including high blood pressure and high cholesterol levels, are among the most prevalent diseases in China and lead to high-mortality conditions such as heart failure and stroke.

Metabolic and cardiovascular diseases represent broad health concerns with significant patient populations. The increasing prevalence of metabolic and cardiovascular diseases poses a serious burden on the community and drives a considerable level of unmet medical needs. There has been growing demand for personalized therapies that offer enhanced safety and efficacy profiles and more convenient drug administration. Long-term treatments are required for metabolic and cardiovascular diseases. The following chart sets forth the prevalence data of these key diseases:

Prevalence of Key Metabolic and Cardiovascular Diseases



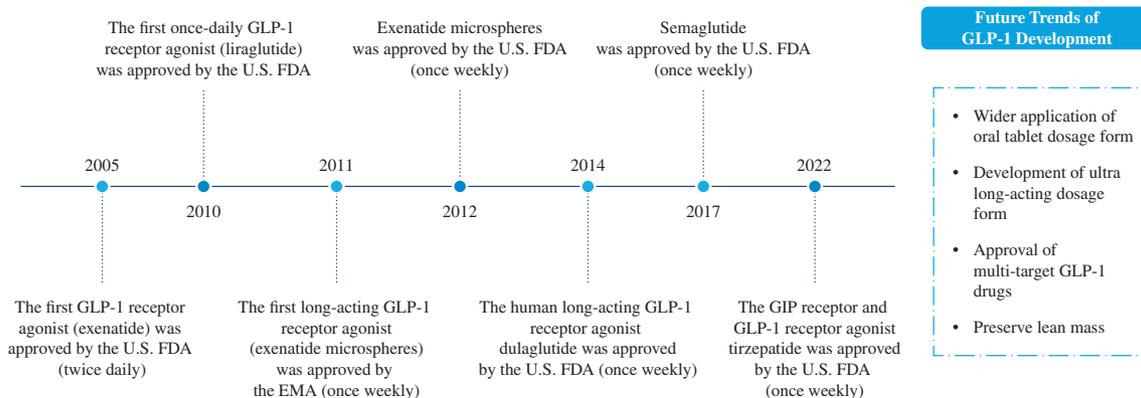
CAGR represents the CAGR over the period 2023-2028E

Source: Frost & Sullivan analysis

In recent years, the development of GLP-1 drugs has revolutionized the treatment paradigm for metabolic diseases, due to their superior clinical profiles and improved patient convenience. GLP-1 drugs have developed from single-target to dual-/multi-target receptor agonists, from short-acting to long-acting dosage forms, and from subcutaneous to oral dosage forms.

INDUSTRY OVERVIEW

The following chart sets forth the development history of GLP-1 drugs in recent years. The future trend for these drugs includes wider use of oral tablet dosage forms, the development of ultra long-acting dosage forms, the approval of multi-target GLP-1 drugs, and the efficacy to preserve lean mass.



Source: Frost & Sullivan analysis

Lipoprotein(a), or Lp(a), is a particle that carries cholesterol in the blood. Lp(a) levels are inherited and not associated with diet, exercise, or obesity. High levels of Lp(a) have been shown to be a significant risk factor for atherosclerotic cardiovascular disease (ASCVD), affecting over one billion adults globally. However, no therapy has been approved to lower Lp(a) levels, highlighting an unmet need for people with cardiovascular diseases. The discovery and development of innovative Lp(a) lowering drugs are expected to address significant unmet medical needs.

Market Size and Growth

In 2018, the market size of metabolic and cardiovascular pharmaceuticals was US\$214.9 billion globally, and it grew at a CAGR of 3.8% to US\$258.8 billion in 2023. This market segment is projected to grow at a CAGR of 5.5% to reach US\$338.5 billion in 2028.

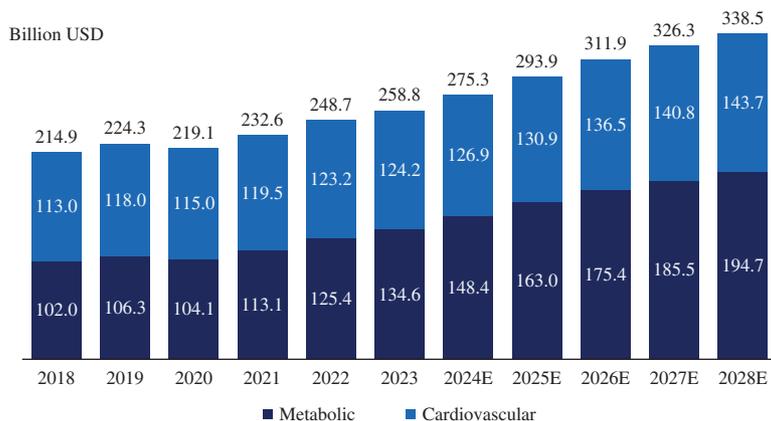
In 2018, the market size of metabolic and cardiovascular pharmaceuticals was RMB287.2 billion in China, and it reached RMB289.3 billion in 2023. This market segment is projected to grow at a CAGR of 7.4% to reach RMB414.3 billion in 2028.

The following charts set forth the market size of metabolic and cardiovascular pharmaceuticals, both globally and in China, for the years indicated.

INDUSTRY OVERVIEW

Global Metabolic and Cardiovascular Pharmaceutical Market, 2018-2028E

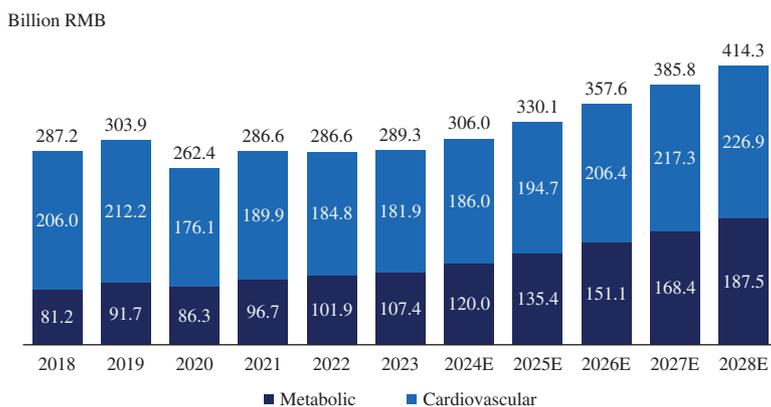
Period	CAGR		Total
	Metabolic	Cardiovascular	
2018-2023	5.7%	1.9%	3.8%
2023-2028E	7.7%	3.0%	5.5%



Source: Frost & Sullivan analysis

Metabolic and Cardiovascular Pharmaceutical Market in China, 2018-2028E

Period	CAGR		Total
	Metabolic	Cardiovascular	
2018-2023	5.7%	-2.5%	0.1%
2023-2028E	11.8%	4.5%	7.4%



Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

The year 2020 was characterized by a temporary downturn in the pharmaceutical market across several key therapeutic areas. The declines of the global and Chinese metabolic and cardiovascular pharmaceutical markets in 2020 compared to the prior year were precipitated by a combination of factors, including the widespread impact of the COVID-19 pandemic, which disrupted healthcare services and patient access to medications; the implementation of centralized procurement policies, particularly China's VBP scheme; and the ongoing dynamics of market competition and substitution, where newer, more cost-effective drugs replaced older, more expensive ones.

Market and Competitive Landscape of Selected Drug Assets

GLP-1 and GIP Receptor Dual Agonist (Injection)

Globally, the market size of GLP-1 drugs was US\$9.3 billion in 2018, and it grew at a CAGR of 33.2% to US\$38.9 billion in 2023. This market segment is projected to grow at a CAGR of 20.5% to reach US\$98.8 billion in 2028. In China, the market size of GLP-1 drugs was RMB0.7 billion in 2018, and it grew at a CAGR of 67.5% to RMB9.4 billion in 2023. This market segment is projected to grow at a CAGR of 49.7% to reach RMB70.9 billion in 2028.

GLP-1 and GIP receptor dual agonists activate both glucagon-like peptide-1 (GLP-1) and glucose-dependent insulinotropic polypeptide (GIP) receptors, thus enhancing insulin secretion, suppressing appetite, and improving metabolic regulation. These dual agonists have demonstrated significant benefits in reducing body weight, blood glucose, blood pressure, and triglycerides in clinical studies, while maintaining a favorable safety profile, making them a promising therapy for type 2 diabetes and obesity management.

As of the Latest Practicable Date, tirzepatide was the only marketed injection GLP-1/GIP receptor dual agonist drug worldwide. It was approved by the U.S. FDA for the treatment of type 2 diabetes and obesity in May 2022 and November 2023, respectively. In addition, it was approved by the NMPA for the treatment of type 2 diabetes and obesity in May 2024 and July 2024, respectively. HRS9531 is also being developed for these indications.

HRS9531, our GLP-1 and GIP receptor dual agonist drug candidate, is currently undergoing Phase III clinical studies for the treatment of type 2 diabetes and obesity in China. As of the Latest Practicable Date, there were three and two other GLP-1 and GIP receptor dual agonist drug candidates in injection form undergoing Phase III and Phase II clinical studies in China, respectively.

GLP-1 (Oral)

GLP-1 receptor agonists are a class of drugs designed to mimic the action of glucagon-like peptide-1 (GLP-1), a hormone that regulates blood sugar levels by enhancing insulin secretion, suppressing glucagon release, and slowing gastric emptying. They are particularly beneficial for treating patients with type 2 diabetes who have impaired GLP-1 secretion, offering improved glycemic control and potential weight loss benefits.

INDUSTRY OVERVIEW

As of the Latest Practicable Date, semaglutide (oral) was the only marketed oral GLP-1 drug worldwide. It was approved by the NMPA and the U.S. FDA in January 2024 and September 2019, respectively, for the treatment of type 2 diabetes, which HRS-7535 is also intended for.

Our HRS-7535 is currently undergoing Phase III clinical studies in China. As of the Latest Practicable Date, there were three other oral GLP-1 drug candidates undergoing Phase III clinical studies and three oral GLP-1 drug candidates undergoing Phase II clinical studies in China.

URAT1 Inhibitor

URAT1 inhibitors work by blocking urate transporter 1 (URAT1), an anion-exchanging uptake transporter from the organic anion transporter family, located on the apical membrane of renal proximal tubular cells. By inhibiting URAT1, these drugs reduce renal uric acid reabsorption, thereby promoting its excretion and lowering serum urate levels. URAT1 inhibitors offer a targeted therapeutic approach to managing hyperuricemia and gout by directly addressing impaired uric acid clearance.

As of the Latest Practicable Date, dotinurad was the only marketed URAT1 inhibitor worldwide, which had been approved by the NMPA for the treatment of hyperuricemia in December 2024, which SHR4640 is also intended for.

Our NDA for SHR4640 was accepted by the NMPA in January 2025, which was the first and only NDA for a URAT1 inhibitor drug candidate to have been accepted by the NMPA as of the Latest Practicable Date. As of the same date, there were five URAT1 inhibitor drug candidates undergoing Phase III clinical studies in China.

Anti-ANGPTL3 Antibody

Anti-ANGPTL3 antibodies target angiopoietin-like 3 (ANGPTL3), a key regulator of lipid metabolism encoded by the ANGPTL3 gene. By inhibiting ANGPTL3, these antibodies reduce levels of triglycerides, low-density lipoprotein cholesterol, and other atherogenic lipoproteins, offering a promising therapeutic approach to managing dyslipidemia and cardiovascular diseases.

As of the Latest Practicable Date, evinacumab was the only marketed anti-ANGPTL3 antibody worldwide. It has been approved by the U.S. FDA for the treatment of homozygous familial hypercholesterolemia (HoFH), which SHR-1918 is also intended for. In China, there was no approved anti-ANGPTL3 antibody drug as of the Latest Practicable Date.

SHR-1918, our anti-ANGPTL3 antibody drug candidate, is currently undergoing a Phase III clinical study in China for the treatment of HoFH. As of the Latest Practicable Date, there was no other anti-ANGPTL3 antibody drug candidate intended for the treatment of HoFH under clinical development in China.

INDUSTRY OVERVIEW

Myosin Inhibitor

Myosin inhibitors are designed to target cardiac myosin, thereby reducing excessive contractility and improving cardiac function in patients with hypertrophic cardiomyopathy (HCM) and related heart failure. By modulating myosin activity, these inhibitors help alleviate obstructive symptoms while potentially offering superior efficacy and safety profiles, which reduces the risk of adverse events associated with decreased contractility.

As of the Latest Practicable Date, mavacamten was the only marketed myosin inhibitor worldwide. It was approved by the NMPA and the U.S. FDA in April 2024 and April 2022, respectively, for the treatment of obstructive hypertrophic cardiomyopathy, which our myosin inhibitor is also intended for. Aficamten, a myosin inhibitor drug candidate, is also currently under the NDA review by the NMPA and the U.S. FDA.

HRS-1893, our myosin inhibitor drug candidate, is currently undergoing Phase II clinical studies for the treatment of obstructive and nonobstructive hypertrophic cardiomyopathy in China. As of the Latest Practicable Date, there was also one myosin inhibitor drug candidate undergoing a Phase I clinical study in China.

Immunological and Respiratory

Overview

An immunological disease is a condition in which a human body's immune system mistakenly attacks itself. These diseases can be associated with either abnormally low activity or over-activity of the immune system. A respiratory disease is a disease that affects the lungs or other parts of the respiratory system.

The global and China markets face significant burdens from immunological and respiratory diseases, primarily due to the high prevalence of patients with long-term medication needs and the cumbersome financial burdens. In 2023, the global population with psoriasis, rheumatoid arthritis, asthma, and chronic obstructive pulmonary diseases was approximately 136.6 million, 40.9 million, 786.9 million, and 246.2 million, respectively. Most of the innovative drugs available in China are expensive and beyond the coverage of social medical insurance. As a result, the rates for diagnosis and treatments for many diseases have been limited, representing a significant public health challenge with substantial unmet medical needs.

Currently, innovative therapeutic biologics dominate developed markets for the treatment of immunological and respiratory diseases due to the improved efficacy and safety profiles. However, the penetration of biologics for these diseases in China remains limited. Innovative drugs with optimized safety profile, extended half-lives, improved patient accessibility, and extended adherence are expected to be future growth drivers in this area.

INDUSTRY OVERVIEW

Due to the complicated pathogenesis of these diseases, comprehensive solutions will be necessary to address unmet medical needs. These solutions are expected to include combination therapies, as well as multifunctional agents that simultaneously target multiple pathways.

Market Size and Growth

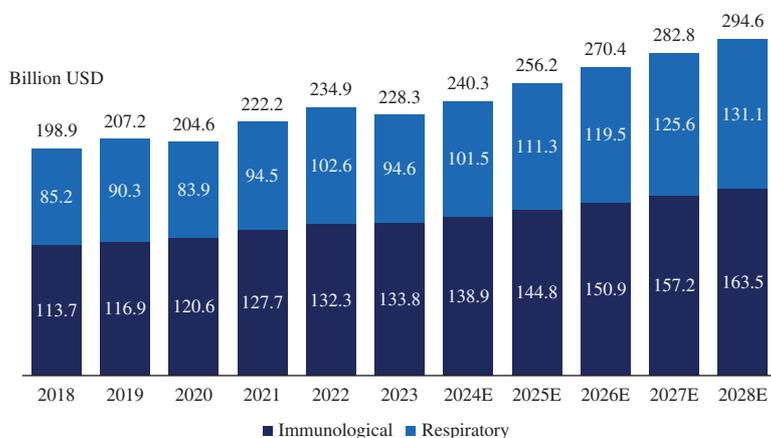
In 2018, the market size of immunological and respiratory disease pharmaceuticals was US\$198.9 billion globally, and it grew at a CAGR of 2.8% to US\$228.3 billion in 2023. This market segment is projected to grow at a CAGR of 5.2% to reach US\$294.6 billion in 2028.

In 2018, the market size of immunological and respiratory disease pharmaceuticals was RMB96.7 billion in China, and it grew at a CAGR of 2.4% to RMB109.0 billion in 2023. This market segment is projected to grow at a CAGR of 13.4% to reach RMB204.4 billion in 2028.

The following charts set forth the market size of immunological and respiratory pharmaceuticals, both globally and in China, for the years presented.

Global Immunological and Respiratory Pharmaceutical Market, 2018-2028E

Period	CAGR		Total
	Immunological	Respiratory	
2018-2023	3.3%	2.1%	2.8%
2023-2028E	4.1%	6.8%	5.2%

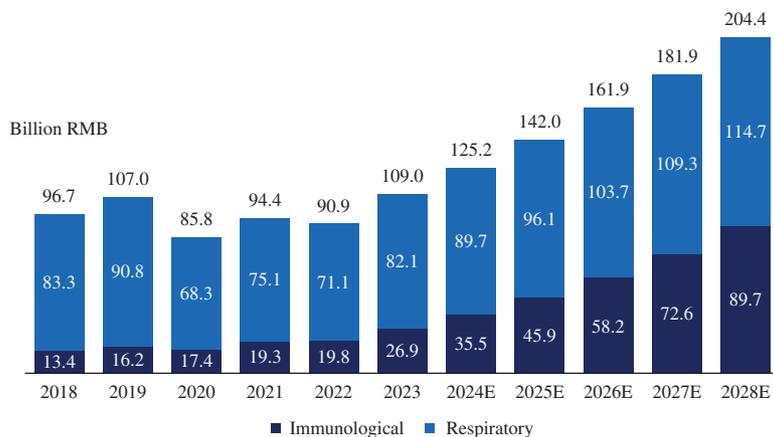


Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Immunological and Respiratory Pharmaceutical Market in China, 2018-2028E

Period	CAGR		
	Immunological	Respiratory	Total
2018-2023	14.9%	-0.3%	2.4%
2023-2028E	27.3%	6.5%	13.4%



Source: Frost & Sullivan analysis

The declines of the global and Chinese immunological and respiratory pharmaceutical markets in 2020 compared to the prior year were primarily driven by impact of the COVID-19 pandemic and market competition and, for China, the implementation of the VBP scheme.

Market and Competitive Landscape of Selected Drug Assets

JAK1 Inhibitor

Globally, the market size of JAK inhibitor drugs was US\$4.3 billion in 2018, and it grew at a CAGR of 21.4% to US\$11.4 billion in 2023. This market segment is projected to grow at a CAGR of 18.4% to reach US\$26.4 billion in 2028. In China, the market size of JAK inhibitor drugs was RMB0.2 billion in 2018, and it grew at a CAGR of 80.4% to RMB3.0 billion in 2023. This market segment is projected to grow at a CAGR of 37.8% to reach RMB14.9 billion in 2028.

JAK inhibitors work by suppressing the activity of one or more members of the Janus kinase family (e.g., JAK1, JAK2, JAK3, and TYK2), thereby interfering with the JAK-STAT signaling pathway. JAK inhibitors have shown therapeutic potential in the treatment of cancer and inflammatory diseases. Myeloproliferative disorders such as polycythemia vera, essential thrombocythemia, and myelofibrosis are associated with JAK2 mutations.

INDUSTRY OVERVIEW

As of the Latest Practicable Date, among our competing drugs, upadacitinib, ruxolitinib, abrocitinib, deuterated ruxolitinib, delgocitinib, baricitinib, tofacitinib, filgotinib, deucravacitinib and ritlecitinib were marketed JAK inhibitor drugs worldwide, which had been approved for several immunological indications, including indications that our ivarmacitinib is intended for. Among these marketed drugs, abrocitinib, upadacitinib, baricitinib, tofacitinib, deucravacitinib, ritlecitinib and ruxolitinib were approved by the NMPA in China in April 2022, February 2022, June 2019, March 2017, October 2023, October 2023 and March 2017, respectively.

In March 2025, the oral formulation of our ivarmacitinib, a JAK1 inhibitor, was approved by the NMPA for the treatment of both active ankylosing spondylitis and moderate-to-severe active rheumatoid arthritis in adults who have responded inadequately to or are intolerant of one or more tumor necrosis factor (TNF) inhibitors. In addition, in April 2025, the oral formulation of ivarmacitinib was approved by the NMPA for the treatment of adult patients with moderate-to-severe atopic dermatitis who showed inadequate efficacy or intolerance to topical treatment or other systemic therapies. As of the Latest Practicable Date, the oral formulation of ivarmacitinib was under NDA review by the NMPA for the treatment of alopecia areata, and the topical formulation of ivarmacitinib was under NDA review by the NMPA for the treatment of mild-to-moderate atopic dermatitis. As of the same date, two NDAs for other JAK inhibitors had been accepted by the NMPA.

Anti-IL-4R α Antibody

Anti-IL-4R α antibodies are biologic therapies designed to target and block the interleukin-4 receptor alpha (IL-4R α), a key component of the IL-4 and IL-13 signaling pathways. By inhibiting IL-4R α , these antibodies disrupt the downstream inflammatory signaling involved in conditions such as asthma, atopic dermatitis, and other allergic or immune-mediated diseases.

As of the Latest Practicable Date, dupilumab and stapokibart were the only two marketed anti-IL-4R α antibody drugs worldwide, which had been approved for several immunological indications, including indications that our SHR-1819 is intended for. Dupilumab and stapokibart were approved by the NMPA in June 2020 and September 2024, respectively.

SHR-1819, our anti-IL-4R α antibody drug candidate, is currently undergoing Phase III clinical studies in China for the treatment of atopic dermatitis and prurigo nodularis. As of the Latest Practicable Date, seven and three other anti-IL-4R α antibody drug candidates were in Phase III and Phase II clinical studies in China, respectively.

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Neuroscience

Overview

The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Neurological disorders originate from central and peripheral nervous systems. These include structural, biochemical, and electrical abnormalities, which may result in a wide range of symptoms. Typical neurological disorders include migraine, depression, Alzheimer's Disease, and Parkinson's Disease. Alzheimer's Disease and Parkinson's Disease are two major neurodegenerative disorders worldwide. There were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer's Disease contributing to 60-70% of dementia cases. In the same year, there were 9.4 million people affected by Parkinson's Disease. In 2023, China had 14.0 million people affected by Alzheimer's Disease and approximately 43.4 million people at the MCI stage. In the same year, the estimated population in China with Parkinson's Disease was 3.2 million. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression.

Stroke is a potentially debilitating or even deadly cerebrovascular event. It is one of the leading causes of death. There is no approved medical therapy for treatment beyond the 3 to 4.5-hour time window. Novel therapies with improved clinical outcomes are expected to address the significant unmet medical needs.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain.

Anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Market Size and Growth

In 2018, the market size of neuroscience pharmaceuticals was US\$119.7 billion globally, and it grew at a CAGR of 1.6% to US\$129.8 billion in 2023. This market segment is projected to grow at a CAGR of 4.2% to reach US\$159.3 billion in 2028.

In 2018, the market size of neuroscience pharmaceuticals was RMB197.4 billion in China, and it decreased to RMB173.4 billion in 2023. The decrease was primarily because by the end of 2022, more than 30 neuroscience drugs were included in the VBP scheme. However, this market is projected to grow at a CAGR of 5.7% to reach RMB228.8 billion in 2028.

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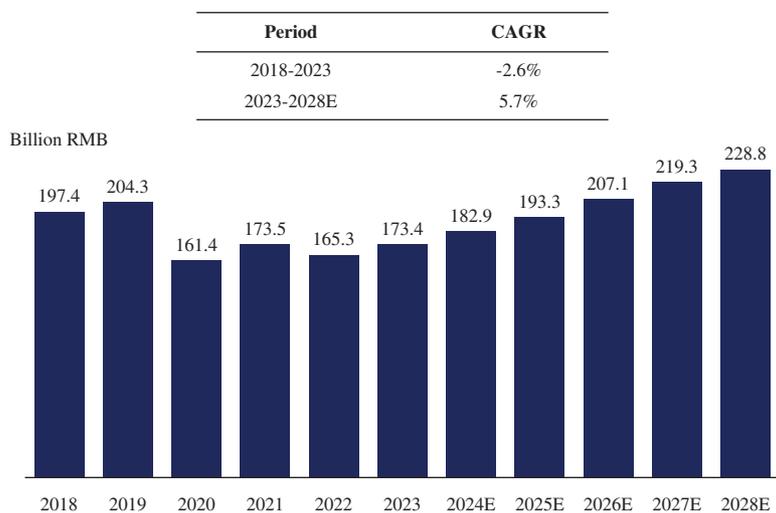
The following charts set forth neuroscience pharmaceuticals' market sizes, both globally and in China, for the years presented.

Global Neuroscience Pharmaceutical Market, 2018-2028E



Source: Frost & Sullivan analysis

Neuroscience Pharmaceutical Market in China, 2018-2028E



Source: Frost & Sullivan analysis

The declines of the global and Chinese neuroscience pharmaceutical markets in 2020 compared to the prior year were primarily driven by impact of the COVID-19 pandemic and market competition and, for China, the implementation of the VBP scheme.

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Other Pharmaceuticals

Contrast Agents

Contrast agents are substances used in medical imaging to increase the visibility of internal body structures such as organs, blood vessels, and other tissues. They are frequently applied before a medical imaging procedure and can be taken either orally or through injection. The growing demand for medical imaging is driven by an increase in medical procedures and the greater utilization of medical imaging in clinical protocols.

In 2018, the market size of contrast agents was US\$18.6 billion globally, and it grew at a CAGR of 3.1% to US\$21.7 billion in 2023. This market segment is projected to grow at a CAGR of 3.2% to reach US\$25.5 billion in 2028 driven by growing demand for early disease detection.

In 2018, the market size of contrast agents was RMB8.1 billion in China, and it grew at a CAGR of 4.8% to RMB10.2 billion in 2023. This market segment is projected to grow at a CAGR of 16.3% to reach RMB21.8 billion in 2028 driven by growing awareness of early disease detection.

Anti-infectives

Anti-infectives are a group of drugs that kill or inhibit different kinds of pathogenic microbes through oral, intramuscular injection, intravenous injection, or topical use. Anti-infectives are widely used in the treatment of infectious diseases as well as complications triggered by other diseases. In 2018, the market size of anti-infectives was RMB217.9 billion in China, and it decreased to RMB190.3 billion in 2023 mainly due to price declines of major anti-infective drugs after they were included in the VBP scheme. However, this market is projected to grow at a CAGR of 2.3% to reach RMB213.3 billion in 2028 driven by launches of novel antimicrobial agents to combat growing unmet needs of antibiotic resistance.

SOURCE AND RELIABILITY OF INFORMATION

In connection with the Global Offering, we engaged Frost & Sullivan, an independent market research consultant based in the U.S., to conduct an analysis of, and to prepare a report on the major markets for which our existing and in-development pharmaceutical products are positioned. Founded in 1961, Frost & Sullivan provides market research on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus has been extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB780,000, and is disclosed with the consent of Frost & Sullivan. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

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We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the pharmaceutical market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

Frost & Sullivan adopted the following primary parameters and assumptions in preparing the industry analysis regarding the macroeconomic environment, as well as the overall and segmented pharmaceutical markets globally and in China:

- (i) The overall pharmaceutical market globally and in China from 2018 to 2023 is the sum of pharmaceutical markets for each major therapeutic area. The pharmaceutical market for each major therapeutic area is calculated based on the annual revenue of the approved drugs in that market, derived from the annual reports of relevant listed companies or expert interviews for non-public companies. The forecasted pharmaceutical market globally and in China is calculated considering the trends such as aging population, improving patient affordability and awareness, and increasing R&D expenditure.

- (ii) The epidemiology analysis of past years mainly referred to public data from the World Health Organization and the International Agency for Research on Cancer. The projected prevalence or incidence data are primarily based on assumptions of: (a) the size of total and aging population; (b) improvements in public awareness of disease prevention and more accessible medical care; and (c) advancements in early diagnosis and treatment programs, enabling the timely detection of more cases.

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OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

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

Regulatory Authorities

The regulatory authorities of the drug industry in the PRC include: the NMPA, the NHC and the NHSA.

The NMPA is an authority under the SAMR and is the primary regulator for medical products. It is primarily responsible for supervising and managing drugs, medical devices and cosmetics, including drafting relevant regulations and policies; undertaking standard management, registration regulation, quality management and post-market risk management for drugs, medical devices and cosmetics; organizing and guiding the supervision and inspection of drugs, medical devices and cosmetics; and undertaking management of qualifications for licensed pharmacists.

The NHC is the primary national regulator for public health. It is primarily responsible for drafting national health policies, supervising and regulating public health, healthcare services, and health emergency systems, coordinating the reform of medical and health system, organizing the formulation of national drug policies and the national essential medicine system, launching an early warning mechanism for the monitoring of the use and clinical comprehensive evaluation of medicine as well as the drug shortage, giving suggestions on the pricing policy of national essential medicine, and regulating the operation of medical institutions and practicing of medical personnel.

The NHSA is an authority directly under the State Council responsible for the management of the healthcare security system. It is primarily responsible for drafting and implementing policies and standards on medical insurance, maternity insurance and medical assistance; supervising and administering the healthcare security funds; organizing the formulation of a uniform medical insurance catalog and payment standards on drugs, medical disposables and healthcare services; and formulating and supervising the implementation of the bidding and tendering policies for drugs and medical disposables.

Laws and Regulations in Relation to New Drugs

Application for New Drug Registration

Drug registration refers to an approval process where the NMPA conducts a review of the safety, efficacy and quality controllability of the drugs intended for marketing according to the application for drug registration made by an applicant, and decides whether to approve the application. Pursuant to the provisions of the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), promulgated by the SAMR on January 22, 2020 and came into effect on July 1, 2020, the Measures for the Administration of Drug Registration

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(2020) shall apply to the development, registration, supervision and management activities carried out in the territory of the PRC for marketing of drugs. In accordance with the Measures for the Administration of Drug Registration (2020), drugs registration refers to activities that a drug registration applicant files an application and other supplementary applications for clinical trials of drugs, approval for drug marketing, and re-registration, among others, under the legal procedures and according to the relevant requirements, and that the medical products administrative department examines the safety, effectiveness, and quality controllability based on the laws and regulations, and the existing scientific cognitions, to decide whether to agree with the activities applied for. A drug registration certificate shall be valid for five years. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

Non-clinical Research and Animal Testing

The non-clinical safety assessment of drugs for marketing approval shall be conducted in accordance with the Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) promulgated by the State Food and Drug Administration (the “SFDA”) in August 2003 and latest amended by the CFDA in July 2017 and came into effect on September 1, 2017. The SFDA promulgated the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》) in April 2007, which specifies the requirements for institutions applying for Good Laboratory Practices (GLP) certification of non-clinical laboratory studies. On January 19, 2023, the NMPA amended the Administrative Measures for the Certification of Good Laboratory Practices for Non-clinical Laboratory Studies (《藥物非臨床研究質量管理規範認證管理辦法》), which came into effect on July 1, 2023.

According to the Regulations for the Administration of Affairs Concerning Experimental Animals (《實驗動物管理條例》) promulgated by the State Science and Technology Commission in November 1988 and lastly amended in March 2017 by the State Council, the Administration Measures on Good Practice of Experimental Animals (《實驗動物質量管理辦法》) jointly promulgated by the State Science and Technology Commission and the State Bureau of Quality and Technical Supervision in December 1997, and the Administrative Measures on the Certificate for Experimental Animals (Trial) (《實驗動物許可證管理辦法(試行)》) promulgated by the Ministry of Science and Technology and other regulatory authorities in December 2001 and came into effect in January 2002, using experimental animals and related products requires a Certificate for Utilization of Laboratory Animals. A Certificate for Utilization of Laboratory Animals shall be valid for five years, and the holder shall apply for renewal six months prior to the expiry of the validity period. A Certificate for Utilization of Laboratory Animals shall be inspected annually by the local Science and Technology Bureau.

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Application for Clinical Trial

After completing the preclinical studies, the applicant must obtain approval for clinical trials of drugs from the NMPA before the conduction of new drug clinical trials. According to the Decision on Adjusting the Approval Procedures of Certain Administrative Approval Items for Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) promulgated by the CFDA on March 17, 2017 and came into effect on May 1, 2017, the decision on the approval of clinical trials of drugs enacted by the CFDA can be made by the CDE from May 1, 2017. Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “Drug Administration Law”), the dossier on a new drug R&D, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the relevant data, files and samples, shall, in accordance with the regulations of the drug regulatory authority under the State Council be truthfully submitted to the said department for approval before clinical drug trial is conducted.

The drug regulatory authority under the State Council shall decide whether to approve the clinical trial application and notify the decision to the clinical trial applicant within sixty (60) business days from the date of accepting the clinical trial application. If the drug regulatory authority under the State Council fails to do so, the clinical trial application shall be deemed as approval, and if the bioequivalence test is conducted, it is required to report it to the drug regulatory authority under the State Council for filing.

Before conducting the clinical trial, the applicant shall file a series of detailed documents with the NMPA. According to the Announcement on Drug Clinical Trial Information Platform (《關於藥物臨床試驗信息平台的公告》), which came into effect in September 2013, and the Standard for the Management of Drug Clinical Trial Registration and Information Disclosure (Trial) (《藥物臨床試驗登記與信息公示管理規範(試行)》), which came into effect in July 2020, all clinical trials approved by the NMPA and conducted in the PRC shall complete the clinical trial registration and information disclosure on the Drug Clinical Trial Information Platform. The applicant must complete the initial registration of the trial within one month after obtaining the approval of the clinical trial to obtain the unique registration number of the trials; and complete the subsequent data registration before the first patient is enrolled and submit it for the first time for disclosure.

After obtaining clinical trial approval, the applicant shall choose institutions qualified for clinical trials of the drug to conduct clinical trials. Pursuant to the Administrative Regulations for Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》), which came into effect in December 2019, if engaging in drug development activities and conducting clinical trials of drugs (including bioequivalence test conducted after filing) approved by the NMPA within the territory of the PRC, they shall be conducted in the drug clinical trial institutions. Drug clinical trial institutions shall be subject to filing administration. Institutions that only engage in analysis of biological samples related to drug clinical trials shall not be subject to filing. The national drug regulatory authority is responsible for setting up a filing management

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information platform for drug clinical trial institutions for registration, filing and operation management of drug clinical trial institutions, as well as the entry, sharing and disclosure of information on supervision and inspection of the drug regulatory authority and competent healthcare authority.

Conduct of Clinical Trial

In compliance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), clinical trials are divided into Phase I, Phase II, Phase III and Phase IV and bioequivalence trial:

A drug clinical trial to be carried out shall be examined and approved by the ethics committee. The management of drugs used in a drug clinical trial shall satisfy the relevant requirements of the GCP. A sponsor approved to carry out a drug clinical trial shall, before carrying out subsequent drug clinical trial by stages, develop corresponding plan for drug clinical trials, carry out drug clinical trial upon examination and with consent of the ethics committee, and submit a corresponding plan for drug clinical trial and supporting materials on the website of the CDE.

Clinical trials shall be conducted for the application of new drug registration and shall be implemented in accordance with the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》), promulgated by the NMPA and NHC and came into effect on July 1, 2020.

The Good Clinical Practice for Drug Trials stipulates the criteria for the entire procedure of the clinical trial including preclinical trial preparation and the necessary conditions, protection of testees' rights and interests, trial protocols, duties of researchers, duties of sponsors, duties of monitors, trial record and report, data management and statistical analysis, administration of drug products for trial, guarantee for quality, polycentric trials, with reference to the internationally recognized principles.

According to the Announcement of the National Medical Products Administration on Adjusting the Review and Approval Procedures for Drug Clinical Trials (《國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告》), if a new drug clinical trial has been approved to be carried out, after the completion of Phase I and Phase II clinical trials and before the implementation of Phase III clinical trials, the applicant shall submit an application for a communication meeting to the CDE to discuss with the CDE on key technical issues including the Phase III clinical trial design. The applicant can also apply for communication on key technical issues at different stages of clinical R&D.

According to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), applicants may communicate with CDE on major issues at critical stages such as prior to application for clinical trial of a drug, during the process of clinical trial of a drug, and prior to application for marketing authorization of a drug. According to the Measures for the Administration of Communication and Exchange in Drug Development and Technology Review (《藥物研發與技術審評溝通交流管理辦法》) promulgated by the CDE on December

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10, 2020, an applicant may propose to convene a communication meeting with the CDE during the process of drug R&D and registration application. There are three types of communication and exchange meetings: Type I meetings are held to resolve major safety issues encountered in the course of clinical trials of drugs and major technical issues in the course of R&D of breakthrough therapeutic drugs; Type II meetings are held for drugs at critical stages of R&D, which mainly include pre-application meetings for new drugs, meetings after the conclusion of Phase II clinical trials and before the commencement of Phase III clinical trials, meetings before application for marketing authorization of new drugs, and meetings for risk assessment and evaluation of new drugs. Type III meetings shall refer to meetings other than Type I and Type II meetings.

New Drug Application

Pursuant to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), after completing the pharmaceutical research, pharmacological and toxicological research, drug clinical trial, and other research supporting the marketing registration of a drug, determining the quality standards, completing the verification of commercial large-scale production process, and making sound preparation for the acceptance of drug registration inspection and examination, an applicant shall file an application for drug marketing authorization, and submit relevant research materials in accordance with the requirements of the application materials. After the formal examination of the application materials, an application that satisfies the requirements shall be accepted. Where a generic drug, in vitro diagnostic reagent managed as a drug, or any other eligible circumstance assessed by an applicant to be unnecessary or impossible for conducting drug clinical trials and meeting the conditions for exempting drug clinical trials, the applicant may directly file an application for drug marketing authorization. The technical guiding principles and relevant specific requirements for exempting drug clinical trials shall be developed and announced by the CDE.

The CDE shall organize pharmaceutical, medical and other technical personnel to evaluate the accepted applications for drug marketing authorization as required. Where the comprehensive evaluation conclusion is adopted, the drug shall be approved for marketing, and a drug registration certificate shall be issued. If the comprehensive evaluation conclusion is not adopted, a disapproval decision shall be made. A drug registration certificate shall specify the drug approval number, holder, manufacturer and other information.

Drug registration inspection means the inspection activities carried out for the development sites and production sites for verifying the authenticity and consistency of the application materials and the commercial production conditions for marketing of drugs, and examining the compliance of drug development, and data reliability, among others, and the extended examination activities carried out for manufacturers, suppliers, or other entrusted institutions of chemical APIs, auxiliary materials, and packaging materials and containers in direct contact with drugs involved in the application for drug registration, if necessary.

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The CDE shall decide whether to carry out on-site inspection of drug registration development based on risks, according to the degree of drug innovation and the previous acceptance of inspection by drug research institutions.

The CDE shall decide whether to launch production site inspection for drug registration based on risks according to factors such as variety, process, facility, and previous acceptance of inspection for which an application is filed for registration. For innovative drugs, newly modified drugs and biological products, production site inspection for drug registration and pre-marketing examination for management standards for drug production quality shall be conducted. For generic drugs, production site inspection for drug registration and premarketing examination for management standards for drug production quality shall be conducted based on the risks, according to whether a drug production license for the corresponding production scope has been obtained and whether a variety of the same dosage form has been marketed.

After an application for drug registration is accepted, the CDE shall conduct preliminary examination within forty (40) business days of acceptance, notify the Center for Food and Drug Inspection of NMPA (the “Center for Inspection”) of organizing inspection and provide the relevant materials required for inspection, where production site inspection for drug registration is required, and concurrently notify the applicant and the medical products administrative department of the province, autonomous region, or municipality in the place where the applicant or production enterprise is located. In principle, the Center for Inspection shall complete the inspection work forty (40) business days prior to the expiry of the time limit for inspection, and report the inspection information, inspection results and other relevant materials to the CDE.

Drug registration examination shall include standard review and sample examination. Standard review means the laboratory assessment of the scientificity of the items set in the standards for the drug for which the applicant applies, the feasibility of the test methods, and the rationality of quality control indicators, among others. Sample examination means the laboratory examination carried out for samples according to the application of the applicant or the drug quality standards verified by the CDE.

The review period for an application for drug marketing authorization shall be 200 business days. Within this two hundred (200) business days period, the review period for the procedures for prioritized review and approval shall be one hundred and thirty (130) business days, and the review period for the procedures for prioritized review and approval for clinically and urgently needed overseas-marketed drug for a rare disease shall be seventy (70) business days.

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The following duration shall be excluded from the relevant work period: (i) time taken for the applicant to provide supplementary materials, to make corrections upon examination as well as to verify manufacturing process, quality standards and literature in accordance with the requirements; (ii) delay in examination or inspection due to reason of the applicant, time taken for organizing expert advisory meetings; (iii) the suspended duration in the event of suspension of review and approval procedures pursuant to the provisions of laws and regulations; and (iv) time taken for overseas examination where such overseas examination is activated.

Reform of Evaluation and Approval System for Drugs

In August 2015, the State Council promulgated the Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (《關於改革藥品醫療器械審評審批制度的意見》) (the “Reform Opinions”), which provides a framework for reforming the evaluation and approval system for drugs and indicates enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs.

In November 2015, the CFDA promulgated the Announcement on Certain Policies for Drug Registration, Evaluation and Approval (《關於藥品註冊審評審批若干政策的公告》) (the “Certain Policies Announcement”), which further clarifies the measures and policies on simplifying and accelerating the approval process on the basis of the Reform Opinions.

Pursuant to the Decision on Adjusting the Approval Procedures of Certain Administrative Approval Items for Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) promulgated by the CFDA in March 2017 and came into effect in May 2017, the clinical trial approval decisions on drugs (including domestic and imported), decisions on approval of drug supplementary applications (including domestic and imported), and decisions on approval of re-registration of imported drugs can be directly made by the CDE in the name of the CFDA.

The Evaluation and Approval Procedures for Breakthrough Therapeutic Drugs (Trial) (《突破性治療藥物審評工作程序(試行)》), the Evaluation and Approval Procedures for Conditionally Approved Drugs (Trial) (《藥品附條件批准上市申請審評審批工作程序(試行)》) and The Preferential Evaluation and Approval Procedures for Drug Marketing Authorization (Trial) (《藥品上市許可優先審評審批工作程序(試行)》) promulgated by the NMPA in July 2020 and came into effect in July 2020, replace the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》) promulgated by the CFDA in December 2017 and came into effect in December 2017, which further clarified the Accelerating Registration Procedures for Drugs.

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Administrative Protection and Monitoring Periods for New Drugs

According to the Implementing Rules for PRC Drug Administration Law (《中華人民共和國藥品管理法實施條例》) issued on March 2, 2019 and the Reform Plan for Registration Category of Chemical Drugs (《化學藥品註冊分類改革工作方案》) issued on March 4, 2016, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of five years for new Category 1 drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs. During the monitoring period of a new drug, the NMPA will not approve any other enterprises' applications to manufacture or import the said drug.

Regulations on International Multi-Center Clinical Trials and Acceptance of Overseas Clinical Trial Data

According to the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (《關於發佈國際多中心藥物臨床試驗指南(試行)的通告》), (“the Multi-Center Clinical Trial Guidelines”), promulgated by the CFDA on January 30, 2015 and came into effect from March 1, 2015, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicants plan to implement the international multi-center clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementing Regulations of the PRC Drug Administration Law and the Administrative Measures for Drug Registration, execute the Good Clinical Practice, make reference to universal international principles such as the ICH, and comply with the laws and regulations of the countries involved in the international multi-center clinical trials. Where the applicants plan to use the data derived from the international multi-center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Center Clinical Trial Guidelines and other related laws and regulations.

According to the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices, clinical trial data obtained in an international multi-center that conforms to China's requirements for registration of drugs and medical devices can be used for the application for registration in China.

According to the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) promulgated by the NMPA on July 6, 2018, the basic principles for accepting overseas clinical trial data include: (i) applicants shall ensure the authenticity, integrity, accuracy and trace-ability of overseas clinical trial data; (ii) the process of generating overseas clinical trial data shall comply with the relevant requirements of the ICH-GCP; (iii) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (iv) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China,

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the applicants may, prior to implementing registrational clinical trials, contact the CDE to ensure the compliance of registrational clinical trial's design with the essential technical requirements for drug registration in China.

Marketing Authorization Holder System

Pursuant to the Drug Administration Law and the Administrative Measures for Drug Registration, the state implements the drug marketing authorization holder system for drug management. After obtaining a drug registration certificate, an applicant shall be the drug marketing authorization holder. During the validity period, a holder of a drug registration certificate shall continue to ensure the safety, effectiveness and quality controllability of the marketed drug, and apply for re-registration of the drug six months prior to the expiry of the validity period.

The drug marketing authorization holder shall proactively carry out post-marketing research on drugs, further confirm the safety, effectiveness and quality controllability of drugs, and strengthen the continuous management of marketed drugs. Where a drug registration certificate and its annex require the marketing authorization holder to carry out relevant research work after the drug is marketed, the marketing authorization holder shall complete the research within the prescribed time limit and file a supplementary application, undergo recordation formalities or report as required. After a drug is approved for marketing, the marketing authorization holder shall continue to conduct research on drug safety and effectiveness, undergo recordation formalities in a timely manner or file a supplementary application for revising the instructions according to the relevant data, and continuously update and improve the instructions and labels. According to the duties, the medical products administrative department may require the marketing authorization holder to revise the instructions and labels based on the monitoring of adverse drug reactions and the post-marketing reevaluation results of the drug.

The marketing authorization holder shall apply for re-registration six months prior to the expiry of the validity period of the drug registration certificate. An application for re-registration of a domestically produced drug shall be filed by the marketing authorization holder with the medical products administrative department of the province, autonomous region, or municipality directly under the PRC Government, and an application for re-registration of a drug produced overseas shall be filed by the marketing authorization holder with the Center for Drug Evaluation.

National Reimbursement Drug List of China

Participants in the National Health Insurance Scheme and their employers (if any) have to pay a monthly premium. Participants may be reimbursed for all or part of the cost of medicines included in the medical insurance catalog. The Notice on Provisional Measures for the Administration of the Scope of Medicines in the Basic Medical Insurance for Urban Workers (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) (or the Medical Insurance Notice), jointly issued by the Ministry of Labor and Social Security of the PRC and the NDRC

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and other governmental organizations on May 12, 1999, stipulates that the medicines included in the medical insurance catalog must be clinically necessary, safe and effective, reasonably priced, convenient to use and the supply of which can be guaranteed by the market.

The NRDL for Basic Medical Insurance, Work Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) sets out the standards for payment of medicines by the basic medical insurance, work injury insurance and maternity insurance funds. The NHTA and other governmental organizations have the authority to determine the drugs to be included in the NRDL. Drugs listed in the NRDL are divided into two parts: Class A and Class B. Class A drugs are widely used for clinical treatment, with favorable efficacy and lower prices than their counterparts, while Class B drugs are used for clinical treatment, with favorable efficacy and slightly higher prices than Class A drugs.

On November 28, 2024, the NHTA and the Ministry of Human Resources and Social Security of the PRC released the latest NRDL (effective from January 1, 2025), which has been expanded to cover a total of 3,159 drugs. Inclusion in the NRDL will generally result in increased sales volume and lower drug prices (which are determined on a case-by-case basis and negotiated based on factors such as the initial drug price).

On July 30, 2020, the NHTA issued the Provisional Measures for the Administration of Medicines for Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》) (“Measures for the Administration of the NRDL”), which came into effect on September 1, 2020. The Measures for the Administration of the NRDL provides guidance on the inclusion and adjustment of the NRDL and the payment, management and supervision of basic medical insurance. According to the Measures for the Administration of the NRDL, a dynamic adjustment mechanism shall be established for the NRDL, which shall be adjusted annually in principle.

Gathering, Collection and Filing of Human Genetic Resources

The Interim Measures for the Management of Human Genetic Resources (《人類遺傳資源管理暫行辦法》) set out rules for the protection and use of human genetic resources in China. Pursuant to the Service Guide for Administrative Licensing of Gathering, Collection, Deal, Export and Exit Approval of Human Genetic Resources of Human genetic resources (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) promulgated by the Ministry of Science and Technology in July 2015 and the Notice on the Implementation of the Administrative License for the Gathering, Collection, Deal, Export and Exit of Human Genetic Resources (《關於實施人類遺傳資源採集、收集、買賣、出口、出境審批行政許可的通知》) promulgated by the Ministry of Science and Technology in August 2015, foreign investment sponsors who gather and collect human genetic resources through clinical trials should file a record with the China Human Genetic Resources Management Office through an online system. The Ministry of Science and Technology promulgated the Notice on Optimizing the Administrative Examination and Approval Process of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) in October 2017 and came into effect in December 2017, which has simplified the approval process for the gathering and collection of human

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genetic resources for the listing of drugs in the PRC. The Ministry of Science and Technology promulgated the Notice on Updating the Scope and Procedures for Administrative Licensing, Filing, and Prior Reporting of Human Genetic Resource Services Guidelines (《關於更新人類遺傳資源行政許可事項服務指南、備案以及事先報告範圍和程序的通知》) on July 14, 2023 and came into effect since July 14, 2023, which has further refined the approval process for the gathering and collection of human genetic resources for the listing of drugs in the PRC.

Pursuant to the Regulations on the Management of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》) promulgated by the State Council in May 2019, newly amended in March 2024 and came into effect on May 1, 2024, the state supports the rational use of human genetic resources for scientific research, development of the biomedical industry, improvement of diagnosis and treatment technology, improvement of China's ability to guarantee biosafety and improvement of the level of people's health. Foreign organizations, individuals and institutions established or actually controlled by them shall not gather or preserve Chinese genetic resources within the territory of the PRC, or provide Chinese genetic resources to foreign countries. In addition, the gathering, preservation, utilization and external provision of Chinese genetic resources shall (i) conform to ethical principles and conduct ethical review in accordance with relevant regulations; (ii) respect the privacy of the human genetic resource providers, obtain their prior consents, and protect their lawful rights and interests; (iii) comply with technical specification promulgated by the healthcare department of the State Council.

On October 17, 2020, SCNPC promulgated Biosecurity Law of the PRC (《中華人民共和國生物安全法》), and latest amended and came into effect on April 26, 2024. The Biosecurity Law establishes a comprehensive legislative framework for the pre-existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microorganism laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons. As per the Biosecurity Law, the R&D activities of high-risk and medium-risk biotechnology shall be carried out by a legal person organization established within the territory of China, upon obtaining the approval or record-filing. The establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements in accordance with the law. In addition, (i) collecting human genetic resources of important genetic families or specific areas in China, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent healthcare department under the State Council, (ii) preserving China's human genetic resources, (iii) using China's human genetic resources to carry out international scientific research cooperation, or (iv) transporting, mailing, and carrying China's human genetic resource materials out of the country shall subject to approval of the competent healthcare department.

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The Ministry of Science and Technology promulgated the Implementation Rules for the Administrative Regulation on Human Genetic Resources (《人類遺傳資源管理條例實施細則》) (the “Implementation Rules”) on May 26, 2023 and came into effect on July 1, 2023. The Implementation Rules has further provided detailed implementation regulations for the administration of human genetic resources of the PRC, including the following:

- (a) clarifying the scope of human genetic resource information, which shall include information resources generated from human genetic resource materials (such as human genes and genome data) and exclude clinical data, image data, protein data and metabolic data;
- (b) clarifying the criteria to constitute a foreign entity, which shall include (i) any foreign organization or individual that holds directly or indirectly more than 50% of the shares, equity interests, voting rights, property shares or other interests in the institution, (ii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through its voting right or other interests, although the shares, equity interests, voting rights, property share or other interests it directly or indirectly holds in the institution is less than 50%, (iii) any foreign organization or individual that is able to dominate or have material effect on the decision-making or management of the institution through investment relationship, contract or other arrangement; and (iv) other situations stipulated by laws, regulations and rules;
- (c) listing the situations where security review may be required, which shall include: (i) human genetic resource information of important genetic families; (ii) human genetic resources information of specific regions, (iii) exome sequencing and genome sequencing information resources with a population greater than 500 cases; and (iv) other situations that may affect the public health, national security and social public interest of the PRC.

Good Clinical Practice Certification and Compliance with the Good Clinical Practice (GCP)

To improve the quality of clinical trials, the NMPA and NHC promulgated the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) in April 2020 and came into effect on July 1, 2020, which aims to ensure that the clinical trials of drugs are standardized and the results are scientific and reliable, protecting the rights and safety of human subjects. Pursuant to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) promulgated by the general offices of the Chinese Communist Party Central Committee and the State Council in October 2017, the qualification of clinical trial institutions shall be subject to record management. Clinical trials should follow GCP and protocols approved by the ethics committee of each research center.

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Laws and Regulations in Relation to Drug Manufacturer

Drug Manufacturing Permit

Pursuant to the Drug Administration Law promulgated by the SCNPC in September 1984 and lastly amended in August 2019 and came into effect in December 2019, the state adopts an industry entry permit system for drug manufacturers. The conduct of drug manufacturing activities shall be approved and granted with a Drug Manufacturing License (《藥品生產許可證》) by the drug regulatory authority of the people's government at provincial, autonomous regional or municipal level. The Drug Manufacturing License shall indicate the validity period and the scope of production, and shall be reviewed for renewing upon expiration.

Good Manufacturing Practices

Prior to December 1, 2019, establishment of a new drug manufacturer, construction of new production premise for a drug manufacturer or production of new dosage form are required to submit application for good manufacturing practice certification (GMP certification) with the drug regulatory authority in accordance with relevant provisions. If the Good Manufacturing Practices are satisfied, a GMP certificate will be issued. Pursuant to the Announcement on the Relevant Issues Concerning the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施〈中華人民共和國藥品管理法〉有關事項的公告》), promulgated by the NMPA on November 29, 2019, and the Drug Administration Law, the GMP and Good Supply Practice (GSP) certifications have been canceled, applications for GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. When engaging in drug manufacturing activities, a manufacturer shall comply with the GMP and establish a sound GMP management system, to ensure that the entire process of drug manufacturing maintain to meet the statutory requirements, and meet the GMP requirements enacted by the drug regulatory authority under the State Council in accordance with the law. The legal representative of and principal person in charge of a drug manufacturer are fully responsible for the drug manufacturing activities of the enterprise.

The Good Manufacturing Practices (《藥品生產質量管理規範》), promulgated by the Ministry of Health of the PRC (the "MOH", now known as the NHC) in March 1988, newly amended in January 2011 and came into effect on March 1, 2011, provided guidance for the quality management, organization and staffing, production premises and facilities, equipments, material and products, recognition and inspection, documentation maintenance, manufacture management, quality control and quality assurance, contractual manufacture and contractual inspection for the products, product delivery and recalls of a manufacturer in a systematical manner.

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Laws and Regulations on Drug Supply

According to the Drug Administration Law, the operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Supply Permit. A Drug Supply Permit shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period.

According to the Measures for the Supervision and Administration of Drug Supply and Usage (《藥品經營和使用質量監督管理辦法》) took into effect on January 1, 2024, a Drug Supply Permit is valid for five years. Each holder of the Drug Supply Permit must apply for an extension of its permit six months to two months prior to expiration.

The Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) (the “GSP Rules”) was last amended and came into effect on July 13, 2016. The GSP Rules set forth the basic standards in management of drug supply and apply to enterprises engaged in drug supply in the PRC, which require drug suppliers to implement strict controls on its supply of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. Under the Drug Administration Law, the GSP certification is no longer required for drug suppliers, but drug suppliers are still required to comply with the GSP Rules.

Other Laws and Regulations in Relation to Medical Industry

Basic Medical Insurance Policy

Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998 and the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) promulgated by the NDRC, the SFDA and other authorities, came into effect on May 12, 1999, all employers in cities and towns, including enterprises (state-owned enterprises, collective enterprises, foreign-invested enterprises, private enterprises, etc.), institutions, public institutions, social organizations, private non-enterprise units and their employees are required to participate in basic medical insurance. Pursuant to the Guiding Opinions on the Pilot of Basic Medical Insurance for Urban Residents (《關於開展城鎮居民基本醫療保險試點的指導意見》) promulgated by the State Council on July 10, 2007, urban residents (not urban employees) in the pilot areas can voluntarily participate in the basic medical insurance for urban residents. Pursuant to the Opinions of the State Council on the Integration of the Basic Medical Insurance System for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated by the State Council on January 3, 2016, a unified basic medical insurance system for urban and rural residents was established, including the existing urban residents’ medical insurance and all the insured personnel of New Rural Cooperative Medical System, covering all urban and rural residents except those who should be covered by the employee’s basic medical insurance.

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Medical Insurance Catalog

Pursuant to the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》), the scope of medical insurance coverage for pharmaceutical products needs to be managed through the formulation of the Medical Insurance Catalog. A pharmaceutical product listed in the Medical Insurance Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: it is set forth in the Pharmacopoeia of the PRC (current edition) (《中華人民共和國藥典》(現行版)); it meets the standards promulgated by the NMPA; and if imported, it is approved by the NMPA for import. According to the Opinions of the NHSA and the Ministry of Finance on Establishing a List-Based System for Healthcare Security Benefits (《國家醫保局、財政部關於建立醫療保障待遇清單制度的意見》), which came into effect in January 2021, all provinces shall implement the NRDL in a strict manner, and shall not have the discretion to formulate the catalog or increase the drugs in any form, or adjust the scope of limited payment unless explicitly stipulated. After several adjustments, the currently effective one is the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年)》) came into effect since January 1, 2025.

Drug Price

Pursuant to the Drug Administration Law, for drug products with market-regulated prices in accordance with the law, the drug marketing authorization holder, the drug manufacturer, the drug distributor and medical institution shall determine the price pursuant to the principles of fairness, reasonableness, integrity and trustworthiness as well as quality for value in order to supply drug users with reasonably priced drug products; and shall comply with the requirements relating to drug price administration promulgated by the State Council's pricing authorities, determine and clearly mark the retail prices of drug products. Pursuant to the Notice on Issuing Opinions on Promoting Drug Price Reform (《關於印發<推進藥品價格改革意見>的通知》) jointly promulgated by NDRC, NHC, the Ministry of Human Resources and Social Security, Ministry of Industry and Information Technology (the "MIIT"), the Ministry of Finance, the MOFCOM and the CFDA on May 4, 2015 and came into effect on June 1, 2015, from June 1, 2015, except for narcotic drugs and first-class psychotropic drugs, the price of drugs set by the government will be canceled.

Drug Purchases by Hospitals

According to the Guiding Opinions concerning the Urban Medical and Health System Reform (《關於城鎮醫藥衛生體制改革的指導意見》) promulgated and came into effect on February 16, 2000, and the Opinions on the Implementation of Classification Management of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》) promulgated on July 18, 2000 and came into effect on September 1, 2000, a medical institution must be defined as a for-profit or not-for-profit institution at the time of its establishment. A not-for-profit medical institution refers to a medical institution established for the purpose of public interest services,

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which maintains and develops the institution with its income, while a for-profit medical institution is established by investors for the purpose of investment return. The PRC government has not established any for-profit medical institutions, while non-government entities may establish for-profit medical institutions. Under PRC law, any not-for-profit medical institution must use a centralized tender system to purchase any pharmaceutical products, while any for-profit medical institution is not required to use such system.

According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated and came into effect on July 7, 2000, the Notice on the Further Standardizing of the Centralized Tender with respect to Drug Purchases By Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated and came into effect on August 8, 2001 and the Opinions concerning Further Regulating Drug Purchases by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》) promulgated and came into effect on January 17, 2009, any not-for-profit medical institutions established and/or controlled by any government at the county level or above must use a centralized tender system for the procurement of drugs which are listed in the Catalog of Drugs for National Basic Medical Insurance (《國家基本醫療保險藥品目錄》) and are generally for clinical use and bulk purchase.

The Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》) promulgated and came into effect on July 7, 2010, provides detailed provisions on the catalog and procurement methods of centralized procurement of drugs, the procedures of centralized procurement of drugs, the evaluation methods of centralized procurement of drugs, and the construction and management of the expert pools, further regulates the centralized procurement of drugs and clarifies the code of conduct of the parties involved in centralized procurement of drugs. According to the Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》), not-for-profit medical institutions established by the government at the county level or above or state-owned enterprises (including state-controlled enterprises) must participate in the centralized procurement of drugs for medical institutions. The centralized procurement management authority at provincial (district or municipal) level is responsible for compiling the catalog of drugs for centralized procurement by medical institutions within its own administrative region, and narcotic drugs and Class I psychoactive drugs under special management by the State are not included in such catalog for centralized procurement; Class II psychoactive drugs, radioactive pharmaceuticals, toxicity drugs for medical use, crude drugs, traditional Chinese medicinal materials and traditional Chinese medicine decoction pieces may be excluded from such catalog for centralized procurement.

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) promulgated and came into effect on February 9, 2015, the centralized procurement work of public hospitals will be improved through the purchase of drugs by classification. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a

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provincial centralized pharmaceutical procurement platform. The provincial drug procurement agency should work out a summary of the procurement plans and budget submitted by hospitals and compile reasonably a drug procurement catalog of the hospitals within its own administration region, listing by classification the drugs to be procured through bids, negotiations, direct purchases by hospitals or to be manufactured by appointed pharmaceutical manufacturers.

Volume-Based Procurement

On November 15, 2018, the Joint Procurement Office published the Papers on Drug Centralized Procurement in “4+7 Cities” (《4+7城市藥品集中採購文件》, the “Paper”), which launched the national pilot scheme for drugs centralized tendering with minimum procurement quantities. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi’an (the “4+7 cities”).

On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which provides the detailed measures in the implementation of the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities.

In principle, the various types of pilot drugs covered by the Pilot Program of the Centralized Procurement and Use of Drugs should be selected from the generic names of drugs that have passed the consistency assessment on quality and efficacy.

The procurement process should be based on the number of pharmaceutical enterprises selected: if three or more pharmaceutical enterprises are selected, the procurement should be conducted through an open tender process; if two enterprises are selected, the procurement should be conducted through a bargaining process; and if only one enterprise is selected, the terms of the procurement should be determined through negotiation.

According to the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) promulgated and came into effect on September 25, 2019, together with the Documents on National Centralized Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件》) issued by the Joint Procurement Office on January 15, 2021, the centralized procurement program of drugs has been extended to the whole country. The centralized volume-based procurement program of drugs will be implemented on a nationwide basis. Eligible participants include all drug manufacturers, sole agents of imported drugs and holders of marketing authorizations for drugs, provided that they own the drugs covered by the centralized purchasing program.

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The NHSA, the NHC, the NMPA, the MIIT and the Ministry of Logistics and Security of the Central Military Commission jointly issued the Circular on Conducting the Second Batch of Centralized Procurement and Use of Drugs Organized by the State (《關於開展第二批國家組織藥品集中採購和使用工作的通知》) (the “Circular”), which became effective on January 13, 2020, and stipulated a number of principles for the implementation of the centralized procurement of drugs by the State in order to comprehensively deepen the reforms and to establish a standardized and regularized centralized purchasing program of drugs nationwide. The Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) on July 29, 2020 to launch a new batch of centralized procurement of drugs that meet the conditions for centralized procurement.

On January 22, 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of the Centralized Volume-based Procurement of Drugs (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), stating that various measures will be taken to promote the normalization and institutionalization of the centralized volume-based procurement of drugs nationwide. All public medical institutions are required to participate in the centralized drug procurement program. The future procurement catalog will include drugs with high market demand or high procurement prices that are included in the NRDL, and is expected to cover, as far as possible, domestically marketed drugs with clinical utility and reliable quality.

On November 18, 2024, the NHSA and the NHC issued and implemented the Notice on Improving the Working Mechanism of Centralized Volume-based Procurement and Implementation of Pharmaceuticals (《關於完善醫藥集中帶量採購和執行工作機制的通知》), proposing the following measures to promote medical institutions and pharmaceutical enterprises to follow and support the Centralized Volume-based Procurement mechanism: (i) ensuring that the selected drugs and consumables are admitted to hospitals; (ii) improve the management level of the use of selected drugs and consumables; (iii) implement the policy of retaining the surplus of centralized procurement; (iv) explore the synergistic linkage of medical service prices, and so on.

The Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2022-1) (《全國藥品集中採購文件(GY-YD2022-1)》) on June 20, 2022, the Documents on National Centralized Drug Procurement (GY-YD2023-1) (《全國藥品集中採購文件(GY-YD2023-1)》) on March 2, 2023, the Documents on National Centralized Drug Procurement (GY-YD2023-2) (《全國藥品集中採購文件(GY-YD2023-2)》) on October 13, 2023, the Documents on National Centralized Drug Procurement (GY-YD2024-1) (《全國藥品集中採購文件(GY-YD2024-1)》) on March 29, 2024, and the Documents on National Centralized Drug Procurement (GY-YD2024-2) (《全國藥品集中採購文件(GY-YD2024-2)》) on November 22, 2024, to launch the sixth (Insulin specialization), seventh, eighth, ninth and tenth batches of centralized drug procurement.

Drug Distribution and Two-Invoice System

According to the Implementing Opinions on Promoting the “Two-Invoice System” for Drug Procurement By Public Medical Institutions (For Trial Implementation) (《關於在公立醫療機構藥品採購中推行「兩票制」的實施意見(試行)》) which was issued on December 26, 2016, the Two-Invoice System is a system under which invoices are issued by drug manufacturers to drug distributors on a once-off basis while invoices are issued by drug distributors to medical institutions on a once-off basis. Wholly-owned or holding commerce companies (there shall be only one commerce company throughout the country) and domestic general agents of overseas drugs (there shall be only one domestic general agent throughout the country) that are established by drug manufacturers or group enterprises integrating scientific research, manufacture, and trade to sell the drugs of these enterprise (groups) may be regarded as manufacturers. Within an enterprise that is a drug circulation group, the allocation of drugs between the group and wholly-owned (holding) subsidiaries or between wholly-owned (holding) subsidiaries should not be regarded as invoicing, but invoicing is allowed once at most.

According to the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》), which was issued on January 24, 2017, on a priority basis, the Two-Invoice System would be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) and pilot cities for public hospital reform, with the goal of having it implemented nationwide by 2018. Pharmaceutical companies must comply with the Two-Invoice System in order to engage in procurement processes with public hospitals.

Advertising of Pharmaceutical Products

Pursuant to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which promulgated by SAMR in December 2019 and came into effect on March 1, 2020, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and legitimate, and shall not contain any false or misleading contents. Holders of registration certificates or filing certificates of drugs, medical devices, health food and formula food for special medical purposes as well as the production enterprises and operating enterprises authorized by such holders of certificates shall be applicants for advertising (the “Applicants”).

Applicants may entrust agents to apply for the review of advertisements for drugs, medical devices, health food and formula food for special medical purposes. Applicants may submit their applications at the acceptance windows of advertisement review authorities, or may submit their applications for advertisements for drugs, medical devices, health food and

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formula food for special medical purposes via letters, faxes, e-mails or e-government platforms. The advertisement review authorities shall review the materials submitted by the applicant and shall complete the review within ten business days from the date of acceptance.

After review, for advertisements that are in line with laws, administrative regulations and these Measures, approval decisions of review shall be made and advertisement approval numbers shall be issued. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest validity period of the product registration certificate, filing certificate or production license. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement approval number shall be two years.

Insert Sheet, Labels and Packaging of Pharmaceutical Products

Pursuant to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》), which was promulgated by SFDA and came effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the SFDA. A drug insert sheet should include the important scientific data, conclusions and information concerning drug safety and efficacy in order to direct the safe and rational use of drugs. The inner label of a drug should bear such information as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate such information as the drug's name, ingredients, description, indication or function, strength, dose and usage, adverse reaction, contraindications, precautions, storage, production date, batch number, expiry date, approval number and drug manufacturer. Pursuant to the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) which came effective on September 1, 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its standards and put into implementation after obtaining the approval of the food and drug administration and bureau of standards at provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its packaging standard. Drugs without packing standards must not be sold or traded (except for drugs for the military).

Administration of Pathogenic Microorganism Laboratories

According to the Regulations on the Bio-safety Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全管理條例》) promulgated by the State Council and latest amended in March 2018, the pathogenic microorganism laboratories are classified into Level 1, Level 2, Level 3 and Level 4 in accordance with its biosafety level for pathogenic microorganisms and the national standards for the bio-safety. Laboratories at Bio-safety Level 1 and Level 2 are forbidden to conduct experimental activities relating to any highly pathogenic microbes. Laboratories at Bio-safety Level 3 and Level 4 shall meet certain requirements to conduct experimental activities relating to any highly pathogenic microbes. Newly building, rebuilding or expanding of Bio-safety Level 1 or Level 2 laboratories shall file

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with the relevant health administrative department or veterinary administrative department in the municipal people's government of the place where it is built. The laboratories of Bio-safety Level 3 and Level 4 shall be subject to the state accreditation for laboratories. Laboratories passing accreditation will be granted with certificates for Bio-safety Laboratories at corresponding level. The certificate will be effective for five years.

Laws and Regulations in Relation to Intellectual Property

Patent

Patents in the PRC are mainly protected by the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the "Implementation Rules"), promulgated by the State Council on June 15, 2001 and latest amended on December 11, 2023 and came into effect on January 20, 2024. The Patent Law and the Implementation Rules provide for three types of patents, namely "invention," "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is twenty (20) years; the duration of a patent right for "utility model" is ten (10) years; and the duration of a patent right for "design" is fifteen (15) years, all of which duration are from the date of application. According to the Patent Law of the PRC, for the purpose of public health, the patent administrative department of the State Council may grant mandatory licensing for patented drugs manufactured and exported to countries or regions which comply with the provisions of the relevant international treaty participated by the PRC.

The newly amended Patent Law of the PRC introduces patent extensions to patents of new drugs that launched in the PRC, and stipulates that the Patent Administration Department under the State Council shall, upon request of the patentee, extend the patent term of relevant invention patents of the new drug that is approved to be listed on the market in China, to compensate for the time spent for the review and examination and approval of the listing of a new drug on the market.

The compensated extension shall not exceed five (5) years, and the total valid patent term after the new drug is approved for the market shall not exceed fourteen (14) years. Such newly adopted patent term extension rule benefits the Company through providing longer protection terms of patents applied or registered in the PRC and related to our product candidates. During the compensated extension period of the patent term of the patent for invention related to a new drug, the scope of protection of the patent is limited to the new drug and the technical solutions related to the approved indications of the new drug. Within the scope of protection, the rights and obligations of the patentee remain the same as before the compensated extension period.

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Trademarks

Registered trademarks in the PRC are mainly protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which were promulgated by the State Council on August 3, 2002 and latest amended on April 29, 2014 and came into effect on May 1, 2014. The Trademark Office is responsible for the registration and administration of trademarks throughout China and grants a term of ten (10) years to registered trademarks. When it is necessary to continue using the registered trademark upon expiration of period of validity, a trademark registrant shall make an application for renewal within twelve (12) months before the expiration in accordance with the requirements. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten (10) years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered.

Domain Names

Domain names are regulated under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT, on August 24, 2017 and effective from November 1, 2017. The MIIT is the main regulatory authority responsible for the administration of the PRC internet domain names. Domain names registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Trade Secret

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the Anti-Unfair Competition Law of the PRC, business persons are prohibited from infringing others’ trade secrets by: (i) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other means; (ii) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (i) above; (iii) disclosing, using, or allowing another person use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (iv) abetting a person, or tempting another person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed

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to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and impose fine on the infringing parties.

The Company Law and Regulations

The Company Law, which was amended by the SCNPC on December 29, 2023 and became effective on July 1, 2024, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC.

Regulations in Relation to Foreign Direct Investment

Since January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”) promulgated by the National People’s Congress of the PRC (the “NPC of the PRC”) has come into effect. The Law of the PRC on Sino-Foreign Equity Joint Ventures and the Law of the PRC on Wholly Foreign-Owned and Law of the PRC on Sino-Foreign Cooperative Joint Ventures were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. While the organization form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law and other laws. The PRC government implements the management system of pre-entry national treatment and the Negative List for foreign investment, abolishing the original approval and filing administration system for the establishment and change of foreign-invested enterprises. Pre-entry national treatment refers to the treatment accorded to foreign investors and their investments at the stage of investment entry which is no less favorable than the treatment accorded to domestic investors and their investments. Negative List refers to a special administrative measure for the entry of foreign investment in specific sectors as imposed by the PRC. The PRC accords national treatment to foreign investment outside of the Negative List. The current Negative List is the Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision) (《外商投資准入特別管理措施(負面清單)(2024年版)》) issued by the NDRC and the MOFCOM on September 6, 2024 and came into effect on November 1, 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements. While strengthening investment promotion and protection, the Foreign Investment Law further regulates foreign investment management and proposes the establishment of a foreign investment information reporting system that replaces the original foreign investment enterprise approval and filing system of the MOFCOM.

The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (《外商投資信息報告辦法》) jointly developed by the MOFCOM and the SAMR, which came into effect on January 1, 2020. According to the Foreign Investment Information Reporting Method, the MOFCOM is responsible for coordinating and guiding the reporting of foreign investment information nationwide. The

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competent commercial department of the local people's government at or above the county level, as well as the relevant agencies of the Pilot Free Trade Zone and the National Economic and Technological Development Zone, are responsible for reporting information on foreign investment in the region. Foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancellation reports, and annual reports. Foreign investors who establish foreign invested enterprises in China or acquire domestic non-foreign-invested enterprises through equity merger and acquisition shall submit initial reports through the enterprise registration system when applying for the registration of the establishment of foreign-invested enterprises or applying for the registration of the change of the acquired enterprises. If the change in the information of initial reports involves registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system when applying for the registration or filing of change of enterprises. If the change in the information of initial reports does not involve registration or filing of the change of enterprises, foreign-invested enterprises shall submit change reports through the enterprise registration system within twenty (20) business days after the change. Foreign-invested listed companies may report information on changes in investors and their shareholdings only when the cumulative change in the foreign investors' shareholding ratio exceeds 5% or the foreign parties' shareholding or relative holding status has changed.

Regulations on The Security Review of Foreign Investment

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, the scopes of review and procedures to review, among others.

Regulations in Relation to Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018 (the "Product Quality Law"), is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such

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defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC of the PRC on May 28, 2020 and came into effect on January 1, 2021, where a patient suffers damage due to defects in drugs, he may seek compensation from the drug marketing authorization holder, producer or also from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution, after it has made the compensation, shall have the right to recover the compensation from the liable drug marketing authorization holder or producer.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and latest amended on October 25, 2013 and came into effect on March 15, 2014 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. All business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

Regulations in Relation to Production Safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》), promulgated by the SCNPC on June 29, 2002 and latest amended on June 10, 2021 and came into effect on September 1, 2021, is the basic law for governing production safety. It provides that, any entity whose production safety conditions do not meet the requirements may not engage in production and business operation activities. The production and business operation entities shall educate and train employees regarding production safety so as to ensure that the employees have the necessary knowledge of production safety, are familiar with the relevant regulations and rules for safe production and the rules for safe operation, master the skills of safe operation in their own positions, understand the emergency measures, and know their own rights and duties in terms of production safety. Employees who fail the education and training programs on production safety may not commence working in their positions. Safety facilities of new building, rebuilding or expanding project (the "construction project") shall be designed, constructed and put into operation simultaneously with the main body of the project. Investment in safety facilities shall be included in the budget of the construction project.

Regulations in Relation to Environmental Protection and Fire Safety

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and latest amended on April 24, 2014 and came into effect on January 1, 2015, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018, and the Administrative Regulations on the

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Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998 and latest amended on July 16, 2017 and came into effect on October 1, 2017, enterprises which plan to construct projects shall engage qualified professionals to provide the assessment reports, assessment form, or registration form on the environmental impact of such projects. The assessment reports, assessment form, or registration form shall be filed with or approved by the relevant environmental protection bureau prior to the commencement of any construction work.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and last amended on December 1, 2022 and took effect on February 1, 2023. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the State. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

According to the Administrative Measures on Pollutant Discharge Permit issued by the Ministry of Ecology and Environment on April 1, 2024 and came into effect on July 1, 2024, enterprises, public institutions and other producers and operators that are subject to the administration of pollutant discharge permits shall apply for pollutant discharge permit and discharge pollutants in accordance with the requirements of the pollutant discharge permit; and those who have not obtained the pollutant discharge permits shall not discharge pollutants. According to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the manufacturing of biological drugs and products falls into the classification management scope for fixed source pollution permits.

According to the Fire Safety Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC in April 1998, last amended and effective on April 29, 2021, and the Interim Provisions on Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the “Interim Provisions”) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, and last amended on August 21, 2023, the fire protection design or construction of a construction project must conform to the national fire protection technical standards for project construction and construction projects shall undergo the fire protection design review and acceptance system. The special construction projects as defined in the Interim Provisions must apply to the fire control department for fire protection design review, and complete the fire protection acceptance procedures after the completion of the construction project. The

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construction unit of other construction projects must complete the fire protection filing of the fire protection design and the completion acceptance within five (5) business days after the completion acceptance of the construction project. If a construction project fails to pass the fire safety inspection before it is put into use, or does not meet the fire safety requirements after the inspection, it will be ordered to suspend the construction and use of such project, or suspend production and business, and be imposed a fine.

Regulations in Relation to Prevention and Control of Occupational Diseases

The Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on October 27, 2001 and latest amended on December 29, 2018 (the “Prevention and Control of Occupational Diseases Law”), is the basic law for the prevention and control of occupational diseases. According to the Prevention and Control of Occupational Diseases Law, budget for facilities for the prevention and control of occupational diseases of a construction project shall be included in the budget of the project and those facilities shall be designed, constructed and put into operation simultaneously with the main body of the project. The entity that takes charge of the project should carry out the assessment of the effectiveness of measures for the prevention and control of occupational diseases before the final acceptance of the construction project. In addition, employers shall take required administrative measures to prevent and control occupational diseases in work.

Regulations in Relation to Employment and Social Securities

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012 and came into effect on July 1, 2013, employers shall execute written labor contracts with full-time employees. All employers shall comply with local minimum wage standards. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, working location, occupational hazards, and status of safe production as well as remuneration and other conditions.

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and amended on 29 December 2018, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance premium within a

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prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated on 20 July 2018, commencing from 1 January 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance shall be collected by the tax authorities. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated by the General Office of the State Administration of Taxation on 13 September 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on 21 September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), promulgated by the State Taxation Administration on 16 November 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises from the previous years. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated on 1 April 2019, requires steady advancement of the reform of the system of social security collection. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily according to the existing collection system to stabilize the payment method. It also emphasizes that the historical unpaid arrears of the enterprise shall be properly treated. In the process of reformation of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and latest amended on 24 March 2019, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds, the housing provident fund administration center may order it to make payment within a prescribed time limit. If the employer still fails to do so, the housing provident fund administration center may apply to the court for compulsory enforcement of the unpaid amount.

Regulations in Relation to Information Security and Data Privacy

Data Security and Export

The NPCSC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), on June 10, 2021 (effective from September 1, 2021), for the establishment of a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with laws and regulations, establish a sound full-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

According to the Measures for Security Assessment of Data Export (《數據出境安全評估辦法》) issued by the Cyberspace Administration of China on July 7, 2022 and came into effect on September 1, 2022, a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through local provincial cyberspace administration: (i) a data processor provides important data abroad; (ii) the critical information infrastructure operator or the data processor that has processed the personal information of more than 1 million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

According to the Measures for Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》) issued by the Cyberspace Administration of China on February 22, 2023 and effective from June 1, 2023, to provide personal information to an overseas recipient through the conclusion of the standard contract, a personal information processor shall meet all of the following circumstances: (i) it is not a critical information infrastructure operator; (ii) it has processed the personal information of less than one million individuals; (iii) it has cumulatively provided the personal information of fewer than 100,000 individuals to overseas recipients since January 1 of the previous year; and (iv) it has cumulatively provided the sensitive personal information of fewer than 10,000 individuals since January 1 of the previous year.

According to the Provisions on Facilitating and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), a data handler that is not a critical information infrastructure operator, will be exempted from declaring for security assessment for outbound data transfer, signing a standard contract with overseas recipient or passing the personal protection certification, if such data handler accumulatively transfers overseas ordinary personal information of less than 100,000 individuals since the January 1 of the current year.

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Personal Information Protection

According to the Civil Code (《民法典》), personal information of natural persons is protected by law. If any organization or individual needs to obtain other people's personal information, they should obtain it in accordance with the law and ensure the security of the information. They must not illegally collect, use, process, or transmit other people's personal information, and must not illegally buy, sell, provide, or disclose the information. The Personal Information Protection Law of the People's Republic of China promulgated by the NPCSC on August 20, 2021 and implemented on November 1, 2021, further emphasizes the obligations and responsibilities of processors for the protection of personal information, and requests higher level of protective measures on the processing of sensitive personal information.

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) promulgated by the NPCSC on November 7, 2016 and effective on June 1, 2017, network operators must follow the principles of legality, legitimacy and necessity when collecting and using personal information, and publicly disclose the rules for collection and use, clearly state the purpose, method and scope of collecting and using information, and obtain the consent of the person whose data is being collected. Network operators shall not collect personal information unrelated to the services they provide. Network operators are not allowed to leak, tamper with, or damage the personal information they collect; they are not allowed to provide personal information to others without the consent of the person whose data is being collected. However, this does not apply to cases where a specific individual cannot be identified and the identity cannot be recovered after processing. Network operators should take technical measures and other necessary measures to ensure the security of the personal information they collect and prevent leakage, damage and loss of information.

Laws and Regulations in Relation to Anti-money Laundering, Anti-corruption and Anti-bribery

Laws and Regulations in Relation to Anti-money Laundering

According to the Anti-money Laundering Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on November 8, 2024 and effective from January 1, 2025, financial institutions shall, according to the provisions of the present law, establish a sound internal control system for anti-money laundering, set up a special body or designate an internal body to take the lead to take charge of the anti-money laundering work. The entities and individuals in business relationship with a financial institution shall cooperate with the financial institution in conducting customer due diligence by providing authentic and valid identity documents or other identity certificates, filling in identity information accurately and completely, and faithfully providing materials relating to transactions and funds. Where an entity or individual refuses to cooperate with the financial institution in taking reasonable measures for customer due diligence according to the present law, the financial institution may take money laundering risk management measures, such as limiting or refusing to handle business and terminating business relationship under the prescribed procedures, and submit a report on doubtful transactions in the light of the situation.

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Laws and Regulations in Relation to Anti-corruption

According to the Criminal Law of the People's Republic of China, as last amended by the Standing Committee of the National People's Congress on December 29, 2023, the crime of job appropriation means that an employee of any company, enterprise or any other organization unlawfully takes possession of the money or property of the organization by taking advantage of office, if the amount is relatively large, he shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall be fined concurrently; if the amount is huge, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than 10 years and shall be fined concurrently; or if the amount is extremely huge, he shall be sentenced to fixed-term imprisonment of not less than 10 years or life imprisonment and shall be fined concurrently.

Laws and Regulations in Relation to Anti-bribery

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the SAIC on November 15, 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was promulgated by the National Health and Family Planning Commission (currently the NHC) and came into effect on March 1, 2014, any medicine production and operation enterprises or agents that are involved in criminal, investigational or administrative procedures for commercial bribery will be listed in the adverse records of commercial briberies by the relevant government authorities, as a result of which, for two years from the date the list of adverse records of commercial briberies is published, (i) their products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within the relevant provinces, and (ii) the scores of their products in the centralized tender processes of public medical institutions or medical and health institutions receiving financial subsidies in other provinces will be reduced. As for those enterprises or agents listed in adverse records twice within five years, their products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years from the date the list of adverse records of commercial briberies is published.

REGULATORY OVERVIEW

In May 2023, 14 government authorities, including the NHC, jointly issued the Key Points for the Correction of Malpractice in the Purchases and Sales of Medical Products and Medical Services in 2023 (《2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點》). This guideline emphasized the need to address prominent corruption issues in the pharmaceutical industry, particularly by rectifying unethical practices involving industrial organizations or associations at all levels, including covertly imposing fees under the guise of donations, academic activities, or hosting or attending conferences, as well as accepting donations or financial support in violation of regulations. It also focused on unethical practices in pharmaceutical sales, such as actions by pharmaceutical manufacturers, distributors, and medical representatives engaging in sales with kickbacks under various forms or pretexts.

In May 2024, 14 government authorities, including the NHC, jointly issued the Key Points for Rectifying Unethical Practices in the Purchases and Sales of Medical Products and Medical Services in 2024 (《2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點》). This guideline emphasized improving the market-driven mechanism for pharmaceutical pricing, strengthening supervision and enforcement of pharmaceutical pricing practices, and conducting special audits of public hospitals and the production, distribution, and use of pharmaceuticals and medical devices. It targeted illegal practices such as falsified invoices, fake transactions, and fabricated activities used to misappropriate funds for unlawful purposes, and called for strict investigations into violations involving bundled sales or sales with kickbacks under the guise of meetings, donations, research collaborations, clinical trials, or promotional activities. Furthermore, it highlighted the importance of strengthening compliance guidelines for pharmaceutical manufacturers and distributors to prevent commercial bribery, urging them to fulfill their responsibilities for compliant operations. Additionally, it advised industry organizations to take their role in promoting industry development seriously and enhance internal management, emphasizing the need to improve entry standards and behavioral guidance, continuously refine the management of medical representatives, and build a systematic regulatory framework to prevent commercial bribery in the purchase and sale of medical devices.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the *Regulation on the Implementation of the EIT Law*, which was promulgated by the State Council and was latest amended in January 2025, a uniform 25% enterprise income tax rate is imposed on both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. Key high-tech enterprises that are supported by the PRC's government may enjoy a reduced tax rate of 15% for enterprise income tax.

REGULATORY OVERVIEW

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the VAT.

According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the VAT rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on and effective from November 19, 2017, the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6%, unless otherwise stipulated under this regulation.

According to the Notice on the Application of Low Value Added Tax Rates and Simplified Methods for Collecting Value Added Tax on Some Goods (《關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on 19 January 2009, and was revised on 25 May 2012 and 13 June 2014 respectively, VAT general taxpayers who sell self-produced biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues may choose to compute and pay VAT at a rate of 3% under the simplified method.

According to the Notice on VAT Policies for Anti-cancer Drugs (《關於抗癌藥品增值稅政策的通知》) promulgated on April 27, 2018 by the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the NMPA, VAT general taxpayers engaging in manufacturing and sale, wholesale and retail of anti-cancer drugs may opt to compute and pay VAT at the tax rate of 3% under the simplified method.

REGULATIONS ON FOREIGN EXCHANGE

Foreign Exchange Regulation

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, multiple capital accounts for the same entity may be opened in different provinces as well. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019, prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

REGULATORY OVERVIEW

According to the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019 and March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day and partially amended on December 4, 2023 and effective since then. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020), and partially amended on December 4, 2023 and effective since then. The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing

REGULATORY OVERVIEW

revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies

According to the Overseas Listing Trial Measures issued by the CSRC on February 17, 2023 and effective from March 31, 2023, where a domestic company seeks overseas securities issuance and listing, the issuer shall file with the CSRC in accordance with the Overseas Listing Trial Measures. If an issuer procures an overseas initial public offering or listing, it shall file with the CSRC within three (3) business days after submitting application documents for overseas securities issuance and listing.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the applicable laws and regulations of the People's Republic of China and satisfy the requirements of these Provisions, enhance the legal awareness of safeguarding state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state or the public. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, any documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing. A domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and

REGULATORY OVERVIEW

individuals, other documents and materials whose divulgence will have adverse impact on national security or public interest, shall strictly undergo the relevant procedures in accordance with the relevant regulations of the state.

FACILITATED REGULATORY PATHWAYS

Facilitated regulatory pathways discussed in this prospectus have different eligibility criteria:

NMPA Breakthrough Therapy Designation

During drug clinical trials, for innovative drugs or improved new drugs intended for preventing or treating diseases that seriously endanger life or severely affect quality of life, and for which there are no effective prophylactic or therapeutic methods, or that can demonstrate a clear clinical advantage over existing therapeutic methods, applicants may apply for the breakthrough therapy program at Phase I or II of clinical trials (usually no later than before Phase III begins).

During the clinical trial for a drug, an application for the breakthrough therapy program must simultaneously meet the following conditions: (1) the drug is intended for preventing or treating a disease that seriously endangers life or severely affects quality of life; and (2) if there is no existing effective method of prevention or treatment, the drug can provide an effective therapeutic option; or if compared with existing treatment methods, the drug offers a clear clinical advantage. That is, when used alone or in combination with one or more other drugs, it demonstrates a significant improvement in one or more clinically meaningful endpoints.

For example, our camrelizumab in combination with famitinib has received two breakthrough therapy designations from the NMPA, one as a first-line treatment for PD-L1 positive non-small cell lung cancer and the other as a second-line treatment for cervical cancer. These designations were obtained in accordance with the breakthrough therapy approval procedures set out in the Measures for the Administration of Drug Registration, because our therapy demonstrated clear clinical advantages compared to existing treatments. Similarly, our SHR-A1921 has received a breakthrough therapy designation from the NMPA for the treatment of platinum-resistant ovarian cancer in accordance with the Measures for the Administration of Drug Registration, due to its clear clinical advantages compared to existing treatments.

NMPA Priority Review

When applying for drug marketing authorization, the following drugs with significant clinical value may apply for priority review and approval procedures: (1) innovative or modified new drugs that are in clinical urgent need due to shortages, or that are intended to prevent or treat major infectious diseases, rare diseases, or similar conditions; (2) new pediatric drug varieties, dosage forms, and specifications that conform to children's physiological characteristics; (3) vaccines and innovative vaccines urgently needed for disease prevention or

REGULATORY OVERVIEW

control; (4) drugs that have been included in the breakthrough therapy program; (5) drugs that qualify for conditional approval; and (6) other circumstances eligible for priority review and approval as stipulated by the NMPA.

For example, the NMPA granted priority review to camrelizumab as a second-line and later treatment for advanced nasopharyngeal carcinoma, primarily because its single-arm clinical trial data qualified for conditional approval under the priority review procedures set out in the Measures for the Administration of Drug Registration.

U.S. FDA Fast Track Designation

Any drug being developed to treat or prevent a condition with no current therapy obviously is directed at an unmet need. If there are available therapies, a fast-track drug must show some advantage over available therapy, such as: (1) showing superior effectiveness, effect on serious outcomes or improved effect on serious outcomes; (2) avoiding serious side effects of an available therapy; (3) improving the diagnosis of a serious condition where early diagnosis results in an improved outcome; (4) decreasing a clinically significant toxicity of an available therapy that is common and causes discontinuation of treatment; or (5) ability to address emerging or anticipated public health need.

U.S. FDA Orphan Drug Designation

Eligibility can be based on either of the following criteria: (1) drugs (including biologics) for the prevention, diagnosis, or treatment of diseases or conditions affecting fewer than 200,000 persons in the U.S.; or (2) drugs that will not be profitable within seven years following approval by the U.S. FDA.

EMA Orphan Drug Designation

EMA is responsible for reviewing applications from sponsors for orphan designation. To qualify for orphan designation, a medicine must meet a number of criteria: (1) it must be intended for the treatment, prevention or diagnosis of a disease that is life-threatening or chronically debilitating; (2) the prevalence of the condition in the EU must not be more than five in 10,000 or it must be unlikely that marketing of the medicine would generate sufficient returns to justify the investment needed for its development; and (3) no satisfactory method of diagnosis, prevention or treatment of the condition concerned can be authorized, or, if such a method exists, the medicine must be of significant benefit to those affected by the condition.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to the early 1970s, when Lianyungang Pharmaceutical Factory (連雲港製藥廠), the predecessor of our Company, was established to primarily produce active pharmaceutical ingredients. Our Company was established as a joint stock limited company in April 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) in October 2000.

Building on our decades of operations, we have become a leading innovative global pharmaceutical company rooted in China. We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. As a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

Our innovations are continuously fueled by our advanced technology platforms, with support from our 14 R&D centers strategically located around the world. In recent years, through overseas clinical trials, product commercialization in overseas markets and out-licensing transactions, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms, which has substantially enhanced our global presence and industry recognition.

OUR KEY MILESTONES

The following table sets out a summary of the key milestones in our corporate and business development:

Year	Event
Early 1970s	Lianyungang Pharmaceutical Factory (連雲港製藥廠), the predecessor of our Company, was officially established.
1987	Our successful development of the first oncology drug, etoposide, signified a breakthrough in the field of oncology drugs.
2000	Shanghai Hengrui R&D Center was established. Our Company was listed on the Shanghai Stock Exchange (stock code: 600276) in October 2000.
2005	Hengrui New Jersey R&D Center was established in the U.S.

HISTORY AND CORPORATE STRUCTURE

Year	Event
2011	Our first innovative drug, imrecoxib, was approved for marketing. Our oncology drug, irinotecan, was approved for marketing in the U.S., making our Company the first Chinese pharmaceutical company to have an injectable approved for marketing in the U.S.
2017	Our oncology drug, docetaxel, was approved for marketing in the U.S. and designated as a reference standard by the U.S. FDA.
2018	We entered into a collaboration and license agreement with each of Arcutis Biotherapeutics and TG Therapeutics, marking our first successful overseas licensing of our innovative drugs.
2019	Our innovative drug, camrelizumab, was approved for marketing. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019.
2023	We entered into a strategic collaboration and license agreement with a fully owned subsidiary of Merck KGaA, Darmstadt, Germany.
2024	We entered into a collaboration and license agreement with each of Kailera Therapeutics and IDEAYA Biosciences.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of our Company and Listing on the Shanghai Stock Exchange

In April 1997, our Company was established in the PRC as a joint stock limited company with an initial registered share capital of RMB61.9 million. The registered capital was contributed by five promoters, including Lianyungang Hengrui Group Co., Ltd. (連雲港恒瑞集團有限公司) (“Lianyungang Hengrui”), our Company’s largest shareholder at the time.

In October 2000, we completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange (stock code: 600276), pursuant to which we issued an aggregate of 40 million A Shares, accounting for approximately 30.1% of our Company’s share capital immediately following the A Share listing. Following the A Share listing, Lianyungang Hengrui remained as our Company’s largest shareholder.

HISTORY AND CORPORATE STRUCTURE

Equity Transfer to Hengrui Group

On March 22, 2003, Lianyungang Hengrui entered into equity transfer agreements with several transferees including Hengrui Group. Upon completion of the transfers pursuant to the aforementioned agreements in October 2003, among others, Lianyungang Hengrui transferred 69,252,048 A Shares to Hengrui Group, representing approximately 27.2% of our Company's then share capital. Since then, Hengrui Group has remained as our Company's largest shareholder. Further, Mr. Sun Piaoyang, currently the chairman of the Board and an executive Director of our Company, became the largest shareholder of Hengrui Group in June 2006 and has remained as such since then.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR MAJOR SUBSIDIARIES

Details of the major subsidiaries of our Company which, among other things, made a material contribution to our results of operations during the Track Record Period, are set out below.

<u>Name of company</u>	<u>Date and place of establishment</u>	<u>Equity interest attributable to our Group</u>	<u>Principal business activities</u>
Jiangsu Kexin Pharmaceutical Sales Co., Ltd. (江蘇科信醫藥銷售有限公司)	September 13, 2004 PRC	100%	Sale of pharmaceutical products
Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司)	December 4, 2001 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司)	April 28, 2014 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司).	September 1, 2015 PRC	100%	R&D, manufacturing and sale of pharmaceutical products
Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司)	March 23, 2011 PRC	95.9%	R&D, manufacturing and sale of pharmaceutical products

HISTORY AND CORPORATE STRUCTURE

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE LISTING ON THE HONG KONG STOCK EXCHANGE

Since 2000, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respect and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors' attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the public searches on the websites of Shanghai Stock Exchange and CSRC and its Jiangsu Office, there are no records of material non-compliance of the Company and its subsidiaries with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations. Therefore, nothing has come to the PRC Legal Advisor's attention that, as of the Latest Practicable Date, the Company and its subsidiaries had any instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations in any material respect. Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance record of our Company on the Shanghai Stock Exchange.

Our Company seeks to be listed on the Hong Kong Stock Exchange in order to provide additional capital for advancing our R&D initiatives, funding the construction, expansion or upgrade of new and existing production and R&D facilities, and general corporate purposes. See “Business—Our Strategies” and “Future Plans and Use of Proceeds” in this prospectus for more details.

PUBLIC FLOAT

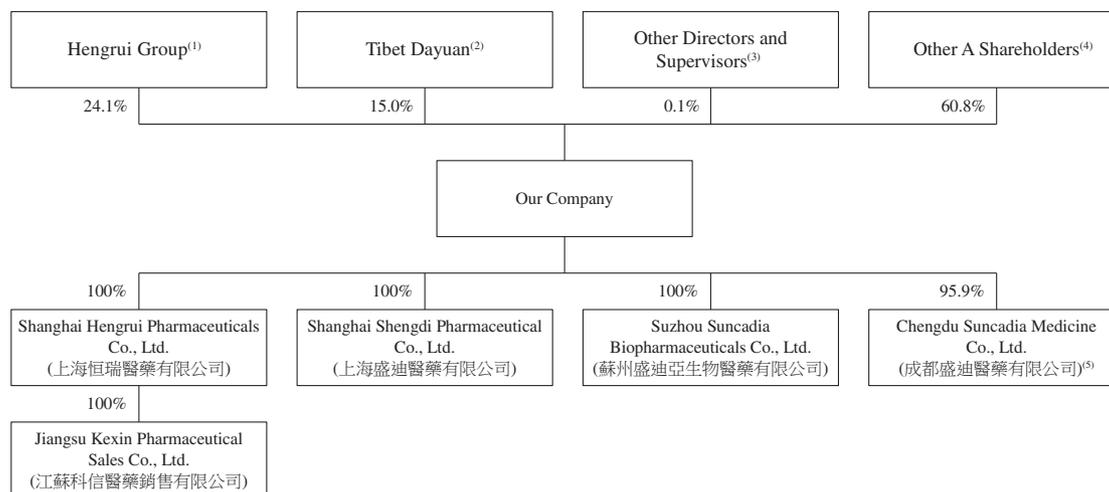
Pursuant to Rules 8.08(1)(b) and 19A.13A of the Listing Rules, as our Company has Shares apart from the H Shares for which listing is sought, the total securities of our Company held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of Listing must be at least 25% of our Company's total number of issued shares (excluding treasury shares), and the H Shares for which listing is sought must represent at least 15% of our Company's total number of issued shares (excluding treasury shares).

The Shares held by Hengrui Group, Tibet Dayuan Enterprise Management Co., Ltd. (西藏達遠企業管理有限公司) (“Tibet Dayuan”) and certain Directors and Supervisors of our Company will not be counted towards the Shares of our Company held by the public. It is expected upon Listing, at least 25% of the Company's total number of issued shares (A Shares and H Shares in aggregate) will be held by the public. Further, the total number of H Shares of our Company upon Listing is expected to represent approximately 3.4% of the total number of issued Shares of our Company. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver that the minimum percentage of the Company's H Shares at the time of Listing be reduced. For details, please refer to the subsection headed “Waivers from Strict Compliance with the Listing Rules—Public Float Requirements” in this prospectus.

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure as of the Latest Practicable Date:

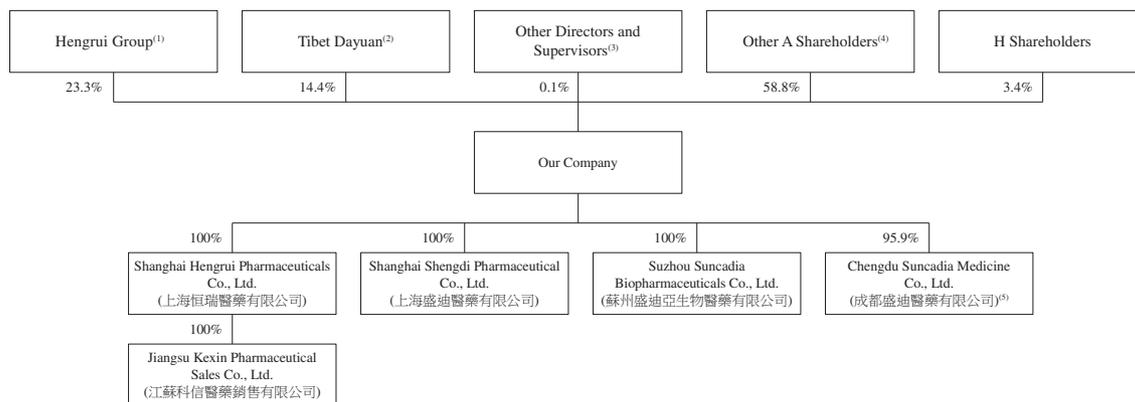


Notes:

- As of the Latest Practicable Date, (i) Hengrui Group was held as to approximately 89.2% by Mr. Sun Piaoyang (孫飄揚先生), the chairman of the Board and an executive Director of our Company, and approximately 10.8% by Wuxi Hongda Investment Co., Ltd. (無錫宏大投資有限公司) (“Wuxi Hongda”); (ii) Wuxi Hongda was held as to approximately 25.4% by Mr. Sun and 74.6% by Wuxi Hairun Pharmaceutical Technology Co., Ltd. (無錫海潤醫藥科技有限公司) (“Wuxi Hairun”); and (iii) Wuxi Hairun was held as to 10% by Mr. Sun and 90% by an entity wholly-owned by Mr. Sun’s spouse.
- As of the Latest Practicable Date, (i) Tibet Dayuan was directly held as to approximately 79% by Shanghai Qianying Enterprise Management Partnership (Limited Partnership) (上海芊盈企業管理合夥企業(有限合夥)) (“Shanghai Qianying”), approximately 17% by Mr. Cen Junda (岑均達先生) (“Mr. Cen”) and approximately 4% by Shenzhen Yingtai Asset Management Co., Ltd. (深圳市迎泰資產管理有限公司) (“Shenzhen Yingtai”); (ii) the general partner of Shanghai Qianying was Shenzhen Yingtai, which was wholly-owned by Mr. Cen; and (iii) the sole limited partner of Shanghai Qianying was Shanghai Yaoye Technology Co., Ltd. (上海曜業科技有限公司) (“Shanghai Yaoye”), which was ultimately wholly-owned by Mr. Cen. Mr. Cen is a financial investor of our Company and our connected person only by virtue of being a substantial shareholder of our Company.
- As of the Latest Practicable Date, Mr. Dai Hongbin (戴洪斌先生) (one of our executive Directors), Mr. Zhang Lianshan (張連山先生) (one of our executive Directors), Mr. Sun Jieping (孫杰平先生) (one of our executive Directors) and Mr. Yuan Kaihong (袁開紅先生) (one of our Supervisors) each respectively held approximately 0.03%, 0.01%, 0.03% and 0.02% of the equity interest in our Company.
- To the best knowledge of our Directors, as of the Latest Practicable Date, these other holders of A Shares are Independent Third Parties.
- The remaining equity interest in Chengdu Suncadia Medicine Co., Ltd. is held by individuals, including Mr. Sun Piaoyang, Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Sun Jieping, Mr. Yuan Kaihong and Ms. Jiang Sumei (蔣素梅女士) (a connected person of our Company at the subsidiary level) as to approximately 1.2%, 0.1%, 0.1%, 0.1% and 0.2% as of the Latest Practicable Date, respectively. The rest of the individual shareholders are Independent Third Parties and each held less than 0.7% equity interest in Chengdu Suncadia Medicine Co., Ltd. as of the Latest Practicable Date.
- The shareholding structure is exclusive of 4,030,310 A Shares repurchased and held in our Company’s stock repurchase account as treasury shares as of the Latest Practicable Date. For details, please refer to the section headed “Share Capital” and sub-section headed “Statutory and General Information—A. Further Information About Our Group—2. Changes in our share capital” in Appendix VI to this prospectus.

HISTORY AND CORPORATE STRUCTURE

The following chart depicts our simplified corporate and shareholding structure immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and no changes are made to the number of repurchased A Shares held in our Company's stock repurchase account between the Latest Practicable Date and Listing):



Notes (1) to (6): Please refer to the details on the preceding page.

OVERVIEW

We are a leading innovative global pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of “Top 25 Global Pharma Companies by Pipeline Size” published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

These achievements have been enabled by Hengrui’s ecosystem, comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities. Through decades of efforts, we have substantially transformed into a leading global pharmaceutical company focused on innovative therapies to address immense unmet medical needs worldwide. Our persistent R&D investments and dedicated innovation, especially since our IPO of A Shares in 2000, have contributed to the establishment of a large portfolio of differentiated innovative drugs, including several potential blockbusters. Our commitment to innovation is evidenced by our capital allocation, with our R&D investments (comprising R&D expenses and capitalized R&D expenditures) as a percentage of our total revenue being 29.4% in 2024.

Focus on Immense Unmet Medical Needs

We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience. According to Frost & Sullivan, the aggregate global pharmaceutical market of these major therapeutic areas in 2023 was US\$845.8 billion, accounting for 57.4% of the overall global pharmaceutical market for the same year; and it is expected to grow at a CAGR of 6.4% from 2023 to 2028, surpassing the CAGR of 5.7% for the overall global pharmaceutical market growth during the same period.

Differentiated Innovative Product Matrix

We have developed an industry-leading and highly differentiated matrix of innovative products, including several potential blockbusters. Our oncology portfolio has strategically expanded from solid tumors to hematological malignancies and provides a comprehensive coverage of neoadjuvant, adjuvant and later lines of treatment. We also provide therapeutics for prevention and treatment of major chronic diseases. As of the Latest Practicable Date, we had a portfolio of 19 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum in the rollout of innovative products. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

Leading R&D Capabilities

Multi-pronged Approach and Advanced Technology Platforms. We strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, RLTs, and oligonucleotide. This multi-pronged approach supported by our advanced technology platforms allows us to significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of our technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D.

We make modular evolutions to our platforms and capitalize on platform synergies to rapidly iterate and optimize our conjugates as potential drug candidates. For example, through our ADC platform, we have successfully extended our research to construct a new series of “AXC” drugs, where X can be a peptide, oligonucleotide, or small molecule protein degrader. We have also pioneered the development of DACs and AOCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

End-to-end Clinical Development. We have built strong end-to-end clinical development capabilities to ensure the superior efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies. From 2018 to the Latest Practicable Date, we had obtained 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines while ensuring the robust quality of our clinical trials.

In addition to our superior efficiency, under the “patient first” guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients’ well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in over 90 GCP inspections conducted by the NMPA and the U.S. FDA.

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Talent and Culture of Innovation. To maintain our competitive strengths in the areas described above, we have made significant investments in and place great emphasis on first-tier talent and a culture of innovation. Our all-round, top-notch R&D team is at the core of our superior R&D and CMC capabilities. Nearly 60% of our over 5,500 R&D team members as of December 31, 2024 hold a master's or higher degree. Many of them have years of experience at leading multinational pharmaceutical companies and renowned research institutes. Moreover, over 30% of our mid-level or above management members as of December 31, 2024 have overseas education or work experience. We benefit from their cross-disciplinary expertise that spans a variety of fields, such as chemistry, biology, pharmacology, toxicology, pharmacovigilance, and translational and clinical research. Leveraging our great talent and culture, we are able to efficiently and swiftly develop highly differentiated innovative pharmaceutical products.

Global-standard Manufacturing System

Leveraging our over 50 years of manufacturing experience, we have established a global-standard manufacturing system to ensure quality excellence, supply stability, and cost efficiency. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry. At the same time, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced.

Robust Commercialization Capabilities

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive and tiered channel coverage enabled by our robust sales force. Our highly specialized sales force has been carefully curated into complementary functions to effectively market and promote our products. As of December 31, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 employees, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. As of the same date, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. In addition, we focus on academic promotion to enhance the market awareness of our brand and innovation, including collaborating with clinical investigators and key opinion leaders, publishing our R&D results in high-impact journals and presenting at renowned medical conferences.

Accelerated Global Expansion

In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In addition, since 2018, we have carried out 14 out-licensing transactions with global partners, involving 17 molecular entities. The aggregate deal value of these transactions was approximately US\$14 billion, with total upfront payments of approximately US\$600 million, in addition to equity interest in certain collaboration partners. Among these transactions, our transaction with Kailera Therapeutics, with a total deal value of approximately US\$6 billion, was a landmark partnering transaction in China's pharmaceutical industry. In addition, these transactions included our out-licensing to a fully owned subsidiary of Merck KGaA, Darmstadt, Germany ("MRKDG"), IDEAYA Biosciences, and Aiolos Bio (later acquired by GSK).

Solid Financial Performance

Through continuous innovation, we have achieved solid financial performance. Specifically, our total revenue was RMB28.0 billion in 2024, representing an approximately 14% CAGR from 2014, compared to an approximately 4% CAGR for the global pharmaceutical market during the same period. Moreover, innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024. Our revenue from sales of generic drugs as a percentage of our total revenue decreased from 60.3% in 2022 to 53.4% in 2023 and further to 42.0% in 2024. In addition, our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.6% in 2024. Over these same respective years, we generated operating cash inflows of RMB1,265.3 million, RMB7,643.7 million, and RMB7,422.8 million.

We are also committed to good corporate governance, social responsibility, and the environmental sustainability of our business. Our achievements in this respect are highlighted by an ESG rating of "A" that we have received from MSCI for two consecutive years since 2023.

OUR STRENGTHS**Leading innovative global pharmaceutical company rooted in China**

We are a leading innovative global pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation

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of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan.

We have developed an industry-leading, highly differentiated matrix of innovative products, including several potential blockbusters. As of the Latest Practicable Date, we had a portfolio of 19 commercialized NME drugs and a pipeline of over 90 NME drug candidates in clinical or later stages of development. We expect to maintain strong growth momentum of innovative product rollouts. For example, in 2022, 2023, and 2024, in China, we obtained the approval for first-in-human clinical studies of 19, 23, and 26 of our innovative drug candidates, respectively. Additionally, we submitted eight new drug applications (“NDAs”)/biologics license applications (“BLAs”) for our innovative drugs in 2024. To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications.

At the same time, to solidify our leadership in innovation, we have invested heavily in R&D. In 2022, 2023, and 2024, our R&D investments were RMB6,345.6 million, RMB6,150.0 million, and RMB8,227.8 million, respectively, representing 29.8%, 27.0%, and 29.4% of our total revenue in these same respective periods. Even given these significant R&D investments, we consistently maintained an attractive net profit margin and generated significant operating cash inflows during the Track Record Period. Our healthy profitability and strong cashflows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle.

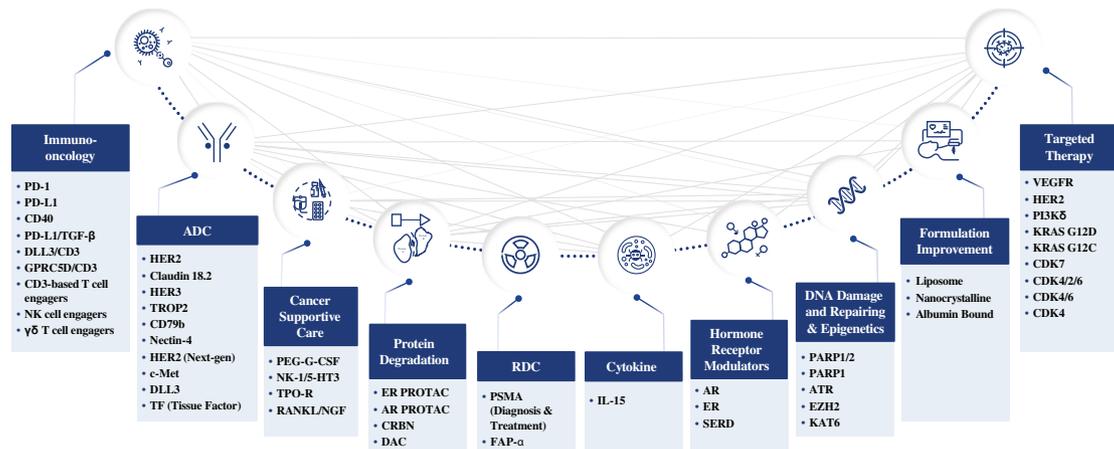
In recent years, we have been accelerating our global expansion to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. In 2024, we obtained three fast track designations and three abbreviated new drug applications (“ANDAs”) from the U.S. FDA for our products. In addition, since 2018, we have carried out 14 out-licensing transactions with global partners, involving 17 molecular entities. The aggregate deal value of these transactions amounted to approximately US\$14 billion, with total upfront payments of approximately US\$600 million, in addition to equity interest in certain collaboration partners. These achievements substantially enhanced our global presence and industry recognition.

Differentiated innovative product matrix targeting comprehensive therapeutic areas with significant unmet medical needs and growth potential

Leveraging our advanced technology platforms, we have developed a highly differentiated matrix of innovative products, including several potential blockbusters. We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential.

Oncology. In 2023, globally, there were approximately 20.8 million new cancer cases and 10.0 million cancer deaths, according to Frost & Sullivan. These unmet medical needs for oncology require the revolution of cancer treatment.

As illustrated in the diagram below, we have established a comprehensive toolkit that enables us to develop high-quality oncology drugs in diverse modalities, covering essential cancer types around the globe.



Source: Company data

The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients’ progression-free survival and overall survival, over the current standard of care. Our continued progress in novel cancer therapies and innovation efforts are best exemplified by the following product clusters.

Immuno-oncology Drugs

Immunotherapy is a proven method used for the treatment of cancer by regulating anti-tumor immune responses. However, tumor cells escape immune detection by developing immunological tolerance through many pathways, including the upregulation of immunological checkpoint molecules such as PD-1 and PD-L1. As part of our cancer immunotherapies, we have commercialized camrelizumab (a novel anti-PD-1 antibody) and adebrelimab (a novel anti-PD-L1 antibody).

Additionally, we have developed a series of next-generation immuno-checkpoint modulator candidates, such as retlirafusp alfa (SHR-1701) (a PD-L1/TGF- β bifunctional fusion protein with first-in-class potential) and our anti-DLL3/CD3 bispecific antibody.

Currently, we are also expanding our research into CD3-based T cell engagers, $\gamma\delta$ T cell engagers, and NK cell engagers.

ADC Drugs

ADC is an innovative biologics drug modality consisting of a biologic component (*i.e.*, the antibody) attached to a small molecule drug (*i.e.*, the cytotoxic payload) via a specifically designed linker. We have established HRMAP, our proprietary ADC platform. It encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability. Our ADC drugs mainly include trastuzumab rezetecan (SHR-A1811), a HER2 ADC with best-in-class potential; SHR-A2102, a Nectin-4 ADC with best-in-class potential; SHR-1826, a c-Met ADC; SHR-A1904, a CLDN18.2 ADC with best-in-class potential; SHR-4849, a DLL3 ADC; SHR-A2009, a HER3 ADC with best-in-class potential; and SHR-A1912, a CD79b ADC with best-in-class potential. See “—Our Products and Product Candidates—Oncology—ADC Drugs” for more information on these drugs.

ER- and CDK-Targeting Drugs

HR-positive breast cancer accounts for approximately 60-70% of all breast cancer cases. In addition to our existing product matrix for the treatment of HER2-positive breast cancer, we take a holistic approach to developing potent breast cancer therapies by regulating ER and CDK simultaneously. As part of these therapies, we have developed HRS-2189, a novel KAT6-specific inhibitor, to regulate the expression of ERs. We have also developed HRS-8080 (a novel, oral, small molecule SERD) and HRS-1358 (a novel, oral, small molecule ER PROTAC that elicits ER degradation) to degrade expressed estrogen receptors. In addition, we have commercialized dalpiciclib, a novel, orally available CDK4/6 inhibitor that targets cells with a dysregulated cell cycle.

Intrinsic and acquired resistance to CDK4/6 inhibitors and hematotoxicity of CDK6 inhibitors remain major challenges in the medical community. Currently, treatment options for this patient group remain limited, including PI3K/mTORi, endocrine, and chemotherapies. In response, we have developed the following drug candidates to address this drug resistance problem: HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor; a novel, highly potent and highly selective CDK7 inhibitor; and a novel, small molecule CDK4/2/6 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities. See “—Our Products and Product Candidates—Oncology—ER- and CDK-Targeting Drugs” for more information on these drugs.

RAS-Targeting Agents

RAS is one of the most important oncogenes. The RAS signaling pathway is involved in many important cellular processes such as cell proliferation and survival, differentiation, apoptosis, cytoskeletal movement, protein transport, and secretion. RAS has three different isoforms: KRAS, NRAS, and HRAS, among which KRAS mutations occur in approximately 85% of the cancers with RAS alterations.

According to Frost & Sullivan, RAS pathway mutations are implicated in approximately 20% of the total solid tumor incidence globally. In 2023, globally, there were approximately 4.2 million new cancer cases with RAS mutations, including approximately 1.0 million in China. Mutant KRAS (mKRAS), in particular, drives 25% of solid tumors including non-small cell lung cancer (NSCLC), pancreatic ductal adenocarcinoma (PDAC), and colorectal cancer (CRC), which makes KRAS a promising cancer drug target. The dominant oncogenic mutations of KRAS occur at the codon 12 position, in particular G12D, G12V, and G12C. KRAS has long been considered a challenging therapeutic target. Currently approved KRAS-targeted therapies have shown proof of efficacy; however, their duration of response is relatively short.

We have strategically developed a cluster of innovative drugs within the KRAS family, primarily including: HRS-7058, a novel, potent, highly selective, next-generation KRAS G12C inhibitor for the treatment of patients with advanced solid tumors harboring KRAS G12C mutations; and HRS-4642, a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form, with first-in-class potential. See “—Our Products and Product Candidates—Oncology—RAS-Targeting Agents” for more information on these drugs.

Metabolic and Cardiovascular Diseases. Metabolic disorders, including diabetes and obesity, typically increase the risks of cardiovascular, cerebrovascular, and renal diseases. Cardiovascular diseases, including high blood pressure and high cholesterol levels, can lead to high-mortality conditions such as coronary artery disease, heart failure, and stroke. While patients benefit from existing treatment options in these therapeutic areas, there is growing demand for innovative treatments that address the unmet medical needs and provide more flexible drug administration and enhanced efficacy and/or better safety profiles.

To meet the significant unmet medical needs in this area, we have strategically developed a portfolio of GLP-1 drug candidates across multiple modalities, in both oral and injectable forms. Our innovative product candidates in the GLP-1 family primarily include: HRS-7535,

a novel, oral, small molecule GLP-1R agonist, which offers convenient drug administration benefits; HRS9531, a novel, once-weekly, GLP-1 and GIP receptor dual agonist, with best-in-class potential; and HRS-4729, a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide.

In May 2024, we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary incretin-based drug candidates, HRS-7535, HRS9531, and HRS-4729, worldwide (except for the Greater China region).

In addition, capitalizing on recent scientific insights, we have developed a robust pipeline of other innovative drug candidates for the treatment of metabolic and cardiovascular diseases, including HRS-1893, a novel myosin inhibitor for the treatment of hypertrophic cardiomyopathy and related heart failure; HRS-5346, an oral, small molecule inhibitor targeting Lp(a); and SHR6508, a novel allosteric modulator of the calcium-sensing receptor for the treatment of hemodialysis patients with secondary hyperparathyroidism.

siRNA has become a compelling targeted therapeutic modality, especially against undruggable targets for the treatment of a wide spectrum of diseases. With the capability of precise gene silencing and advancements in delivery systems, siRNA therapeutics reduce dosage frequency and improve patient compliance. Our siRNA drug candidates primarily include an siRNA drug candidate targeting APOC3 and an siRNA drug candidate targeting AGT. See “—Our Products and Product Candidates—Metabolic and Cardiovascular Diseases—Major Product Candidates” for more details on these product candidates.

Immunological and Respiratory Diseases. The healthcare landscape globally faces a significant burden from immunological and respiratory diseases, primarily due to the high prevalence of patients with long-term medication needs. In 2023, the global population with psoriasis, rheumatoid arthritis, asthma, and chronic obstructive pulmonary diseases was approximately 136.6 million, 40.9 million, 786.9 million, and 246.2 million, respectively, according to Frost & Sullivan. Innovative drugs with extended half-lives, improved patient accessibility, higher adherence, and optimized safety profile, are expected to be future growth drivers in this area.

To address these unmet medical needs, we strategically focus on a wide array of key autoimmune pathologic targets such as T cells, B cells, and complementary pathways. To enhance the effectiveness of our treatments and cater to patients’ various needs in these areas, we also employ diversified modalities, including small molecules, peptides, monoclonal and bispecific antibodies, fusion proteins, and inhalation therapies. Our innovative products and product candidates for the treatment of immunological and respiratory diseases primarily include: vunakizumab, an anti-IL-17A antibody, with best-in-class potential; ivarmacitinib, a highly selective JAK1 inhibitor, with best-in-class potential; SHR-1905, a long-acting anti-TSLP antibody with best-in-class potential; and SHR-1703, a novel, long-acting anti-IL-5 antibody. See “—Our Products and Product Candidates—Immunological and Respiratory Diseases” for more details on these products and product candidates.

Neuroscience. The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Alzheimer’s Disease and Parkinson’s Disease are two major neurodegenerative disorders worldwide. According to Frost & Sullivan, there were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer’s Disease contributing to 60-70% of dementia cases. In the same year, there were 9.4 million people affected by Parkinson’s Disease globally. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression. Furthermore, stroke is a leading cause of death and disability globally. We have been developing various therapies with differentiated MOAs to improve the treatment paradigm of stroke.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain. In addition, anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Our innovative drug candidates in the field of neuroscience primarily include: SHR-1707, a novel anti-A β IgG1 antibody; HRG2010, a novel extended-release fixed-dose combination composed of carbidopa and levodopa; and a highly selective inhibitor of voltage-gated sodium ion channel subunit 1.8 (Na v 1.8), which presents significant potential for non-opioid pain management. See “—Our Products and Product Candidates—Neuroscience—Major Product Candidates” for more details on these product candidates.

Multi-pronged research capabilities and advanced technology platforms that enable us to develop potential blockbuster products

We are dedicated to generating a continuous flow of first-in-class and best-in-class molecules that benefit global patients. To this end, we strategically employ a multi-pronged approach to researching and developing drug assets with varying properties for identified druggable targets. Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, RLTs, and oligonucleotide. Benefitting from our comprehensive toolkit and deep insights in drug pathways and molecule designs, we have developed several drug clusters, such as immuno-oncology drugs, ADCs, ER and CDK-targeting drugs, and RAS-targeting agents, to address significant unmet medical needs.

This multi-pronged approach supported by our advanced technology platforms allows us to achieve innovation and significantly shorten the lead times for identifying and validating potentially first-in-class or best-in-class compounds. A good case in point is our HRS-4642, a potentially first-in-class KRAS G12D inhibitor globally. Leveraging our liposomal technology, we design HRS-4642 with a liposomal formulation for targeted delivery, controlled and sustained drug release, and reduced systemic toxicity.

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Our continuous innovation is fueled by a number of leading innovative technology platforms. Leveraging our industry foresight and 14 R&D centers strategically located around the world, we have built each of these technology platforms with robust, differentiated functionalities and capabilities across the entire process of innovative drug R&D. Notably, our Hengrui Rapid Modular ADC Platform (HRMAP) and bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules. Specifically, our HRMAP platform encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability that empower our capability to create an ADC with desired *in vitro* and *in vivo* properties within a short period of time. Among our bispecific antibody platforms, HOT-Ig utilizes the Ig-like domain pair from human obscurin and titin to replace the CH1/CL domains, avoiding heavy and light chain mispairing. By leveraging this platform, we can create a variety of bispecific antibodies with multiple formats, great stability, and high compatibility for diverse sequences. On the other hand, HART-IgG is our newly-developed versatile platform to efficiently prepare bispecific antibodies. Bispecific antibodies developed via our HART-IgG platform show robust physicochemical properties and good druggability comparable with those of canonical mAbs. Furthermore, our HART-IgG technology is compatible with other engineering/conjugation technologies, and as a result, can be used to develop bispecific antibody conjugates.

Our technology platforms are undergoing modular evolutions, and we capitalize on platform synergies to rapidly iterate our drug candidates and generate novel therapies with greater safety, efficacy, and convenience. This modular and complementary evolution is best exemplified by our efforts in deepening our research in ADC. We began our research on ADCs and other bioconjugate drugs in 2010. As of the Latest Practicable Date, we had advanced over ten differentiated ADC molecules to the clinical stage. In particular, as of the same date, trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for eight indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan. We constantly advance our technologies to substantially expand our bioconjugate component library and research on “AXC” drugs. Specifically, with respect to the antibody component, we utilize our translational medicine expertise to identify novel TAAs. Our antibody engineering capability allows us to develop not only monoclonal antibodies, but also bispecific and multi-specific antibodies, aiming for the synergies between different TAAs. With respect to conjugation methods, besides the conventional cysteine conjugation method, we are developing various site-specific conjugation methods, including glycosite-specific conjugation and engineered cysteine site-specific conjugation. With respect to the payload component of AXC, we are actively exploring cytotoxic payloads with new MOAs to overcome the resistance of commonly used cytotoxic payloads. We are also expanding our payload library to cover various modalities, such as degraders (molecular glues and PROTACs) for oncology. By conjugating peptides and oligonucleotides onto antibodies of interest, we further explore new molecular entities in therapeutic areas beyond oncology. We pioneered the development of DACs and AOCs. DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy

and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins. More recently, we have structured our Hengrui-LingShu platform and bioinformatics platform to streamline various aspects of our R&D, including drug discovery, molecular design, drug property prediction and optimization.

End-to-end clinical development capabilities aligned with our patient-oriented strategy to efficiently bring high-quality drugs to the global market

We have built strong end-to-end clinical development capabilities to ensure the efficiency and quality of our drug development process. We pursue a patient-oriented clinical strategy—which involves fast proof of concept, patient stratification, adaptive trial designs, and modular evolution in combination therapies—to efficiently bring differentiated high-quality therapeutics to the global market. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In particular, we have initiated multi-regional clinical trials in regions including the U.S., Europe, Australia, Japan, and South Korea, for a number of products demonstrating global potential such as SHR-A1904, SHR-A1811, and camrelizumab in combination with apatinib. In addition, we adhere to stringent global standards when conducting clinical trials in China for our product candidates with global potential. Applying this approach, we can pursue concurrent IND submissions worldwide and accelerate multi-regional clinical trials for potentially first-in-class or best-in-class drug candidates.

Our patient-oriented clinical development strategy and end-to-end clinical development capabilities enable us to achieve superior operational efficiency in clinical development. For example, it took us around four years to advance our trastuzumab rezetecan (SHR-A1811) from the commencement of the clinical trial to obtaining the NMPA’s acceptance of the NDA. It took us around six months to advance our assets from the commencement of the preclinical Good Laboratory Practice (GLP) toxicology studies to obtaining the NMPA’s acceptance of our IND application. In addition, it took us around 1.5 months to complete each dose escalation cohort in the first-in-human study for one of our drug candidates. From 2018 to the Latest Practicable Date, we had obtained 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. In addition, in 2024, we enrolled nearly 20,000 participants in our clinical studies. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines for our products.

In addition to our superior efficiency, under the “patient first” guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients’ well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in over 90 GCP inspections conducted by the NMPA and the U.S. FDA. In

particular, in March, October, and November 2024, the U.S. FDA conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of “No Action Indicated (NAI),” representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

Global-standard and industry-leading in-house manufacturing system ensuring quality excellence, supply stability, and cost efficiency

We are committed to achieving quality manufacturing system. Leveraging over 50 years of manufacturing experience, we have established a global-standard CMC management system. Our quality management system is designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards including the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. In addition, we have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the EMA and the U.S. FDA. We obtained U.S. FDA approval of three ANDAs for our first-to-market generics in 2024. For example, in October 2024, the U.S. FDA approved our paclitaxel for injection (albumin bound) as chemotherapy, which was a first-to-market generic product approved by the U.S. FDA. In addition, we frequently receive visits and inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system. Moreover, in line with our global expansion and to address the increasingly stringent regulatory scrutiny, we have further reinforced our CMC system and strengthened our quality team. In particular, we have hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry.

In addition, we manufacture our pharmaceutical products fully in-house, except for a limited number of in-licensed products. This in-house manufacturing capability allows us to effectively control the quality and costs of our products and, more importantly, ensure stable product supplies. We can also achieve economies of scale and optimize our production costs by leveraging the large scale and complementary functions of our 12 manufacturing facilities across China. Furthermore, our manufacturing infrastructure is industry-leading among Chinese pharmaceutical companies in terms of site area, annual designed production capacity, and range of pharmaceutical products produced. Specifically, as of December 31, 2024, our manufacturing facilities across China had a total site area of 1.2 million square meters. In 2024, we had annual designed production capacity of 212.9 million vials of injectables and 5.0 billion pieces of oral solids (including tablets and capsules). Complementing this scale, we can manufacture a wide spectrum of modalities across small molecules and biologics—from drug substances (such as APIs) to drug products—in dosage forms such as injectables, oral tablets and capsules, oral solutions, film agents and ointments.

Industry-leading commercialization capabilities to propel our sustainable growth

We have established industry-leading commercialization capabilities to propel our sustainable growth. This is demonstrated by our comprehensive, tiered-channel coverage that is enabled by our robust sales force. As of December 31, 2024, we had a dedicated in-house sales and marketing team of approximately 9,000 professionals, which was an industry-leading scale among Chinese pharmaceutical companies, according to Frost & Sullivan. Our highly specialized marketing and sales team has been strategically curated into complementary functions, including strategic planning, marketing, medical affairs, sales management, sales force effectiveness, and market access, to effectively promote the clinical benefits of our products and enhance our sales productivity. In terms of channel coverage, our sales network spanned over 22,000 hospitals and over 200,000 offline retail pharmacies across over 30 provincial-level regions in China as of December 31, 2024, which was an industry-leading coverage among Chinese pharmaceutical companies, according to Frost & Sullivan. We also have deep penetration in lower-tier cities and rural areas, which enables us to capture broader market opportunities. Aside from offline retail pharmacies, our professional prescription drug sales team also covered all mainstream online pharmacy platforms. At the same time, we have established a specialized direct-to-patient (“DTP”) team dedicated to expanding our DTP pharmacy channel to satisfy patients’ diversified medical needs. Furthermore, we have utilized various channels and platforms, such as community healthcare service centers, to better serve patients with oncology and chronic diseases and improve their long-term treatment outcomes.

We focus on academic promotion to facilitate market adoption of our innovations. Leveraging our over 50 years’ industry experience and our premium brand, we have built long-term academic relationships with many renowned physicians and other healthcare professionals. We have also supported investigator-initiated trials and performed various post-market real-world studies to benefit more patients and collect clinical evidence to further validate our products. In addition, we publish results of our clinical trials in high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*. We believe that these publications are instrumental in endorsing our products’ high quality and driving their adoption by the medical community. Moreover, we regularly organize and participate in a wide variety of major domestic and international academic conferences, seminars, and symposia to enhance the scientific awareness of our innovative product matrix alongside our brand recognition. Many of our product studies have been presented at major international academic conferences such as the American Society of Clinical Oncology (ASCO) Annual Meeting, the European Lung Cancer Conference, the American Society of Gynecological Oncology Annual Meeting, the European Breast Cancer Conference, the World Conference on Lung Cancer, the ADA Annual Meeting, and the American Academy of Dermatology Annual Meeting, among which we have presented major research studies in the ASCO Annual Meeting for 14 consecutive years.

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Supported by our superior commercialization capabilities, we achieved solid sales performance during the Track Record Period. We recognized revenue of RMB21.3 billion, RMB22.8 billion, and RMB28.0 billion in 2022, 2023 and 2024, respectively. In particular, our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024.

Accelerated expansion into the global market, unlocking the potential of our product matrix and technology platforms

Leveraging our established platforms and capabilities, we are committed to expanding our global footprint to unlock and maximize the potential of our product matrix and technology platforms. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries. We proactively seek to launch our products in the global market. From 2018 to the Latest Practicable Date, we had obtained 60 facilitated regulatory pathways, spanning priority review, breakthrough therapy, fast track, and orphan drug designations, including eight from the U.S. FDA and the EMA.

In addition, we proactively explore value-accretive partnerships with leading pharmaceutical companies, particularly global peers, to maximize the commercial value of our drugs. Over the years, our drugs have drawn increasing attention from potential global partners seeking innovative drugs, particularly our drugs with best-in-class or first-in-class potential, culminating in multi-bidder out-licensing transactions. Since 2018, we have carried out 14 out-licensing transactions with global partners, involving 17 molecular entities. The aggregate deal value of these transactions was approximately US\$14 billion, with total upfront payments of approximately US\$600 million, in addition to equity interest in certain collaboration partners. Representative examples of our out-licensing arrangements in the past two years include our transaction with Kailera Therapeutics, with a total deal value of approximately US\$6 billion, as well as our out-licensing to a fully owned subsidiary of Merck KGaA, Darmstadt, Germany (“MRKDG”), IDEAYA Biosciences, and Aiolos Bio (later acquired by GSK). See “—Collaboration and Licensing Arrangements” for more information on our out-licensing transactions.

Internationally competitive team of industry veterans led by visionary leaders

We boast a highly sophisticated and experienced management team with global vision. We benefit from their visionary leadership, notable accomplishments, and complementary expertise across the pharmaceutical industry value chain, both in China and globally.

Mr. Sun Piaoyang, our chairman, is a visionary industry veteran with extensive expertise and experience in the pharmaceutical industry. Mr. Sun plays a pivotal role in our success and growth on the global stage. Since 1990, he has successfully led the transformation of our company into a leading global pharmaceutical company focused on high-quality innovative drugs. Under Mr. Sun’s leadership, we have built up Hengrui’s ecosystem comprising great talent, organization, and culture, which underlies our research, clinical, manufacturing, and commercialization capabilities.

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Under Mr. Sun's leadership, we have adopted a dedicated and experienced core management team to steer our growth path:

- Mr. Dai Hongbin, our Executive Director and Deputy Chairman of the Board, primarily responsible for assisting our Chairman in strategic planning, strategic investments and management of our Board. Mr. Dai has over 24 years of industry experience and sophisticated management and execution skills. He has been instrumental in our growth and transformation over the past two decades.
- Ms. Feng Ji, our Executive Director (effective from the Listing), General Manager (President) and Chief Operating Officer, is primarily responsible for the overall business operations of our Group. Ms. Feng has over 30 years of experience in the healthcare and pharmaceutical industry.
- Mr. Zhang Lianshan, our Executive Director and Executive Vice President, is in charge of our R&D. Mr. Zhang has over 42 years of experience in the biomedical research and pharmaceutical industry.
- Mr. Jiang Frank Ningjun, our Executive Director, Executive Vice President, and Chief Strategy Officer, is in charge of our clinical development and business development. Mr. Jiang has over 40 years of experience in the medical/pharmaceutical industry, including over 35 years of experience and expertise in medical and clinical research in the U.S., Canada, and China.

Our senior management team is well supported by a pool of internationally competitive talent. We attract high-caliber talent globally through diverse channels and benefit tremendously from the strong support of our elite R&D team, including top-notch scientists. As of December 31, 2024, we had an R&D team of over 5,500 professionals in various therapeutic areas. Nearly 60% of our R&D team members hold a master's degree or a Ph.D. or M.D. Many of them have prior work experience at multinational pharmaceutical companies, such as Pfizer, Novartis, Merck, and Eli Lilly and Company, as well as renowned research institutes, such as Yale School of Medicine, Heidelberg University, and the University of Texas Southwestern Medical Center. Moreover, over 30% of our mid-level or above management members as of December 31, 2024 have overseas education or work experience. We believe that our talented team has played a critical role in our growth and will continue to drive our innovation and success in developing effective innovative therapies.

OUR STRATEGIES

Our mission is to promote a healthier life for humankind through advancements in science. We will implement the following strategies to achieve our goal:

Accelerate our global expansion to address immense unmet medical needs worldwide

Leveraging our well-established leading position in China, global network of business partners and R&D centers, and sales coverage in more than 40 overseas markets, we are committed to accelerating our global expansion and leveraging our global-standard innovation capabilities to address immense unmet medical needs worldwide.

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We will accelerate our integration into the global pharmaceutical market by increasing our innovative drugs' international recognition and accessibility. To achieve this goal, we will carry out and advance multi-regional clinical trials for more of our innovative drugs and further expand the therapeutic areas and indication coverages of our innovative products for the global market. In addition, we will seek to obtain facilitated regulatory pathways for more of our drug candidates from overseas regulators to quickly bring them to the market and benefit patients.

As part of our global strategy, we will focus on developing innovative drugs with first-in-class or best-in-class potential to quickly penetrate key markets around the globe and enhance our brand's global recognition. Along with this strategy and leveraging our robust innovative product pipeline, we will proactively explore more out-licensing opportunities to augment our global presence. We plan to partner with global peers that we believe can help accelerate development and commercialization of our innovative products in overseas markets and maximize the value of our highly differentiated innovative drugs and drug candidates. We will also pursue overseas collaboration opportunities for our drugs with a view to promoting our brand recognition in the medical community and boosting our global market share.

Moreover, we will explore in-licensing and co-development opportunities for global peers' drug candidates, particularly those with innovative modalities or targets and great market potentials. We intend to in-license drugs that complement our existing product matrix in our major therapeutic areas and potentially deliver favorable treatment outcomes to address significant medical needs in China and globally.

Aside from organic growth, we also intend to selectively acquire or invest in overseas pharmaceutical or biotechnology companies, including those with attractive drug assets or strong R&D, manufacturing, or commercialization capabilities. Through these acquisitions and investments around the globe, we expect to rapidly and efficiently deepen our penetration in key markets, complement our existing product matrix, and achieve synergies with our existing capabilities and network.

To support our global footprint, we will boost our brand recognition in the global pharmaceutical community through enhanced branding initiatives. We will also participate in exhibitions, conferences, and seminars to showcase our products, connect with global peers, and enhance our international influence. In line with our commitment to social responsibility, we will continue to contribute to international charity endeavors, which we believe can further enhance our brand image.

Further bolster our R&D capabilities to develop more highly differentiated innovative drugs

Building on our decades of innovation efforts, we have established an industry-leading matrix of commercialized and pipeline innovative drugs. We intend to solidify and advance this position by further bolstering our R&D capabilities to develop more differentiated, high-quality innovative drugs, with an aim to address significant and growing unmet medical needs. In particular, as part of our China strategy, we will follow a multi-pronged R&D approach and

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devote more resources to developing therapeutics with our extensive toolkit of technologies and modalities and in different dosage forms, as well as combination therapies, that provide comprehensive treatment options for high-incidence diseases, such as Alzheimer's Disease, Parkinson's Disease, HCC, and cardiovascular diseases. In addition, we will maintain our seamless drug roll-out cycle by advancing clinical development, registration, and commercialization of our drug candidates, while at the same time swiftly replenishing our pipeline through continuous research and drug discovery.

We will continue to upgrade our comprehensive technology platforms and accelerate the evolution of our existing modalities to propel our development of more innovative monotherapies and combination therapies that offer better safety and efficacy to satisfy the significant unmet medical needs. For example, we are developing a new generation of site-specific conjugation techniques with proprietary intellectual property to enhance ADC homogeneity. In addition, we are developing new payloads (toxin molecules) with various MOAs for different tumor types. These innovative small molecule toxins will help us overcome ADC resistance, expand therapeutic areas and indications, and yield a more diverse AXC product portfolio. We also seek to apply PROTAC technology in more indications and therapeutic areas in combination with our other drugs or modalities. We expect that continuous enhancements to our platforms will allow us to rapidly roll out new drugs to cover a broader spectrum of indications, thus significantly expanding our patient reach.

In addition to self-development, we will actively explore opportunities to collaborate with leading biopharmaceutical companies, universities, and research institutes through arrangements such as technology in-licensing, joint laboratories, and collaborative research to accelerate our adoption of cutting-edge technologies. We also intend to selectively pursue strategic alliances, joint ventures, and acquisitions to deepen our research in areas such as RNA drugs and polymer drugs, thus creating a diversified innovation ecosystem. Meanwhile, we intend to provide all-round support and services to startup companies by building a comprehensive incubation platform integrating incubation of research results, entrepreneurship counseling, investment, financing, and market access. Through these efforts, we expect to collaborate with startups on promising projects at an early stage, thus providing additional impetus to our innovation capabilities.

Identifying differentiated, high-value innovative targets to treat diseases at an early stage will remain a key research focus for our drug discovery. We will actively screen novel targets worldwide to enhance our ability to discover first-in-class molecules. At the same time, we will use our expertise in translational medicine to improve the predictability and success of our drug discovery and expedite the validation of molecule candidates.

Furthermore, by applying our patient-oriented clinical development strategy, we will aim to swiftly and cost-effectively advance the clinical development of our product candidates by leveraging our end-to-end clinical development capabilities and extensive network of clinical investigators and trial sites. For our potentially first-in-class or best-in-class products, we will proactively advance their multi-regional clinical trials to achieve concurrent IND submissions

globally and pursue facilitated regulatory pathways to accelerate their time to market. As part of this approach, we will actively monitor our trials' adherence to regulatory standards and enhance communications with regulatory authorities to facilitate a smooth regulatory approval process.

In line with our global expansion, we intend to expand our R&D network by establishing and expanding our presence in biotechnology hubs to focus on cutting-edge technologies and collaboration with more top-tier research institutes and biotechnology companies. We will also pursue seamless collaboration among our R&D teams around the globe to expedite the commercialization of our research results. Moreover, we will continue to monitor developments in emerging technologies, such as biotechnology, new materials, and artificial intelligence, and we may consider acquiring technologies through investments and collaborations to drive innovation.

Further strengthen our manufacturing system supported by global-standard quality system

In line with the expansion of our matrix of innovative products, we intend to expand our production capacity in China, in particular to support the ongoing commercialization of our innovative product candidates. In addition, we will continue to upgrade our existing production facilities, with a focus on improving our production efficiency, increasing the modalities we manufacture, and ensuring compliance with global GMP standards, to meet increasing demand for our high-quality innovative drugs in China and around the globe. For example, we are upgrading our production facility in Xiamen, which will primarily manufacture high-end drug substances for modalities such as siRNAs and peptides across multiple therapeutic areas. This production facility will comply with global quality standards, including the EU GMP and the U.S. cGMP, and adopt cutting-edge automated production lines and intelligent management systems to significantly enhance production efficiency. Upon completion of its construction, this production facility will substantially increase our high-end API production capacity, thus further strengthening our manufacturing capabilities across both drug substances and products.

In addition, we intend to strengthen our manufacturing capabilities by establishing production facilities in key markets around the globe. We plan to prioritize regions with adequate supply chain facilities, cost advantages, and a favorable regulatory environment. By establishing overseas production facilities, we expect to further optimize our supply chains and reduce logistical expenses associated with our drugs for clinical trials, registration approvals, and commercialization in those markets. This will also allow us to be more responsive to local patients' demand for timely access to our products. Along with these initiatives, we also plan to strengthen our collaboration and coordination with our domestic and international suppliers to ensure stable supplies of drug substances and other raw materials.

We are committed to building and upgrading our production facilities with state-of-the-art equipment supported by global-standard quality system. To fulfill this commitment, we intend to ensure that our relevant production facilities comply with or exceed applicable GMP standards, such as the EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. We believe

this approach will enable us to effectively manage our scale-up process, ensure our products' compliance with world-class safety and quality standards, and reinforce our reputation as a trusted pharmaceutical manufacturer.

Further enhance our commercialization capabilities in China and around the globe

We are committed to further enhancing our commercialization capabilities in China and around the globe to efficiently bring our drug candidates efficiently from bench to bedside. To increase the market acceptance and sales volume of our differentiated innovative drugs, we plan to strengthen our academic promotion efforts and promote their clinical benefits to patients, physicians, and the medical community. We will continue to organize and participate in academic conferences and seminars and collaborate with leading research institutes, key opinion leaders, and scholars to enhance our brand recognition. More importantly, we intend to strengthen the medical knowledge of our sales and marketing team and enhance their capabilities in addressing post-market technical issues of our innovative drugs.

We place strong emphasis on increasing our market penetration and sales productivity. We intend to maximize our market reach in China by expanding our coverage of medical institutions in lower-tier cities, rural areas and community healthcare service centers. In addition, we will continue improving our sales productivity by accelerating our digital transformation, including by optimizing our sales management processes, strengthening our online sales capabilities, and enhancing our chronic disease services. Specifically, to boost our strength in the fields of oncology and chronic diseases, we intend to further enhance patient services and improve their long-term disease management through various channels and platforms.

Furthermore, we intend to strengthen our global commercialization. We plan to collaborate with leading local pharmaceutical distribution companies and leverage their channel resources and marketing network to swiftly penetrate key markets around the globe. In addition, to promote the global rollout of our products, we will augment our in-house sales force and increase our local presence by establishing sales offices in key markets around the globe.

Based on the nature of our products and the characteristics of domestic and overseas markets, we will dynamically adjust our pricing strategy, providing a combination of reimbursed products targeting hospitals and self-paid products oriented at consumers. For the products we commercialize in key markets around the globe, we also aim to rapidly integrate them into the relevant health insurance payment systems to maximize their commercial value.

Recruit and retain top-notch talent to fuel our innovation and global expansion

Our talent strategy is driven by the requirements of our business operations. The success of our business growth and global expansion will depend on our ability to recruit and retain highly talented professional R&D, manufacturing, and sales and marketing personnel, as well as an experienced management team.

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We will further strengthen our elite scientific research, clinical development, and CMC teams across diverse therapeutic areas. In particular, we intend to recruit top-notch scientists specialized in fields such as biotechnology and precision medicine to accelerate our drug discovery and improve our drug development success rate. These efforts are expected to elevate our overall research capabilities and international competitiveness. In addition, to support our global expansion, we will seek R&D talent with international exposure, including by engaging with global pharmaceutical organizations to build a broad network of international talent connections. To drive innovation, we will also strengthen our training of R&D personnel and provide incentive compensation and other rewards to employees who make outstanding contributions to our innovation efforts.

We also plan to recruit management professionals with extensive strategic planning and execution experience. We intend to leverage their expertise to effectively source, evaluate, and analyze potential M&A and other business development targets to drive the expansion of our global footprint.

Moreover, we are committed to fostering a culture of continuous learning and innovation among our employees and continuously improving our employees' job satisfaction and stability. As we grow our team internationally, we will also enhance cross-cultural communication within our Group and conduct training to enhance our employees' global perspectives. For example, we intend to provide our staff with more opportunities to participate in overseas training programs and international conferences and help them stay abreast of global cutting-edge technologies. To attract and retain exceptionally talented staff, we will provide better career development opportunities and competitive benefits to incentivize them.

OUR PRODUCTS AND PRODUCT CANDIDATES

Overview

We have an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs, including 19 NME drugs and four other innovative drugs. In addition, we maintain a sustainable drug roll-out cycle by swiftly replenishing our pipeline through continuous drug discovery and development. For example, in 2022, 2023, and 2024, in China, we obtained the approval for first-in-human clinical studies of 19, 23, and 26 of our innovative drug candidates, respectively. Additionally, we submitted eight NDAs/BLAs for our innovative drugs in 2024. As of the Latest Practicable Date, we had a pipeline of over 90 NME drug candidates and seven other innovative drug candidates in clinical or later stages of development, including over 30 innovative drug candidates in pivotal clinical studies or later stages of development.

Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024. The following table summarizes selected information relating to our 19 commercialized NME drugs.

Therapeutic Area	Product	Target (Modality)	Approved Indication(s)	Time of First Approval	Year of First Inclusion in NRDJ	Source
Oncology	Adebrellimab (AiRuLiLi®)	PD-L1 (mAb)	<ul style="list-style-type: none"> Combo with carboplatin and etoposide for 1L ES-SCLC 	February 2023	NA	In-house developed
	Linperlisib (YinFaRu®)★	PI3Kδ (small molecule)	<ul style="list-style-type: none"> r/r FL in adult patients after 2L+ systematic treatment 	November 2022	2023	Note (1)
	Rezvilumamide (AiRuEn®)★	AR (small molecule)	<ul style="list-style-type: none"> mHSPC with high tumor burden 	June 2022	2022	In-house developed
	Dalpiciclib (AiRuKang®)★	CDK4/6 (small molecule)	<ul style="list-style-type: none"> Combo with fulvestrant for relapsed or metastatic HR+/HER2-BC progressed after ET; Combo with aromatase inhibitor for 1L ET in LAM HR+/HER2-BC 	December 2021	2022	In-house developed
	Herombopag (HengQu®)★	TPO-R (small molecule)	<ul style="list-style-type: none"> Adult patients with chronic primary TTP who have previously responded poorly to treatments such as glucocorticoids and immunoglobulins; Adult patients with severe AA who are refractory to ISx therapy 	June 2021	2021	In-house developed
	Fuzuloparib (AiRuYi®)★	PARP1/2 (small molecule)	<ul style="list-style-type: none"> Maintenance therapy for advanced EOC, FTC, or PPC in adult patients after CR/PR from platinum-containing chemo; Platinum-sensitive gBRCA-mut recurrent OC, FTC, or PPC after 2L+ chemo; Maintenance therapy for platinum-sensitive recurrent EOC, FTC, or PPC in adult patients after platinum-containing chemo; Monotherapy or combo with apatinib for gBRCA-mut metastatic HER2-BC in adult patients 	December 2020	2021	In-house developed
	Camrelizumab (AiRuKa®)★	PD-1 (mAb)	<ul style="list-style-type: none"> r/r cHL after at least two systematic therapies; Advanced HCC after sorafenib and/or lenvatinib and/or oxaliplatin-containing chemo; Combo with pemtretex+carboplatin for unresectable LAM EGFR-mut negative ALK-negative IL NSCLC; LAM ESCC progressed after or intolerable to 1L chemo; Advanced NPC progressed after or intolerable to 2L+ chemo; Combo with cisplatin+gemcitabine for 1L locally relapsed or metastatic NPC; Combo with cisplatin+paclitaxel for 1L unresectable locally advanced/relapsed or metastatic ESCC; Combo with carboplatin+paclitaxel for 1L LAM sNSCLC; Combo with apatinib for 1L unresectable or metastatic HCC 	May 2019	2020	In-house developed
	Mecapegfilgrastim (AiDuo®)	PEG-G-CSF (small molecule)	<ul style="list-style-type: none"> Chemo-induced neutropenia in adults with nonmyeloid malignant cancers 	May 2018	2019	In-house developed
	Pyrotinib (AiRuNi®)★	EGFR/HER2/HER4 (small molecule)	<ul style="list-style-type: none"> Combo with trastuzumab+docetaxel for relapsed or metastatic advanced HER2+ BC patients without previous HER2 treatment; Combo with capecitabine for relapsed or metastatic HER2+ BC with/without previous trastuzumab treatment; Combo with trastuzumab+docetaxel for neoadjuvant treatment for early or LA HER2+ BC 	August 2018	2019	In-house developed
	Apatinib (AiTan®)★	VEGFR (small molecule)	<ul style="list-style-type: none"> Advanced GAC or GEJA progressed or relapsed after at least 2Ls of systematic chemo; Advanced HCC failed or intolerable after at least 1L systemic therapy; Combo with camrelizumab for 1L unresectable or metastatic HCC; Combo with fuzuloparib for gBRCA-mut metastatic HER2-BC in adult patients 	October 2014	2017	In-house developed

Therapeutic Area	Product	Target (Modality)	Approved Indication(s)	Time of First Approval	Year of First Inclusion in NRDL	Source
Metabolic and Cardiovascular Diseases	Reactivinab (AIXinAin®)	PCSK9 (mAb)	<ul style="list-style-type: none"> Combo (with statin) for primary hypercholesterolemia (including heterozygous familial and non-familial hypercholesterolemia) and mixed dyslipidemia; Monotherapy for non-familial hypercholesterolemia and mixed dyslipidemia 	January 2025	NA	In-house developed
	Retaglipin (RuiZiTang®)	DPP-4 (small molecule)	<ul style="list-style-type: none"> Monotherapy/ combo with metformin to improve glycemic control in adult patients with type 2 diabetes, in combination with diet and exercise 	June 2023	2023	In-house developed
	Henagliflozin (RuiQin®)	SGLT-2 (small molecule)	<ul style="list-style-type: none"> Monotherapy/ combo with metformin + retaglipin to improve glycemic control in adult patients with type 2 diabetes, in combination with diet and exercise 	December 2021	2022	In-house developed
Immunological and Respiratory Diseases	Ivarmactinib (AJSuDa®)★	JAK1 (small molecule)	<ul style="list-style-type: none"> Adults with moderate-to-severe atopic dermatitis who showed inadequate efficacy or intolerance to topical treatment or other systemic therapies; Adults with active ankylosing spondylitis who have shown inadequate efficacy or intolerance to one or more TNF inhibitors; Adults with moderate-to-severe active rheumatoid arthritis who have shown inadequate efficacy or intolerance to one or more TNF inhibitors 	March 2025	NA	In-house developed
	Yunakizumab (AnDaJing®)	IL-17A (mAb)	<ul style="list-style-type: none"> Adults with active ankylosing spondylitis who showed inadequate efficacy in conventional therapy; Adults with moderate-to-severe plaque PsO who are eligible for receiving systemic therapy or phototherapy 	August 2024	NA	In-house developed
Neuroscience	Inrecoxib (HengYang®)	COX2 (small molecule)	<ul style="list-style-type: none"> Osteoarthritis-related pain 	June 2011	2017	In-house developed
	Tegileridine (AJSuTe®)	MOR (small molecule)	<ul style="list-style-type: none"> Post-operative moderate-to-severe analgesia 	January 2024	2024	In-house developed
	Remimazolam (RuiBeiNing®)★	GABAa (small molecule)	<ul style="list-style-type: none"> Sedation and anesthesia in non-intubated surgery/operation; and induction and maintenance of general anesthesia 	December 2019	2021	In-house developed
Others	Oteseconazole (RubIcam®)	CYP51 (small molecule)	<ul style="list-style-type: none"> Severe VVC 	June 2023	2024	Note (2)

Abbreviations: IL = first -line; 2L = second-line; AA = aplastic anemia; BC = breast cancer; BRCA = BRCA1/2; CHL = classic Hodgkin lymphoma; chemo = chemotherapy; combo = combination; EOC = epithelial ovarian carcinoma; ESC = esophageal squamous cell carcinoma; ESCC = esophageal squamous cell carcinoma; ES-SCLC = extensive-stage small cell lung cancer; ET = endocrine therapy; FL = follicular lymphoma; FTC = fallopian tube carcinoma; GAC = gastric adenocarcinoma; GEJA = gastroesophageal junction adenocarcinoma; HCC = hepatocellular carcinoma; HER2- = human epidermal growth factor receptor2-negative; HR = hormone receptor; ITP = immune thrombocytopenia; ISX = immunosuppressive; LA = locally advanced; LAM = locally advanced or metastatic; mHSPC = metastatic hormone sensitive prostate cancer; NPC = nasopharyngeal carcinoma; NSCLC = non-small cell lung cancer; OC = ovarian cancer/carcinoma; PPC = primary peritoneal carcinoma; r/r = relapsed, refractory; PsO = psoriasis; sNSCLC = squamous non-small cell lung cancer; VVC = vulvovaginal candidiasis

★ Indicates that the product has received facilitated regulatory pathway for certain indication(s), such as the NMPA breakthrough therapy designation, NMPA priority review, U.S. FDA fast track designation, U.S. FDA orphan drug designation, or EMA orphan drug designation.

(1) In February 2021, we entered into a strategic cooperation agreement with Yingli Pharma, pursuant to which Yingli Pharma granted us the right to co-develop and the exclusive right to commercialize limerlisib, a new generation of small molecule inhibitor of phosphoinositide 3-kinase delta (PI3Kδ), in the Greater China region. See “—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements—Strategic Cooperation Agreement with Yingli Pharma.”

(2) In June 2019, we entered into an exclusive agreement with Mycovia Pharmaceuticals to develop and commercialize its investigational drug, oteseconazole (also known as VT-1161), in the Greater China region. For details, see “—Collaboration and Licensing Arrangements—In-Licensing and Co-Development Arrangements—Collaboration and License Agreement with Mycovia Pharmaceuticals.”

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We are conducting clinical studies targeting an array of indications for our commercialized innovative drugs, both as a monotherapy and as part of a combination therapy, in China and around the globe. The following chart sets forth selected information on the indication expansions of our commercialized NME drugs as of April 30, 2025.

	Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA	
Oncology	Adebrelimab	PD-L1	Combo	1L limited-stage SCLC	China				
			Combo	Perioperative treatment of resectable Stage II/III NSCLC	China				
			Combo (SHR-8068 + doublet chemo)	1L STK11/KEAP1/KRAS mutated advanced or metastatic non-squamous NSCLC	China				
			Combo (SHR-8068 + bevacizumab)	Advanced HCC	China				
			Combo	Locally advanced CC	China				
			Combo (SHR-8068 + chemo)	Advanced NSCLC	China				
			Combo (SHR-8068 + chemo)	Advanced GAC or EC	China				
			Combo (SHR-8068 + chemo)	1L advanced BTC	China				
	Camrelizumab	PD-1	Combo (famitinib)	Recurrent metastatic CC	China				
			Combo (apatinib)	1L advanced HCC	U.S., EU, APAC (including China) ¹⁾				
			Mono	Relapsed and refractory eHL	China				
			Combo (TACE + apatinib)	Unresectable HCC	China				
			Combo	Unresectable locally advanced EC	China				
	Dapiciclib	CDK4/6	Combo	Adjuvant therapy for HR+/HER2-BC	China				
			Fuzuloparib	PARP1/2	Combo (abiraterone)	mCRPC	U.S., EU, APAC (including China)		
	Pyrotinib	EGFR/ HER2/HER4	Mono	Extended adjuvant therapy for HER2+ BC	China				
			Mono	Advanced non-squamous NSCLC with HER2 mutation	U.S., EU, APAC (including China)				
	Rezvilutamide	AR	Mono	mHSPC	EU, China ²⁾				
	Herombopag	TPO-R	Combo	Primary treatment of severe AA	China				
			Mono	CIT	China				
Mono			Children with ITP	China					
Mono			CLD with thrombocytopenia from invasive procedures or surgeries	China					
Mono			CIT	U.S., EU, AU					
Combo			Primary treatment of non-severe AA	China					
Metabolic	Henagliflozin	SGLT-2	Mono	CKD	China				
Immunological	Vunakizumab	IL-17A	Mono	Moderate-to-severe chronic plaque PsO in children and adolescents	China				
			Mono	PsA	China				
			Mono	nr-axSpA	China				
	Ivamacitinib	JAK1	Mono	Alopecia areata	China				
			Mono (alkaline ointment)	Mild-to-moderate AD	China				
			Mono	PsA	China				
			Mono	nr-axSpA	China				
Mono	Ulcerative colitis	U.S., Europe, China							
Mono	Moderate-to-severe AD	Canada, China ³⁾							
Mono (alkaline gel)	Vitiligo	China							
Neuroscience	Remimazolam	GABA _A	Mono	ICU sedation with mechanical ventilation	China				

Notes:

- * The list is non-exhaustive
- 1. China: approved; U.S.: BLA filed; Europe: Phase III
- 2. China: approved; Europe: Phase III
- 3. China: approved; Canada: Phase III

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The following chart sets forth selected information on our NME drug candidates in clinical or later stages of development as of April 30, 2025.

		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA	
Oncology	Small Molecule	SHR2554	EZH2	Mono	Relapsed and refractory PTCL	China				
				Mono	Refractory/relapsed T-cell lymphoma	China				
				Combo	T-cell lymphoma	China				
				Mono	Relapsed and refractory FL	China				
		HR20013	NK-1RA/ 5-HT3RA	Mono (FDC)	Highly emetogenic CINV	China				
				Mono (FDC)	Nausea and vomiting caused by anti-tumor drugs that pose moderate emetic risk	China				
		HRS2398	ATR	Combo	Advanced solid tumors	China				
		HRS-1167	PARP1	Combo	Advanced PC	China				
				Combo (bevacizumab)	Relapsed OC	China				
				Mono	Advanced solid tumors	China				
		HRS-8080	SERD	Combo (daltapiciclib)	ER+/HER2-unresectable or metastatic BC	China				
				Mono/Combo	Advanced BC	China				
		HRS-6209	CDK4	Combo (HRS-8080/HRS-1358)	Advanced BC	China				
				Mono	Advanced solid tumors	China				
		HRS-4642	KRAS G12D	Combo	Advanced solid tumors with KRAS G12D mutations	China				
				Mono	Advanced solid tumors	China				
		HRS-2189	KAT6	Combo	Advanced BC	China				
				Mono	Advanced malignant tumors	China				
		HRS-7058	KRAS G12C	Mono	Advanced solid tumors	China				
		HRS-3738	CRBN-E3	Mono/Combo	MM and NHL	China				
	HRS-6208	-	Mono	Advanced malignant solid tumors	China					
	HRS-3802	-	Mono	Advanced malignant solid tumors	China					
	HRS-4508	-	Mono	Advanced malignant solid tumors	China					
	HRS-6719	-	Mono	Advanced solid tumors	China					
	PROTAC	HRS-5041	AR PROTAC	Combo	Advanced PC	China				
				Mono	mCRPC	China				
				Mono	mCRPC	AU				
	HRS-1358	ER PROTAC	Mono/Combo (daltapiciclib)	Advanced BC	China					
	Fusion Protein	SHR-1701	PD-L1/TGF-β	Combo (chemo)	1L advanced or metastatic GAC/GEJA	China				
				Mono	Advanced solid tumors	AU				
	mAb	SHR-1501	IL-15	Combo (BCG bladder perfusion)	Non-muscle invasive bladder cancer	China				
				Mono	Bladder cancer	China				
BsAb	SHR-9839	-	Mono	Advanced solid tumors	China					
			Mono	Prevention of SRE in patients with bone metastases from solid tumors	China					
			Mono	MM	China					
			Mono	Advanced malignant solid tumors	China					
			Mono	Advanced malignant solid tumors	China					
SHR-9803	-	Mono	Advanced solid tumors	China						

Note:

* The list is non-exhaustive

BUSINESS

		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA	
Oncology	ADC	SHR-A1811	HER2 ADC	Mono	2L+ locally advanced or metastatic HER2 mutant NSCLC	China				
				Mono	HER2+ metastatic BC	China				
				Mono	HER2-low recurrent/metastatic BC	China				
				Mono	Adjuvant therapy for HER2+ BC	China				
				Combo	HER2+ recurrent or metastatic BC	China				
				Mono	3L advanced HER2+ CRC	China				
				Mono	1L HER2-mutated advanced or metastatic NSCLC	China				
				Combo (fuzuloparib)	Advanced solid tumors with HER2 expression	China				
				Combo (pyrotinib/adebreliamab)	1L advanced NSCLC with HER2 mutation, amplification, or overexpression	China				
				Combo	HER2-low metastatic or unresectable BC	China				
				Mono	HER2-expressing gynecological malignancies	China				
				Combo (adebreliamab + chemo)	Advanced HER2-expressing GAC/GEJA	China				
				Mono	Locally advanced unresectable or recurrent metastatic BTC with HER2 expression/amplification	China				
				Combo	GAC/GEJA and CRC	China				
		Combo	HER2+ locally advanced or metastatic BTC	China						
		Mono	Advanced solid tumors	U.S., AU, APAC ^(*)						
		SHR-A2102	Nectin-4 ADC	Mono	2/3L locally advanced or metastatic UC	China				
				Combo (adebreliamab)	Locally advanced or metastatic EC	China				
				Mono	Advanced gynecological malignancies	China				
				Combo (adebreliamab + SHR-8068)	Locally advanced or metastatic NSCLC	China				
	Combo (adebreliamab)			Advanced UC	China					
	Combo (adebreliamab + SHR-8068)			Advanced UC	China					
	Combo (adebreliamab)			Locally advanced or metastatic NSCLC	China					
	Mono			Advanced solid tumors	U.S.					
	Mono			Locally advanced or metastatic NSCLC	China					
	Mono			Advanced solid tumors	China					
	SHR-A1904	Claudin 18.2 ADC	Mono	2L advanced CLDN18.2+ GAC/GEJA	China					
			Combo (adebreliamab)	Advanced CLDN18.2+ solid tumors	China					
			Mono	Advanced PDAC	China					
			Mono	Advanced solid tumors	China					
			Mono	Advanced solid tumors	U.S., AU					
	SHR-A2009	HER3 ADC	Mono	EGFR-mutated advanced or metastatic NSCLC with failed EGFR TKI therapy	China					
			Combo	Advanced solid tumors	China					
			Mono	Advanced or metastatic solid tumors	China					
			Mono	Advanced solid tumors	Japan, Korea					
	SHR-A1921	TROP2 ADC	With/Without carboplatin	Platinum-sensitive recurrent epithelial OC	China					
			Mono	Platinum-resistant recurrent epithelial OC	China					
			Combo	Advanced solid tumors	China					
			Mono	Advanced solid tumors	U.S., AU					
	SHR-A1912	CD79b ADC	Combo	B-cell NHL	China					
			Mono	B-cell lymphoma	China					
			Mono	B-cell NHL	U.S.					
SHR-4602	HER2 ADC (Next-gen)	Combo	Advanced HER2-expressing or -mutated solid tumors	China						
		Mono	HER2-expressing or -mutated solid tumors	China						
SHR-1826	c-Met ADC	Combo	Advanced solid tumors	China						
		Mono	Advanced malignant solid tumors	China						
SHR-4849	DLL3 ADC	Mono	Advanced malignant solid tumors	China						
SHR-4394	-	Mono	PC	China						
SHR-1681	-	Mono	Advanced malignant solid tumors	China						
SHR-4375	-	Mono	Advanced malignant solid tumors	China						
SHR-3792	-	Mono	Advanced solid tumors	China						
RDC	HRS-4357	PSMA	Mono	mCRPC	China					
	HRS-9815	PSMA	Mono	PC diagnosis	China					
	HRS-6768	FAP-g	Mono	FAP+ advanced solid tumors	China					

Notes:

* The list is non-exhaustive

1. Including China

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		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA
Metabolic and Cardiovascular Diseases	Metabolic	HRX0701	DPP-4/ Metformin	Mono (FDC)	T2D	China			
		INS068	Insulin	Mono	T2D	China			
		SHR4640	URAT1	Mono	Primary gout with hyperuricemia	China			
				Combo (febuxostat)	Gout patient with hyperuricemia	China			
		HR17031	Insulin/ GLP-1	Mono (FDC)	T2D	China			
		HRS-7535	GLP-1 (oral)	Mono	T2D	China			
				Mono	Overweight or obesity	China			
				Mono	DKD	China			
				Mono	Obesity with HF	China			
		HRS9531	GLP-1/GIP (injectable)	Mono	Overweight or obesity	China			
				Mono	T2D	China			
				Mono	Obesity with HF	China			
				Mono	Obesity with OSA	China			
				Mono	Obesity with PCOS	China			
	Mono (tablet)			Obesity	China				
	SHR6508	CaSR	Mono	Secondary HPT in patients with CKD on MHD	China				
	SHR-3167	-	Mono	Diabetes	China				
	HRS-1780	Mineralocorti- coids receptors	Mono	CKD	China				
	HRS-4729	GLP-1/GIP/ GCG	Mono	Overweight or obesity	China				
	HRS-5817	-	Mono	Overweight or obesity	China				
	Cardiovascular	SHR-1918	ANGPTL3	Mono	Homozygous FH	China			
				Mono	HL	China			
		SHR-2004	FXI	Mono	Prevention of VTE after TKA	China			
				Mono	Prevention of postoperative VTE in patients undergoing surgery for OC	China			
				Mono	Reducing the risk of stroke and systemic embolism in patients with AFib	China			
		HRS-1893	Myosin	Mono	Obstructive HCM	China			
				Mono	Nonobstructive HCM	China			
		HRS-5346	Lp(a)	Mono	Lipoprotein disorders	China			
HRS-7249		-	Mono	HL	China				
HRS-9563		-	Mono	Hypertension	China				
SHR-6934		-	Mono	HF	China				
HRS-5632		-	Mono	Lipoprotein disorders	China				
HRS-9057		-	Mono	Fluid retention due to HF	China				
HRS-1301		-	Mono	HL	China				
SHR-4658	-	Mono	HF	China					

Note:

* The list is non-exhaustive

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		Drug Name/ Code	Target(s)	Mono/Combo	Indication(s)	Phase I	Phase II	Phase III	NDA/BLA	
Immunological and Respiratory Diseases	Immunological	SHR-1819	IL-4R α	Mono	AD	China				
				Mono	PN	China				
				Mono	CSU	China				
				Mono	Allergic rhinitis	China				
				Mono	AD in children and adolescents	China				
				Mono	AD (healthy volunteers)	China, AU				
		HRS-5965	Factor B	Mono	Anti-C5 naïve PNH	China				
				Mono	Anti-C5 treated PNH	China				
				Mono	IgAN	China				
				Mono						
	RSS0393	-	Mono	PsO	China					
	SHR-1139	-	Mono	PsO	China					
	Respiratory	HRS-7085	-	Mono	IBD	China				
				Mono	IBD (healthy volunteers)	AU				
		SHR-2173	-	Mono	SLE	China				
		SHR-3045	-	Mono	RA	China				
		SHR-1703	IL-5	Mono	EGPA	China				
				Mono	Eosinophilic asthma	China				
	SHR-1905	TSLP	Mono	Asthma	China					
			Mono	CRSwNP	China					
Mono			COPD	China						
Mono			Asthma (healthy volunteers)	AU						
HRS-9821	PDE3/4	Mono	COPD	China						
RSS0343	-	Mono	NCFB	China						
SHR-4597	-	Mono	Asthma	China						
HRS-9813	-	Mono	IPF	China						
		Mono	ILD	China						
		Mono	PPF	China						
Neuroscience	SHR-1707	A β	Mono	Alzheimer's Disease	China					
			Mono	Alzheimer's Disease	AU					
	HRS8179	SUR1	Mono	Cerebral edema associated with LHI	China					
	HRS-9231	-	Mono	Brain / body MRI contrast	China					
			Mono	MRI contrast	AU					
	HRS-7450	-	Mono	AIS	China					
	HRS-2129	-	Mono	Pain management	China					
	HRS-4029	-	Mono	AIS	China					
HRS-9190	-	Mono	Skeletal muscle relaxation during induction and maintenance of general anesthesia	China						
Others	SHR8058	Perfluorohexyl octane	Mono	DED associated with MGD	China					
	HRS-8427	Cefiderocol derivatives	Mono	Complicated UTI	China					
			Mono	Pulmonary infection	China					
	SHR7280	GnRH	Mono	COH in ART	China					
	HRS5580	NK1	Mono	Prevention of PONV	China					
	HRS9432	Anidulafungin derivatives	Mono	Candidemia or invasive candidiasis	China					
	HRS-5635	HBV siRNA	Mono	CHB	China					
	HRS-2183	-	Mono	Serious infection caused by gram-negative bacteria	China					

Note:

* The list is non-exhaustive

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In addition to NME drugs, as of the Latest Practicable Date, we had commercialized four other innovative drugs and developed seven other innovative drug candidates to clinical or later stages of development. These other innovative drugs and drug candidates either contain a new active ingredient other than an NME, or are in a new dosage form of an approved or marketed active ingredient. For example, in December 2023, the NMPA approved our abiraterone acetate tablets (II) (Iregi®) as a new dosage form with prednisone or prednisolone for the treatment of mCRPC and mHSPC. This drug was the first abiraterone acetate nanocrystal preparation approved by the NMPA, according to Frost & Sullivan. It comes with significantly improved bioavailability and mitigates the impact of dietary intake, compared with traditional formulations, thereby improving patient medication adherence. In the same month, the NMPA approved our irinotecan hydrochloride liposomal injection (II) as a new dosage form which, in combination with fluorouracil and leucovorin, is indicated for the treatment of patients with unresectable locally advanced or metastatic pancreatic cancer who failed gemcitabine-based chemotherapy. The clinical study for this drug was the first in the field of pancreatic cancer in China, according to Frost & Sullivan.

Based mainly on the clinical development progress of our product candidates as of the Latest Practicable Date and our industry experience, we currently expect to obtain 47 NDA/BLA approvals from the NMPA for our innovative drugs and drug candidates (including indication expansions) from 2025 to 2027, including approximately 11, 13, and 23 NDA/BLA approvals in 2025, 2026 and 2027, respectively. However, actual results are subject to uncertainties and may differ from these projections (including the forward-looking statements for specific products and product candidates discussed below) due to various factors out of our control, including our clinical trial progress, regulatory approval progress, and regulatory changes. Forward-looking statements involve inherent risks and uncertainties, all of which are difficult or impossible to predict accurately. See “Risk Factors—Risks Related to the Global Offering—Forward-looking statements contained in this prospectus are subject to risks and uncertainties” for more information.

Furthermore, as of the Latest Practicable Date, we had 93 commercialized generic drugs, including 55 first-to-market generic drugs approved in China and around the globe. For example, our butorphanol tartrate injection (for pain management) and ioversol injection (for contrast imaging) were both first-to-market generic products approved by the NMPA. We also obtained U.S. FDA approval of three ANDAs for our first-to-market generics in 2024. For example, in October 2024, the U.S. FDA approved our paclitaxel for injection (albumin-bound) as chemotherapy, which was a first-to-market generic product approved by the U.S. FDA.

We regard our “major pharmaceutical products” as those that accounted for more than 10% of our revenue or gross profit or were our top five products in terms of revenue or gross profit for any year during the Track Record Period. Our major pharmaceutical products included products that were our top five products in terms of revenue or gross profit for any year during the Track Record Period, which consist of five innovative drugs (herombopag, camrelizumab, pyrotinib, mecapegfilgrastim and rezvilutamide) and two generic drugs (ioversol and butorphanol).

Oncology

The global oncology pharmaceutical market reached US\$228.9 billion in 2023, and is expected to further increase at a CAGR of 9.5% from 2023 to US\$360.6 billion in 2028. China's oncology pharmaceutical market reached RMB241.6 billion in 2023, and is expected to further increase at a CAGR of 13.2% from 2023 to RMB448.4 billion in 2028. The unmet medical needs in oncology require the evolution of cancer treatment.

We have established a comprehensive toolkit that enables us to develop high-quality oncology drugs in diverse modalities, covering essential cancer types in China. The breadth of our portfolio maximizes the potential of combination therapies, allowing us to explore regimens that provide meaningful improvements, in particular, on patients' progression-free survival and overall survival, over the current standard of care. We also offer holistic supportive care across the cancer continuum from diagnosis to treatment and prognosis. For example, we offer therapies indicated for the prevention and management of adverse effects during cancer treatment, such as chemotherapy-induced neutropenia, thrombocytopenia, and nausea and vomiting. We aim to improve the patients' quality of life.

Our continued progress in novel cancer therapies and innovation efforts are best exemplified by the following product clusters.

Immuno-oncology Drugs

Immunotherapy is a proven method used for the treatment of cancer by regulating anti-tumor immune responses. However, tumor cells escape immune detection by developing immunological tolerance through many pathways, including the upregulation of immunological checkpoint molecules such as PD-1 and PD-L1. As part of our cancer immunotherapies, we have commercialized camrelizumab, a novel anti-PD-1 antibody, and adebrelimab, a novel anti-PD-L1 antibody. For details, see “—Major Commercialized Products—Camrelizumab (AiRuiKa®) (卡瑞利珠单抗(艾瑞卡®))” and “—Major Commercialized Products—Adebrelimab (AiRuiLi®) (阿得貝利單抗(艾瑞利®)).”

Additionally, we have developed a series of next-generation immuno-checkpoint modulator candidates, such as retlirafusp alfa (SHR-1701), a PD-L1/TGF- β bifunctional fusion protein, and our anti-DLL3/CD3 bispecific antibody. For details, see “—Major Product Candidates—Retlirafusp alfa (SHR-1701)” and “—Major Product Candidates—Anti-DLL3/CD3 Bispecific Antibody.”

ADC Drugs

ADC is an innovative biologics drug modality consisting of a biologic component (*i.e.*, the antibody) attached to a small molecule drug (*i.e.*, the cytotoxic payload) via a specifically designed linker. We have established HRMAP, our proprietary ADC platform. It encompasses

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payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability. The following are descriptions of the development status of some of our ADC drugs as of the Latest Practicable Date:

- *Trastuzumab rezetecan (SHR-A1811)*, a HER2 ADC with best-in-class potential. Compared to other HER2 ADCs, trastuzumab rezetecan potentially has good efficacy and better safety profiles. Trastuzumab rezetecan was under a priority NDA/BLA review by the NMPA for the treatment of locally advanced or metastatic HER2 mutant NSCLC adult patients who previously received at least one prior line of systemic therapy. Trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for eight indications, which were the most among all clinical-stage drug candidates in China as of the Latest Practicable Date, according to Frost & Sullivan.
- *SHR-A2102*, a Nectin-4 ADC with best-in-class potential. We were conducting a Phase III clinical study of SHR-A2102 versus an investigator-selected therapy in locally advanced or metastatic urothelial carcinoma previously treated with platinum-containing chemotherapy and anti-PD-(L)1 antibodies with or without ADC. It had received a breakthrough therapy designation from the NMPA and a fast track designation from the U.S. FDA.
- *SHR-1826*, a c-Met ADC. We were conducting a Phase Ib/II clinical study of SHR-1826 in China to evaluate its safety, tolerability, and efficacy in combination with other anti-tumor agents in patients with advanced solid tumors. We were also conducting a Phase I clinical study of SHR-1826 in patients with advanced solid tumors.
- *SHR-A1904*, a CLDN18.2 ADC with best-in-class potential. We were conducting a Phase III clinical study to confirm SHR-A1904 as a second-line treatment for advanced or metastatic gastric or gastroesophageal junction adenocarcinoma. We were also conducting the phase Ib part of a Phase Ib/III clinical study to evaluate the efficacy and safety of SHR-A1904 in combination with other anti-cancer therapies for the treatment of advanced or metastatic gastric or gastroesophageal junction adenocarcinoma. In October 2023, we out-licensed an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China) to a fully owned subsidiary of MRKDG. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Strategic Collaboration and License Agreement with MRKDG and a Fully Owned Subsidiary of MRKDG.”
- *SHR-4849*, a DLL3 ADC. SHR-4849 has strong proliferation inhibitory activity against different tumor cell lines with high and medium expression of DLL3. It also exhibits a significant bystander effect, capable of killing DLL3 low-expressing cells by releasing toxins from the killing of DLL3 high-expressing cells. In May 2024, we obtained the IND approval from the NMPA for conducting a Phase I clinical study

of SHR-4849 for the treatment of advanced malignant solid tumors. In December 2024, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with IDEAYA Biosciences.”

- *SHR-A2009*, a HER3 ADC with best-in-class potential. SHR-A2009 potentially has better efficacy. We were conducting a Phase III clinical study of SHR-A2009 to confirm its efficacy compared to platinum-based chemotherapy in patients with EGFR mutant, advanced or metastatic NSCLC who have failed EGFR-TKI treatment. SHR-A2009 is expected to be approved by the NMPA in 2027 for the treatment of NSCLC. Separately, this drug candidate had received a fast track designation from the U.S. FDA.
- *SHR-A1912*, a CD79b ADC with best-in-class potential. We were conducting a Phase I clinical study of SHR-A1912 as a monotherapy, a Phase II clinical study of SHR-A1912 in combination therapy, and a Phase III clinical study of SHR-A1912 for the treatment of diffuse large B-cell lymphoma. SHR-A1912 had received a fast track designation from the U.S. FDA for the treatment of relapsed/refractory diffuse large B-cell lymphoma in patients who have previously received at least two lines of treatment.

ER- and CDK-Targeting Drugs

Hormone receptor-positive breast cancer accounts for approximately 60-70% of all breast cancer cases. In addition to our existing product matrix for the treatment of HER2-positive breast cancer, we take a holistic approach to developing potent breast cancer therapies by regulating both ER and CDK:

- *Regulating the expression of ERs.* We have developed HRS-2189, a novel KAT6-specific inhibitor. HRS-2189 regulates the expression of a variety of downstream oncogenes, including ER, by inhibiting the acetylation of histone lysine, thus enabling an anti-tumor effect.
- *Degrading expressed ERs.* We have developed the following drug candidates to degrade expressed estrogen receptors.
 - *HRS-8080*, a novel, oral, small molecule SERD. HRS-8080 degrades ER in a highly effective and selective manner. It exerts anti-tumor effects by lowering ER protein levels and thus downstream signals, thereby inhibiting tumor cell proliferation. The efficacy in treating breast cancer is improved when used in combination with dalpiciclib, our approved CDK4/6 inhibitor. In a Phase II clinical study, HRS-8080 in combination with dalpiciclib showed durable responses and a favorable safety profile.

BUSINESS

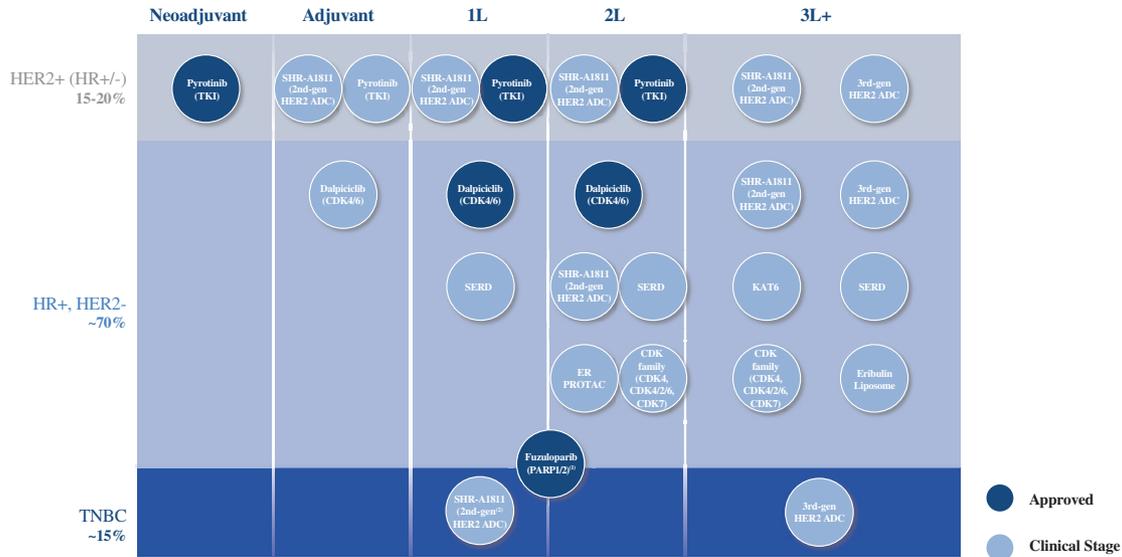
- *HRS-1358*, a novel, oral, small molecule ER PROTAC that elicits ER degradation. HRS-1358 potently and selectively degrades ER protein levels and thus downstream signals, thereby inhibiting the proliferation of tumor cells and exerting anti-tumor effect. As of the Latest Practicable Date, we were conducting a Phase II clinical study of HRS-1358 in combination therapy for the treatment of breast cancer.
- *Blocking cell cycle progression induced by active ER signaling under tiered coverage.* We have commercialized dalpiciclib, a novel, orally available CDK4/6 inhibitor that targets cells with a dysregulated cell cycle.

Intrinsic and acquired resistance to CDK4/6 inhibitors and hematotoxicity of CDK6 inhibition remain major challenges in the medical community. Currently, treatment options for this patient group remain limited, including PI3K/mTORi, endocrine, and chemotherapies. In response, we have developed the following drug candidates.

- *Highly selective CDK4 inhibitor.* HRS-6209, a novel, highly efficient, highly selective CDK4 inhibitor. HRS-6209 potently inhibits CDK4/cyclin D complex and downstream signals, and induces tumor cell arrest at G1 phase, thus inhibiting tumor cell proliferation and exerting anti-tumor effects. Compared to a CDK4/6 inhibitor, the acceptable efficacy and lower toxicity profiles of a CDK4 inhibitor make it a suitable therapeutic option for patients who require a long-term treatment cycle. As of the Latest Practicable Date, we were conducting a Phase I clinical study of HRS-6209 as monotherapy for the treatment of advanced solid tumor and a Phase Ib/II clinical study of HRS-6209 in combination therapy for the treatment of breast cancer.
- *CDK7 inhibitor.* We are developing a novel, highly potent and highly selective CDK7 inhibitor. It blocks CDK7-mediated oncogenic effects on the cell cycle through the phosphorylation of other CDKs, and transcription initiation by phosphorylating RNA polymerase II. Cell growth inhibition studies showed its broad activity against a wide range of tumor cell lines. Encouraging activity was also observed *in vivo*. As of the Latest Practicable Date, we were conducting a multicenter, open-label Phase I clinical study to evaluate its safety and tolerability in patients with advanced solid tumors.
- *CDK4/2/6 inhibitor.* We are developing a novel, small molecule CDK4/2/6 inhibitor, with well-balanced CDK4 and CDK2 inhibiting activities. Early translational research suggested that upregulating cyclin E overexpression, CDK2 hyperphosphorylation, and CDK6 overexpression are potential mechanisms that lead to CDK4/6 inhibitor resistance in breast cancer patients. It is hypothesized that these types of resistance might be overcome by the simultaneous inhibition of CDK2, CDK4 and CDK6. As of the Latest Practicable Date, we were conducting a Phase I clinical study to evaluate its safety, tolerability, and pharmacokinetics in patients with malignant solid tumors.

BUSINESS

We have developed a broad drug portfolio covering nearly all segments of breast cancer subtypes, through therapeutic options with renovating MOAs to address significant unmet medical needs, such as ADCs, PARP inhibitors, TKIs, CDK inhibitors, and PROTACs, summarized in the diagram below.



Abbreviations: 1L = first-line, 2L = second-line, 3L+ = third-line or later, HER2+ = human epidermal growth factor receptor 2-positive, HER2- = human epidermal growth factor receptor 2-negative, HR+/- = hormone receptor positive/negative, HR+ = hormone receptor positive, TNBC = triple-negative breast cancer

Notes:

* The horizontal axis represents the lines of treatment provided by our relevant products or product candidates included in the bubbles. The vertical axis represents three major subtypes of breast cancer and their respective incidence.

- (1) BRCA (i.e., BReast CAncer gene) mutation, applicable to 1/2L HER2-breast cancer.
- (2) In combination with PD-L1 (adebrelimab).

Source: Company data

RAS-Targeting Agents

RAS is one of the most important oncogenes. The RAS signaling pathway is involved in many important cellular processes such as cell proliferation and survival, differentiation, apoptosis, cytoskeletal movement, protein transport, and secretion. RAS has three different isoforms: KRAS, NRAS, and HRAS, among which KRAS mutations occur in approximately 85% of the cancers with RAS alterations.

BUSINESS

According to Frost & Sullivan, RAS pathway mutations are implicated in approximately 20% of the total solid tumor incidence globally. In 2023, globally, there were approximately 4.2 million new cancer cases with RAS mutations, including approximately 1.0 million in China. Mutant KRAS (mKRAS), in particular, drives 25% of solid tumors including non-small cell lung cancer (NSCLC), pancreatic ductal adenocarcinoma (PDAC), and colorectal cancer (CRC), which makes KRAS a promising cancer drug target. The dominant oncogenic mutations of KRAS occur at the codon 12 position, in particular G12D, G12V, and G12C. KRAS has long been considered a challenging therapeutic target. Currently approved KRAS-targeted therapies have shown proof of efficacy; however, their duration of response is relatively short.

We have strategically developed a cluster of innovative drugs targeting the KRAS family.

- *KRAS G12C inhibitor.* As of the Latest Practicable Date, worldwide, four KRAS G12C inhibitors had been approved to treat patients with advanced NSCLC harboring KRAS G12C mutations, according to Frost & Sullivan. However, due to intrinsic or acquired resistance caused by cellular, molecular, and genetic mechanisms, challenges remain in prolonging patients' response to the KRAS G12C inhibitor therapy.

HRS-7058 is a novel, potent, highly selective, next-generation KRAS G12C inhibitor for the treatment of patients with advanced solid tumors harboring KRAS G12C mutations. HRS-7058 is designed to inhibit both active and inactive forms of KRAS G12C. As of the Latest Practicable Date, we were conducting a Phase II clinical study and a Phase I clinical study of HRS-7058 for patients with advanced solid tumor with KRAS G12C mutations.

- *KRAS G12D inhibitor.* Compared to G12C, G12D is most commonly seen in PDAC, a dismal disease with an average 5-year survival rate of 12% due to difficulties in early diagnosis and the lack of effective treatments, according to Frost & Sullivan. As of the Latest Practicable Date, no KRAS G12D inhibitors had been approved worldwide, according to the same source.

HRS-4642 is a novel, potent, long-acting, and highly selective KRAS G12D inhibitor in liposomal injectable form, with first-in-class potential. HRS-4642 was the first inhibitor targeting KRAS G12D to have reported clinical data globally, according to Frost & Sullivan. In addition, we seek to develop next-generation KRAS G12D inhibitors in orally available formulation.

Major Commercialized Products

Camrelizumab (AiRuiKa®) (卡瑞利珠单抗(艾瑞卡®))

Camrelizumab is a novel anti-PD-1 antibody.

Camrelizumab specifically binds to PD-1, blocking interactions of PD-1 with its ligands. This allows T lymphocyte cells to restore immune response to tumors. After administration, camrelizumab rapidly occupies a large quantity of PD-1 receptors, and it maintains a high level of occupancy. Clinical studies have demonstrated that receptor occupancy continues to exceed 95%, 22 days after the administration of camrelizumab. In addition, camrelizumab has a relatively short half-life, which reduces autoimmune adverse events and facilitates recovery from such events.

Notably, camrelizumab was given in combination with apatinib in a randomized, open-label, international Phase III CARES-310 clinical study, where a total of 543 patients with unresectable or metastatic HCC who had not previously received systemic therapy were included. The clinical study was conducted at 95 trial sites across 13 countries and regions worldwide. In a head-to-head comparison, camrelizumab given in combination with apatinib significantly prolonged the overall survival (OS) and the progression-free survival (PFS), and increased the objective response rate (ORR) as compared with sorafenib, a standard first-line treatment for uHCC, as illustrated in the figure below.

	camrelizumab plus apatinib (n = 272)	sorafenib (n = 271)
median OS (95% CI)	23.8 months (20.6-27.2)	15.2 months (13.2-18.5)
median PFS (95% CI)	5.6 months (5.5-7.4)	3.7 months (3.1-3.7)
ORR (95% CI)	26.8 (21.7-32.5)	5.9 (3.4-9.4)

Source: Journal of Clinical Oncology 2024, Volume 42, Number 16 suppl, 4110-4110

The mOS of 23.8 months was the longest among all first-line therapies for uHCC with published clinical study results as of the Latest Practicable Date, according to Frost & Sullivan. The interim results of this Phase III clinical study were published in *The Lancet*, marking it the first such publication for the global Phase III clinical study led by Chinese clinical investigators in oncology.

Five competing anti-PD-1 antibodies, toripalimab, sintilimab, tislelizumab, zimberelimab and enlonstobart had been approved by the NMPA and included in the NRDL as of the Latest Practicable Date. As of the same date, camrelizumab in combination with apatinib was the only successful “immunology in combination with TKI” treatment for unresectable and metastatic HCC in China, according to Frost & Sullivan. As of the same date, camrelizumab was an anti-PD-1 antibody approved by the NMPA as a first-line treatment for lung cancer, esophageal cancer, and nasopharyngeal carcinoma, according to the same source.

BUSINESS

Camrelizumab received two breakthrough therapy designations from the NMPA in 2020 and 2022, respectively. As of the Latest Practicable Date, camrelizumab had been approved by the NMPA for the treatment of nine indications across various tumor types, all of which had been included in China's NRDL. In addition, in April 2021 and July 2024, respectively, the U.S. FDA and the EMA granted orphan drug designations to camrelizumab as a first-line treatment for advanced HCC.

In terms of indication expansion, in December 2023, the NDA/BLA of camrelizumab in combination with famitinib was accepted by the NMPA for the treatment of patients with relapsed or metastatic cervical cancer that have previously been treated with platinum-based chemotherapy. This combination therapy is expected to be approved by the NMPA in 2026 as first-line and second-line treatments for cervical cancer.

As of the Latest Practicable Date, camrelizumab and apatinib had been recommended by several guidelines published by the NHC and the Chinese Society of Clinical Oncology (CSCO).

Pyrotinib (AiRuiNi®) (吡咯替尼(艾瑞妮®))

Pyrotinib is a novel, irreversible, and selective EGFR/HER2/HER4 TKI.

The EGFR family, especially HER2, overexpression features prominently in breast cancer with a significant relation to poor prognosis. Pyrotinib effectively suppresses the growth of these tumor cells through covalent binding to the adenosine triphosphate binding site of the intracellular kinase domains of EGFR, HER2, and HER4. This MOA prevents the formation of homo/hetero-dimers of the EGFR family, inhibits autophosphorylation, and blocks the activation of downstream signaling pathways.

In August 2018, based on a pivotal Phase II clinical study, the NMPA authorized conditional approval of pyrotinib for the treatment of HER2-positive advanced or metastatic breast cancer in patients who had previously been treated with anthracycline or taxane chemotherapy. In 2020, pyrotinib received full approval from the NMPA. In 2022, pyrotinib in combination with trastuzumab and docetaxel was approved by the NMPA for the neoadjuvant treatment of HER2-positive early or locally-advanced breast cancer patients. In 2023, pyrotinib in combination with trastuzumab and docetaxel was further approved by the NMPA as a first-line treatment of HER2-positive patients with relapsed or metastatic breast cancer.

In its confirmatory Phase III clinical study, pyrotinib in combination with capecitabine achieved significantly prolonged mOS compared with lapatinib in combination with capecitabine for HER2-positive metastatic breast cancer (39.4 months versus 28.6 months). In another Phase III clinical study for first-line metastatic breast cancer patients, pyrotinib in combination with trastuzumab and docetaxel significantly prolonged the median PFS as compared with trastuzumab in combination with docetaxel (24.3 months versus 10.4 months). This median PFS of 24.3 months was the longest among all clinical studies of first-line

treatments of HER2-positive advanced breast cancer as of the Latest Practicable Date, according to Frost & Sullivan. Based on this positive result, pyrotinib received a breakthrough therapy designation from the NMPA in 2022.

Five competing drugs, lapatinib, afatinib, dacomitinib, neratinib and sunvozertinib, had been approved by the NMPA as of the Latest Practicable Date. Compared to these drugs, pyrotinib was (i) the first domestically developed innovative small molecule drug targeting HER2 to have been approved by the NMPA, (ii) the first small molecule drug as a neo-adjuvant treatment for breast cancer to have been approved by the NMPA, and (iii) the first therapy for solid tumors to have received conditional approval in China based on a Phase II clinical study, according to Frost & Sullivan.

As of the Latest Practicable Date, pyrotinib had been recommended by the NHC breast cancer guideline and CSCO guidelines for breast cancer and lung cancer.

In September 2020, we out-licensed the rights to develop and commercialize pyrotinib in South Korea to HLB Life Science. In October 2023, we further out-licensed the rights to develop and commercialize pyrotinib in India to Dr. Reddy's. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with HLB Life Science” and “—Collaboration and License Agreement with Dr. Reddy's.”

Rezvilutamide (AiRuiEn®) (瑞維魯胺(艾瑞恩®))

Rezvilutamide is a second-generation androgen receptor antagonist. In June 2022, rezvilutamide was approved by the NMPA for the treatment of high-volume metastatic hormone-sensitive prostate cancer (mHSPC).

An androgen receptor is a crucial protein involved in the progression of prostate cancer. At the core of rezvilutamide's mechanism is its ability to inhibit the androgen receptor. By blocking the binding of androgen to the androgen receptor, rezvilutamide prevents the subsequent translocation of the androgen receptor to the cell nucleus. This interruption halts the transcription of androgen-responsive genes, which is essential for the growth and survival of prostate cancer cells.

Compared to first-generation androgen receptor antagonists, rezvilutamide innovates on the molecular structure, offering a more favorable pharmacokinetic profile. It demonstrates high binding affinity to the androgen receptor, ensuring effective inhibition at lower dosages. Furthermore, given low blood-brain barrier penetration, the incidence of off-target central nervous system effects associated with rezvilutamide is lower as compared to other androgen receptor pathway inhibitors.

In a randomized, open-label Phase III CHART clinical study, rezvilutamide showed superior efficacy and improved safety profiles. The frequency of serious adverse events such as fatigue and rash caused by rezvilutamide were lower than bicalutamide in combination with ADT, and no seizure of any grade was reported among patients administered with rezvilutamide in this study.

Five competing drugs, bicalutamide, apalutamide, enzalutamide, abiraterone and darolutamide, had been approved by the NMPA as of the Latest Practicable Date. Compared to these drugs, rezvilutamide was the first domestically developed androgen receptor antagonist approved by the NMPA for the treatment of prostate cancer, according to Frost & Sullivan. As of the same date, rezvilutamide had been recommended by the CSCO prostate cancer treatment guideline.

Mecapegfilgrastim (AiDuo®) (硫培非格司亭(艾多®))

Mecapegfilgrastim is a novel, long-acting PEGylated recombinant granulocyte colony-stimulating factor (G-CSF) therapy.

In May 2018, mecapegfilgrastim was approved by the NMPA for reducing the incidence of infections manifesting as febrile neutropenia, when adult patients with non-myeloid malignancies receive myelosuppressive anti-cancer drugs that are likely to cause febrile neutropenia.

Mecapegfilgrastim uses innovative polyethylene-glycol-modified protein technology to introduce a thioether group between polyethylene glycol and G-CSF, making the structure safer and more reliable than short-acting G-CSF. In a randomized, multicenter, active-controlled Phase III clinical study, comparing mecapegfilgrastim with short-acting G-CSF, mecapegfilgrastim showed significantly better efficacy compared to short-acting G-CSF.

Prior to the approval of mecapegfilgrastim, filgrastim was the most widely used G-CSF in China for the prevention of chemotherapy-induced neutropenia. However, due to its relatively short half-life, daily filgrastim injections were required to stimulate neutrophil recovery. Three competing drugs, filgrastim, efgbemalenograstim alfa and telpegfilgrastim, had been approved by the NMPA as of the Latest Practicable Date. Compared to these drugs, mecapegfilgrastim was the only product in China that demonstrates efficacy superior to filgrastim as of the same date, according to Frost & Sullivan. In particular, the duration of grade ≥ 3 neutropenia was significantly shortened by 48%. Moreover, mecapegfilgrastim enables once-per-chemotherapy cycle injection, rather than daily injection, contributing to a relatively high medication adherence.

BUSINESS

Dalpiciclib (AiRuiKang®) (達爾西利(艾瑞康®))

Dalpiciclib is a novel, orally-administered, selective inhibitor targeting cyclin-dependent kinase 4 and 6 (CDK4/6).

In December 2021, dalpiciclib was approved by the NMPA for the treatment of relapsed or metastatic HR-positive/HER2-negative breast cancer following progression after an endocrine therapy. In June 2023, dalpiciclib in combination with letrozole or anastrozole was approved by the NMPA as a first-line treatment for locally-advanced and metastatic HR-positive/HER2-negative breast cancer.

CDK4/6 inhibitors prevent the G1-to-S phase transition, induce cell-cycle arrest of tumor cells, and selectively inhibit the proliferation of tumor cells with high expression of retinoblastoma protein (Rb). The expression of Rb is found to be highly prevalent in breast cancers, the inhibition of which is critical to the success of CDK4/6 inhibitor therapy.

Dalpiciclib was the first domestically developed innovative CDK4/6 inhibitor approved in China, according to Frost & Sullivan. As of the Latest Practicable Date, dalpiciclib had been recommended by the CSCO breast cancer treatment guideline.

As of the Latest Practicable Date, our Phase III clinical study for dalpiciclib as an adjuvant therapy for HR-positive/HER2-negative breast cancer had reached the primary endpoint. With a sample size of over 5,000 participants, it was the largest tumor registrational study initiated by a Chinese pharmaceutical company as of the Latest Practicable Date, according to Frost & Sullivan. According to the first interim analysis, dalpiciclib in combination with endocrine therapy significantly reduced the risk of recurrence and improves patients' invasive disease-free survival (IDFS) compared to placebo in combination with endocrine therapy. In May 2025, our NDA for dalpiciclib for this indication was accepted by the NMPA, which is expected to be approved in 2026. Moreover, as of the same date, we were conducting a Phase Ib/II clinical study to evaluate the safety and efficacy of dalpiciclib in combination with our HRS-8080 (SERD) for the treatment of ER-positive, HER2-negative unresectable or metastatic breast cancer.

Adebrelimab (AiRuiLi®) (阿得貝利單抗(艾瑞利®))

Adebrelimab is a novel anti-PD-L1 antibody.

In February 2023, adebrelimab in combination with carboplatin and etoposide was approved by the NMPA as a first-line treatment for extensive-stage small cell lung cancer (ES-SCLC). Adebrelimab relieves PD-L1-mediated immune suppression and enhances the function of cytotoxic T cells, enabling it to function as a backbone component in various combination therapies.

BUSINESS

As of the Latest Practicable Date, adebrelimab had been recommended by the CSCO guidelines for treatment of lung cancer. As of the same date, we were conducting several clinical studies in China to further expand the spectrum of combination therapies using adebrelimab, including in combination with SHR-8068 (an anti-CTLA-4 antibody), ADC drugs and RAS-targeting agents. Adebrelimab is expected to be approved by the NMPA for the treatment of resectable NSCLC in 2026.

Herombopag (HengQu®) (海曲泊帕(恒曲®))

Herombopag is an orally available, small molecule, non-peptide thrombopoietin receptor (TPO-R) agonist for the treatment of thrombocytopenia (TP) and severe aplastic anemia (SAA). In June 2021, herombopag was approved by the NMPA as second-line treatment for primary immune thrombocytopenia (ITP) and SAA in adults.

Thrombopoietin (TPO) and its receptor TPO-R are the primary regulators of platelet production. Herombopag selectively binds to the transmembrane region of the TPO-R, which, by activating certain signaling pathways, stimulates the proliferation and differentiation of megakaryocytes and promotes platelet production.

Herombopag has demonstrated efficacy in increasing platelet counts, and it is well tolerated with a manageable safety profile. Clinical studies of herombopag demonstrated that patients' platelet counts began to increase within one week of administration, and platelet levels remained above baseline values 18 days after finishing the treatment. Additionally, the incidence of hepatotoxicity and treatment-related adverse reactions was significantly lower than that of competing products for the treatment of these conditions.

Three competing drugs, eltrombopag, avatrombopag and lusutrombopag, had been approved by the NMPA as of the Latest Practicable Date. Compared to these drugs, herombopag was the first domestically developed TPO-R agonist approved by the NMPA for the treatment of both SAA and ITP in China, and the oral, small molecule TPO-R agonist with the largest number of indications approved globally, according to Frost & Sullivan. As of the Latest Practicable Date, herombopag was the only small molecule TPO-R agonist classified with a Level II recommendation for the treatment and secondary prevention of the cancer treatment-induced TP (CTIT) in the *CSCO Guidelines for the Diagnosis and Treatment of CTIT (2023 Edition)*.

Herombopag is expected to be approved by the NMPA for the treatment of chemotherapy-induced thrombocytopenia, aplastic anemia, and children with immune thrombocytopenia in 2026, and for the treatment of chronic liver disease with thrombocytopenia in 2027.

Major Product Candidates***Trastuzumab rezetecan (SHR-A1811)***

Trastuzumab rezetecan, also known as SHR-A1811, is a HER2 ADC with best-in-class potential. It is composed of (i) trastuzumab, an anti-HER2 antibody, (ii) a cleavable linker, and (iii) a novel topoisomerase I inhibitor (TOP1i) payload (*i.e.*, SHR9265).

SHR9265 is an optimized exatecan derivative with high membrane permeability, potent cell-killing efficacy, and an enhanced safety profile. Trastuzumab rezetecan has an optimized drug-to-antibody ratio of 6 and has shown HER2-dependent growth inhibition. Furthermore, it exhibits superior bystander effect, or the ability to induce cell death in neighboring, antigen-negative cancer cells through the release of cytotoxic agents. In a global Phase I clinical study, it demonstrated an ORR of 76.3% in patients with HER2-positive breast cancer and an ORR of 60.4% in patients with HER2 low-expressing breast cancer. In addition, the incidence of interstitial lung diseases (ILD), a key safety indicator, was as low as 2.6% among patients dosed with trastuzumab rezetecan in the same study.

As of the Latest Practicable Date, trastuzumab rezetecan was under a priority NDA/BLA review by the NMPA for the treatment of locally advanced or metastatic HER2-mutant NSCLC adult patients who previously received at least one prior line of systemic therapy. As of the same date, trastuzumab rezetecan had received breakthrough therapy designations from the NMPA for eight indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan. These eight indications include lung cancer, breast cancer, colorectal cancer, gastric or gastroesophageal junction adenocarcinoma, bile duct cancer, ovarian cancer, and cervical cancer.

We expect to obtain one NDA/BLA approval from the NMPA for trastuzumab rezetecan in 2025 for the treatment of NSCLC, two NDA/BLA approvals from the NMPA for it in 2026 and 2027 for the treatment of breast cancer, and one additional NDA/BLA approval from the NMPA for it in 2027 for the treatment of colorectal cancer.

SHR-A1904

SHR-A1904 is a CLDN18.2 ADC with best-in-class potential. SHR-A1904 is composed of (i) an anti-CLDN18.2 antibody, (ii) a cleavable linker, and (iii) a TOP1i payload (*i.e.*, SHR9265). CLDN18.2 is a tight junction protein and isoform of Claudin 18 that is expressed on a variety of tumor cells. CLDN18.2 is observed in a large fraction of gastric cancers. Approximately 70%-80% of gastric cancer patients exhibit expression of CLDN18.2 in their cancer tissue. In addition, CLDN18.2 is aberrantly expressed in a variety of epithelial solid tumors, including pancreatic, esophageal, ovarian, and lung tumors. SHR-A1904 specifically targets and binds to CLDN18.2 expressed on tumor cells. Upon binding and internalization, the cytotoxic agent is released and kills the CLDN18.2-expressing cancer cells.

BUSINESS

In October 2024, we initiated a Phase III clinical study to confirm SHR-A1904 as a second-line treatment for advanced or metastatic gastric or gastroesophageal junction adenocarcinoma.

We have completed a Phase I clinical study in China to evaluate the safety, tolerability, pharmacokinetics, and efficacy of SHR-A1904 in patients with advanced solid tumors. Among patients who had a baseline assessment and at least one post-baseline assessment, ORR and disease control rate (DCR) were 55.6% and 88.9% at 6.0 mg/kg, respectively. As of the Latest Practicable Date, we were conducting a global Phase I/IIa clinical study to evaluate the safety, tolerability, pharmacokinetics, and efficacy of SHR-A1904 in patients with advanced solid tumors. As of the same date, we were conducting the phase Ib part of a Phase Ib/III clinical study to evaluate the efficacy and safety of SHR-A1904 in combination with other anti-cancer therapies for the treatment of advanced or metastatic gastric or gastroesophageal junction adenocarcinoma.

In October 2023, we out-licensed an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China) to a fully owned subsidiary of MRKDG. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Strategic Collaboration and License Agreement with MRKDG and a Fully Owned Subsidiary of MRKDG.”

HRS-1167

HRS-1167 is a next-generation highly-selective PARP1 inhibitor with best-in-class potential. In the past, we successfully developed and commercialized fuzuloparib, which was one of the six first-generation PARP inhibitors approved globally. Our extensive experience and in-depth know-how accumulated from our development of this first-generation PARP inhibitor enabled us to expedite our development of HRS-1167.

HRS-1167 exhibited higher selectivity over PARP1 and limited inhibition on PARP2 compared to multi-targeted PARP inhibitors. These features lead to higher efficacy and lower hematotoxicity.

As of the Latest Practicable Date, we were conducting Phase II clinical studies of HRS-1167 for the treatment of advanced prostate cancer and relapsed ovarian cancer. As of the same date, we were also conducting a Phase I clinical study of HRS-1167 for the treatment of advanced solid tumors.

Based on its robust preclinical and clinical data, we out-licensed to a fully owned subsidiary of MRKDG exclusive rights to develop, manufacture, and commercialize HRS-1167 worldwide (outside of mainland China). For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Strategic Collaboration and License Agreement with MRKDG and a Fully Owned Subsidiary of MRKDG.” HRS-1167 is currently being investigated with other anti-tumor therapies in global studies.

HRS-4642

HRS-4642 is a novel, potent, long-acting, and highly selective KRAS G12D inhibitor, with first-in-class potential. HRS-4642 uses our proprietary liposomal formulation, and has achieved targeted delivery and longer retention in tumor tissues, thus decreasing systemic toxicities.

As of the Latest Practicable Date, we were conducting Phase Ib/II clinical studies to evaluate the safety, tolerability, and efficacy of HRS-4642 in combination with anti-tumor agents in patients with advanced solid tumors harboring KRAS G12D mutations. HRS-4642 was the first inhibitor targeting KRAS G12D to have reported clinical data globally, according to Frost & Sullivan.

Retlirafusp alfa (SHR-1701)

Retlirafusp alfa, also known as SHR-1701, is a bifunctional fusion protein with first-in-class potential. It is composed of an anti-PD-L1 antibody fused to the extracellular domain of transforming growth factor beta (TGF- β) receptor II.

Retlirafusp alfa is designed to simultaneously block two immunosuppressive signaling pathways, offering a novel therapeutic approach to the treatment of advanced and metastatic cancers. TGF- β plays a critical role in tumor microenvironments. Activation of the TGF- β pathway not only promotes cancer invasiveness, migration, and metastasis, but also has nonredundant immunosuppressive functions compared with the PD-1/PD-L1 pathway. Blocking the TGF- β pathway may enhance T-cell activation and function, making tumors more susceptible to the effects of anti-PD-1/PD-L1 therapy.

Retlirafusp alfa is currently under NDA/BLA review by the NMPA as a first-line therapy for gastric or gastroesophageal junction adenocarcinoma, which is expected to be approved by the NMPA in 2026. As of the Latest Practicable Date, retlirafusp alfa was the most clinically advanced PD-L1/TGF- β bifunctional fusion protein globally, and the only PD-L1/TGF- β bifunctional fusion protein with published Phase III clinical study results for the treatment of advanced gastric cancer, according to Frost & Sullivan.

Additionally, we have out-licensed the exclusive rights to commercialize, develop, and manufacture retlirafusp alfa in South Korea to DONG-A ST, a pharmaceutical company in South Korea. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with DONG-A ST.”

SHR2554

SHR2554 is an oral, small molecule inhibitor exhibiting potent selectivity for enhancer of zeste homolog 2 (EZH2). EZH2 has an essential role in the development of certain lymphomas. SHR2554 effectively inhibits the enzymatic activity of EZH2.

BUSINESS

In a Phase I/II clinical study, SHR2554 monotherapy was shown to have achieved significant and clinically meaningful improvement in patients with relapsed or refractory peripheral T-cell lymphoma (PTCL). In January 2023, the NMPA granted a breakthrough therapy designation to SHR2554 for this indication. In October 2024, the NMPA designated SHR2554 for priority review with respect to its indication for treatment of relapsed or refractory PTCL that had previously received at least first-line systemic treatment. SHR2554 is expected to be approved by the NMPA for the treatment of PTCL in 2026.

We have out-licensed the exclusive rights to develop, commercialize, and manufacture SHR2554 worldwide (excluding the Greater China region) to Treeline Biosciences. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with Treeline Biosciences.”

Anti-DLL3/CD3 Bispecific Antibody

We are developing an anti-DLL3/CD3 bispecific antibody. It specifically binds to both the DLL3 protein and the CD3 protein, enriching CD3-positive T cells around tumor cells expressing the DLL3 antigen. This induces the activation of T cells, and enables them to exert targeted killing effects on tumor cells.

The CD3 binding affinity of this drug candidate was designed to be relatively low, which mitigates non-specific T-cell activation and reduces inflammatory cytokine production in periphery. As of the Latest Practicable Date, we were conducting a Phase I/II clinical study to evaluate its safety, tolerability, pharmacokinetics and efficacy in patients with advanced solid tumors.

HR20013

HR20013 is a mixed formulation of HRS5580 (a novel NK-1 receptor antagonist) and palonosetron (a 5-HT₃ antagonist) for intravenous infusion. In combination, these two drugs simultaneously inhibit NK-1 and 5-HT₃ pathways. Upon administration, HR20013 aims to suppress chemotherapy-induced nausea and vomiting, as well as nausea and vomiting caused by anti-tumor drugs during treatment that pose moderate emetic risk. Co-administration of multiple antiemetics that inhibit several molecular pathways involved in emesis is required to optimize control of highly emetogenic chemotherapy-induced nausea and vomiting.

In December 2023, our NDA application of injectable HR20013 was accepted by the NMPA for the treatment of patients with highly emetogenic chemotherapy-induced nausea and vomiting. HR20013 is expected to be approved by the NMPA for the treatment of highly emetogenic chemotherapy-induced nausea and vomiting in 2025, and for the treatment of nausea and vomiting caused by anti-tumor drugs that pose moderate emetic risk in 2027.

Anti-RANKL/NGF Bispecific Antibody

We are developing an IgG4 subtype bispecific antibody targeting receptor activator of NF- κ B ligand (RANKL) and nerve growth factor (NGF). The specific binding of anti-RANKL with RANKL blocks the interaction between RANKL and RANK, inhibits osteoclast formation, proliferation, and therefore inhibits bone resorption and enables bone protection; anti-NGF blocks the binding of NGF to the receptor and its pathway, inhibits pain signaling, and alleviates the pain of bone metastasis. This drug candidate is intended for the prevention of skeletal-related events in patients with bone metastases from solid tumors.

As of the Latest Practicable Date, we were conducting a Phase Ib clinical study to evaluate its safety, tolerability, pharmacokinetics, pharmacodynamic, and efficacy in patients with bone metastases from solid tumors.

Metabolic and Cardiovascular Diseases

The global metabolic and cardiovascular drug market reached US\$258.8 billion in 2023, and is expected to further increase at a CAGR of 5.5% from 2023 to US\$338.5 billion in 2028. China's metabolic and cardiovascular drug market reached RMB289.3 billion in 2023, and is expected to further increase at a CAGR of 7.4% from 2023 to RMB414.3 billion in 2028.

There has been growing demand for innovative treatments targeting the enormous weight management market, with unmet medical needs across six major areas, including efficacy, safety, dosing frequency, route of administration, lean mass and associated MAFLD (metabolic dysfunction-associated fatty liver disease)/MASH (metabolic dysfunction-associated steatohepatitis). We take a differentiated approach, seeking to build an innovative portfolio with distinct MOAs to address these unmet medical needs:

- HRS-7535 (GLP-1 receptor agonist) is a convenient oral solution, without inducing liver toxicity;
- HRS9531 (GLP-1 and GIP receptor dual agonist) can potentially offer superior weight reduction and reduce gastrointestinal-related adverse events; it is developed as both weekly injections and oral tablets; and
- HRS-4729 (GLP-1, GIP, and GCG receptor tri-agonist) is our drug candidate with a new MoA that we are still exploring, which has the potential to improve lipid metabolism. We are also investigating its potential application in obesity treatment.

BUSINESS

For details of these product candidates, see “—Major Product Candidates.”

The diagram below illustrates our main product offerings to address the significant unmet medical needs in the weight management market.



* At effective doses in Phase I and II clinical studies.

Abbreviations: QD = once daily; QW = once weekly; QM = once monthly; Q6M = once every six months; MAFLD = metabolic dysfunction-associated fatty liver disease; MASH = metabolic dysfunction-associated steatohepatitis

Source: Company data

Capitalizing on recent scientific insights, we have developed a robust pipeline of innovative drug candidates for the treatment of metabolic and cardiovascular diseases, such as a novel myosin inhibitor, a small molecule Lp(a) inhibitor, a novel allosteric modulator of the calcium-sensing receptor, and our anti-ANGPTL3 antibody. Furthermore, we have developed a portfolio of siRNA drug candidates, including an siRNA drug candidate targeting APOC3, and an siRNA drug candidate targeting AGT. With the capability of precise gene silencing and advancements in delivery systems, siRNA therapeutics reduce dosage frequency and improve patient compliance.

Major Commercialized Products***Retagliptin (RuiZeTang®) (瑞格列汀(瑞澤唐®))***

Retagliptin is a highly selective, orally-active dipeptidyl peptidase-4 (DPP-4) inhibitor. In June 2023, retagliptin was approved by the NMPA for the treatment of type 2 diabetes. By inhibiting DPP-4, retagliptin prolongs the action of Glucagon-like peptide-1 (GLP-1), which plays a crucial role in the regulation of glucose homeostasis, thereby enhancing glucose-stimulated insulin secretion and reducing blood glucose levels. In terms of the safety profile, retagliptin does not induce risks of weight gaining and hypoglycemia. Based on results of Phase III clinical studies, retagliptin (100 mg QD) as a monotherapy was found to reduce HbA1c (a measure of blood sugar levels over the preceding two to three months) of type 2 diabetes patients by 1.13%. In addition, retagliptin (50 mg BID) as an add-on therapy to metformin was found to reduce HbA1c of type 2 diabetes patients by 1.18%. Retagliptin offers a new therapeutic option for treating patients with type 2 diabetes and is generally well tolerated.

Henagliflozin (RuiQin®) (恒格列淨(瑞沁®))

Henagliflozin is a novel SGLT-2 inhibitor. In December 2021, henagliflozin was approved by the NMPA for the treatment of type 2 diabetes. In June 2024, henagliflozin in combination with metformin and retagliptin was approved by the NMPA for the treatment of type 2 diabetes.

SGLT-2 inhibitors lower blood glucose levels through inhibiting the reabsorption of glucose and sodium in the kidneys, thereby excreting glucose in urine and causing osmotic diuresis. It has demonstrated clinical efficacy in the reduction of HbA1c and fasting blood glucose. Due to SGLT-2 inhibitors' cardiovascular and renal benefits, they have shown promising efficacy in the treatment of patients with type 2 diabetes who have accompanying risk factors.

Based on results of Phase III clinical studies, henagliflozin (5 mg and 10 mg QD) exerted effective glycemic control, reduced body weight and blood pressure, and was generally well tolerated among patients with type 2 diabetes when dosing as monotherapy, add-on therapy to metformin and in combination therapy with metformin and retagliptin. After 24 weeks of treatment, henagliflozin monotherapy achieved a reduction in HbA1c of 0.91% compared to the placebo group (for similar drugs, the reduction ranged from 0.7% to 0.74%). Henagliflozin, adding on to metformin, saw a decrease in HbA1c of 0.76% compared to the placebo group (for similar drugs, the reduction ranged from 0.57% to 0.76%). In addition, the co-administration of henagliflozin and retagliptin and metformin was found to reduce HbA1c by 1.54%. Henagliflozin also demonstrated significant advantages in both its safety profile and patient tolerability, with lower rates of hypoglycemia and urinary tract infection, thus better satisfying patients' long-term medication needs as part of their chronic disease management.

Additionally, in December 2023, a fixed-dose combination of henagliflozin with a metformin sustained-release layer (恒格列淨二甲雙胍(RuiQinDa®(瑞沁達®))) was approved by the NMPA for the treatment of type 2 diabetes in conjunction with dietary control and exercise.

Henagliflozin was the first domestically developed novel SGLT-2 inhibitor approved by the NMPA, according to Frost & Sullivan. As of the Latest Practicable Date, henagliflozin had been recommended by several authoritative treatment guidelines and expert consensus.

Recaticimab (AiXinAn®) (瑞卡西單抗(艾心安®))

Recaticimab is an anti-PCSK9 antibody with best-in-class potential. In January 2025, recaticimab as an add-on therapy to statins or statins and other lipid-lowering therapies, on the basis of dietary control, was approved by the NMPA for the treatment of adult patients with primary hypercholesterolemia (including heterozygous familial and non-familial hypercholesterolemia) and mixed dyslipidemia who are unable to achieve low-density lipoprotein cholesterol (LDL-C) targets despite receiving moderate to high doses of statins. Recaticimab as a monotherapy was also approved by the NMPA for use among adult patients with non-familial hypercholesterolemia and mixed dyslipidemia to lower LDL-C, total cholesterol, and apolipoprotein B levels.

PCSK9, or proprotein convertase subtilisin/kexin type 9, plays a critical role in regulating cholesterol levels in the blood. PCSK9 inhibitors block the interaction of PCSK9 and the lipoprotein cholesterol receptor LDL receptor. This mechanism enhances LDL-C clearance from blood plasma by increasing hepatic expression of LDL receptors.

Compared to other anti-PCSK9 antibodies approved in China and globally, recaticimab, with a prolonged half-life, provides a novel therapeutic alternative with a dosing interval of up to every eight weeks. Recaticimab allows a flexible drug administration, including monthly and bi-monthly regimens. As the injection interval is extended, the treatment dosage increases proportionally. Without adding extra injection doses or economic burden on patients, recaticimab enables an improved patient compliance.

Major Product Candidates

HR17031

HR17031 is a once-daily, novel combination of basal insulin analog (insulin sudelidec, also known as INS068) and GLP-1 receptor agonist (noiiglutide, also known as SHR20004), with best-in-class potential.

BUSINESS

HR17031 has demonstrated promising efficacy and a favorable safety profile in a Phase II clinical study. When administered lower dosage, the efficacy of HR17031 for reducing blood glucose levels has been found to be superior to that of basal insulin. Additionally, HR17031 also reduces the risk of hypoglycemia and avoid adverse reactions such as weight gain associated with insulin therapy, providing benefits for patients with type 2 diabetes.

As of the Latest Practicable Date, HR17031 was under Phase III clinical studies. These clinical studies aim to confirm the efficacy and safety of HR17031 injectable solution with insulin glargine among type 2 diabetes patients with poor glycemic control. HR17031 is expected to be approved by the NMPA for the treatment of type 2 diabetes in 2027.

HRS-7535

HRS-7535 is a novel, oral, small molecule GLP-1 receptor agonist, which offers convenient drug administration benefits. HRS-7535 activates GLP-1 receptors to promote glucose-stimulated insulin secretion, reduce glucagon secretion, and inhibit gastric emptying. HRS-7535 also enhances satiety and suppresses appetite through central mechanisms, directly reducing energy intake, thereby helping to treat type 2 diabetes and reduce body weight.

In a Phase I clinical study, HRS-7535 exhibited a safety and tolerability profile consistent with other GLP-1R agonists and showed pharmacokinetics properties suitable for once-daily dosing.

As of the Latest Practicable Date, we had completed the first-patient-in for its Phase III clinical studies to confirm the efficacy and safety of HRS-7535 in adults with type 2 diabetes and for its Phase III clinical study on obesity treatment. As of the same date, we were also conducting a Phase II clinical study of HRS-7535 for patients with diabetic kidney disease. HRS-7535 is expected to be approved by the NMPA for the treatment of type 2 diabetes in 2027.

HRS9531

HRS9531 is a novel GLP-1 and GIP receptor dual agonist, with best-in-class potential. Regulating GLP-1 and GIP receptors promotes insulin secretion and suppress appetite, thereby helping to reduce weight and lower blood glucose levels. As of the Latest Practicable Date, HRS9531 had been formulated as (i) a once-weekly subcutaneous injection and (ii) a once-daily oral tablet.

In a Phase II clinical study, once-weekly subcutaneous injection of HRS9531 demonstrated that it effectively reduced body weight, blood glucose, blood pressure, and triglycerides in obese adults without diabetes, while demonstrating a favorable safety profile. The clinical results were presented at the 2024 ADA Annual Meeting. At week 24, changes from baseline in body weight were up to -16.8% (placebo: -0.1%). The proportion of participants achieving body weight reduction of at least 5% were up to 92% (placebo: 10.2%).

BUSINESS

In another Phase II clinical study on patients with type 2 diabetes, HRS9531 demonstrated that it effectively reduced blood glucose, blood pressure, body weight, while maintaining a favorable safety profile. The clinical results were presented at the 2024 European Association for the Study of Diabetes Annual Meeting. At week 20, changes from baseline in HbA1c were up to -2.7% (placebo: -0.3%). The proportion of patients achieving a target of HbA1c <7.0% and HbA1c <6.5% were up to 90.2% (placebo: 12.8%), and 90.0% (placebo: 2.6%), respectively. Mean percentage changes in body weight reductions from baseline to week 20 were up to -7.1% (placebo: -0.6%).

As of the Latest Practicable Date, we were conducting Phase III clinical studies in overweight/obese participants and patients with type 2 diabetes to confirm efficacy and safety of HRS9531. In addition, as of the same date, we were conducting Phase II clinical studies of HRS9531 for the treatment of other obesity related indications, such as obstructive sleep apnea (OSA), polycystic ovary syndrome (PCOS), and heart failure with preserved ejection fraction (HFpEF). HRS9531 is expected to be approved by the NMPA for the treatment of overweight or obesity and type 2 diabetes in 2027.

With respect to the oral formulation of HRS9531, we were conducting a Phase II clinical study to evaluate the efficacy and safety of HRS9531 in obese subjects as of the Latest Practicable Date.

HRS-4729

HRS-4729 is a GLP-1, GIP, and GCG receptor tri-agonist formulated as a long-acting injectable peptide.

By activating multiple targets, HRS-4729 improves the secretion of insulin, while controlling blood glucose, food intake and body weight. As of the Latest Practicable Date, there were no approved GLP-1/GIP/GCG receptor tri-agonists globally, according to Frost & Sullivan.

In December 2024, we obtained the IND approval of HRS-4729 from the NMPA. In May 2024, we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary GLP-1 drug candidates, HRS-7535, HRS9531, and HRS-4729, worldwide (excluding the Greater China region). For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with Kailera Therapeutics.”

HRS-1893

HRS-1893 is a novel myosin inhibitor for the treatment of hypertrophic cardiomyopathy and related heart failure. HRS-1893 potentially offers a superior efficacy profile in reducing obstructive symptoms among target patients and a superior safety profile in preventing or reducing adverse events due to decreased contractility. As of the Latest Practicable Date, we

were conducting a Phase II clinical study to evaluate the efficacy and safety of HRS-1893 in the treatment of obstructive hypertrophic cardiomyopathy. As of the same date, we were also conducting a Phase II clinical study of HRS-1893 for patients with nonobstructive hypertrophic cardiomyopathy (HCM).

HRS-5346

HRS-5346 is an oral, small molecule inhibitor targeting Lp(a). HRS-5346 exhibits the potential in preventing the risk of atherosclerotic cardiovascular diseases by potently lowering Lp(a). Oral administration is also expected to provide patients with greater convenience. As of the Latest Practicable Date, we were conducting a Phase II clinical study to evaluate the efficacy and safety of HRS-5346 for the treatment of adults with elevated Lp(a) at high risk for cardiovascular events.

SHR6508

SHR6508 is a novel allosteric modulator of the calcium-sensing receptor for the treatment of hemodialysis patients with secondary hyperparathyroidism. The calcium-sensing receptor functions to monitor and control calcium levels by releasing parathyroid hormone (PTH) that controls calcium levels in the blood. With enhanced sensitivity to calcium ions, upon administration, SHR6508 may reduce PTH secretion among hemodialysis patients with secondary hyperparathyroidism.

SHR6508 is given intravenously to potentially improve patient compliance and reduce gastrointestinal adverse events. As of the Latest Practicable Date, we were conducting a randomized, double-blinded, double-dummy, multicenter Phase III clinical study for SHR6508 to confirm its efficacy and safety in hemodialysis patients with secondary hyperparathyroidism.

SHR-2004

SHR-2004 injection is an anti-Factor XI (FXI) antibody for the prevention and treatment of arterial and venous thrombosis. FXI is an important component of the intrinsic coagulation pathway which contributes to thrombosis development while plays a relatively limited role in normal hemostasis. SHR-2004 inhibits the activation of FXI by FXIIa with high affinity, leading to the prolongation of activated partial thromboplastin time (APTT) and the reduction of thrombus formation with reduced bleeding risk.

As of the Latest Practicable Date, we were conducting a Phase III clinical study for SHR-2004 to confirm its efficacy and safety for the prevention of venous thromboembolism (VTE) after total knee arthroplasty (TKA). As of the same date, we were conducting a multicenter Phase II clinical study of SHR-2004 for the prevention of VTE after surgery for ovarian cancer. SHR-2004 is expected to be approved by the NMPA for the prevention of VTE after surgery in 2027.

siRNA Drug Candidate Targeting APOC3

We are developing an siRNA drug candidate targeting APOC3, which inhibits the expression of APOC3 protein through RNA interference. It effectively reduces triglycerides and thereby reduces the risk of ASCVD in patients with hypertriglyceridemia. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

siRNA Drug Candidate Targeting AGT

We are developing an siRNA drug candidate targeting AGT. AGT is a promising new target for the treatment of resistant hypertension. The AGT gene encodes a protein that is a precursor to angiotensin II, a potent vasoconstrictor that plays a critical role in the regulation of blood pressure. This drug candidate aims to improve patient compliance, reduce blood pressure fluctuations, and reduce the incidence of adverse reactions of traditional antihypertension drugs while ensuring effective blood pressure reduction. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate.

Immunological and Respiratory Diseases

The global immunological and respiratory drug market reached US\$228.3 billion in 2023, and is expected to further increase at a CAGR of 5.2% from 2023 to US\$294.6 billion in 2028. China's immunological and respiratory drug market reached RMB109.0 billion in 2023, and is expected to further increase at a CAGR of 13.4% from 2023 to RMB204.4 billion in 2028.

Innovative drugs with extended half-lives, improved patient accessibility, higher adherence, and optimized safety profile are expected to be future growth drivers in the immunological and respiratory drug market. In line with this trend, we leverage different MOAs to deliver a comprehensive and science-driven solution for immunological and respiratory diseases.

Major Commercialized Products

Vunakizumab (AnDaJing®) (夫那奇珠單抗(安達靜®))

Vunakizumab is a subcutaneous (SC) recombinant anti-IL-17A antibody. In August 2024, vunakizumab was approved by the NMPA for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic treatment or phototherapy. In addition, in April 2025, vunakizumab was approved by the NMPA for the treatment of adult patients with active ankylosing spondylitis who showed inadequate efficacy in conventional therapies.

Vunakizumab is composed of a 0.8% mouse component, retains 6 CDR regions from the mouse, and has an innovative binding epitope to ensure high affinity for IL-17A. It accurately combines with IL-17A and effectively blocks the IL-17 pathway. At the same time, its lower mouse-derived components reduce potential immunogenicity. This MOA benefits the systemic treatment of autoimmune diseases related to the IL-17 pathway, including psoriasis, ankylosing

spondylitis, and psoriatic arthritis. Vunakizumab exhibited high IL-17A affinity and strong inhibition of IL-17A/IL-17R interaction. In addition, the clinical response with vunakizumab was fast onset, with a mean percentage reduction in PASI of >50% by week 2 and 56.6% of subjects reaching PASI 75 response by week 4.

Vunakizumab was the first domestically developed anti-IL-17A antibody approved by the NMPA, according to Frost & Sullivan.

Ivarmacitinib (AiSuDa®) (艾瑪昔替尼(艾速達®))

Ivarmacitinib is an orally administered, highly selective JAK1 inhibitor, exhibits potency and selectivity for JAK1. Its physicochemical properties allow for both oral and topical administration. In March 2025, the oral formulation of ivarmacitinib was approved by the NMPA for the treatment of both active ankylosing spondylitis and moderate-to-severe active rheumatoid arthritis in adults who have responded inadequately to or are intolerant of one or more TNF inhibitors. In addition, in April 2025, the oral formulation of ivarmacitinib was approved by the NMPA for the treatment of adult patients with moderate-to-severe atopic dermatitis who showed inadequate efficacy or intolerance to topical treatment or other systemic therapies.

Ivarmacitinib binds to its molecular target JAK1 and inhibits the phosphorylation of downstream effector proteins, which inhibits the cytokine signaling pathways involved in immunological diseases.

The oral formulation of ivarmacitinib is currently under NDA review by the NMPA for the treatment of alopecia areata, which is expected to be approved in 2026. In addition, it is also undergoing a Phase III clinical study for the treatment of non-radiographic axial spondyloarthritis, which is expected to be approved by the NMPA in 2027. Furthermore, the topical formulation of ivarmacitinib is also under NDA review by the NMPA for the treatment of mild-to-moderate atopic dermatitis, which is expected to be approved in 2027. As of the Latest Practicable Date, ivarmacitinib was the most clinically advanced domestically developed JAK1 inhibitor for the treatment of immunological diseases in China, according to Frost & Sullivan.

Major Product Candidates

SHR-1819

SHR-1819 is a novel anti-IL-4R α antibody. Interleukin (IL)-4 and IL-13 are critical pathogenic factors for type 2 inflammation-related allergic diseases. They share the mutual receptor subunit IL-4R α . SHR-1819 was found to show high binding affinity to IL-4R α . This mechanism significantly blocks certain signaling pathways that induce allergic responses, which indicates a promising treatment option for a wide array of autoimmune diseases caused by type 2 inflammation, such as atopic dermatitis, prurigo nodularis, and chronic spontaneous urticaria.

BUSINESS

As of the Latest Practicable Date, SHR-1819 was undergoing a Phase III clinical study for the treatment of moderate-to-severe atopic dermatitis, and a Phase II/III clinical study for the treatment of prurigo nodularis.

In addition, we obtained the IND approval from the NMPA for conducting a Phase Ib/II clinical study to evaluate the efficacy and safety of SHR-1819 in adolescents (aged between 6 to 17) with atopic dermatitis in November 2024, for a Phase II clinical study to evaluate the efficacy and safety of SHR-1819 in chronic spontaneous urticaria in December 2024, and for a Phase II clinical study to evaluate the efficacy and safety of SHR-1819 in allergic rhinitis in April 2025.

SHR-1905

SHR-1905 is a long-acting anti-TSLP antibody with best-in-class potential. SHR-1905 targets thymic stromal lymphopoietin, or TSLP, which is a driver of chronic immunological or inflammatory diseases, including severe asthma, chronic rhinosinusitis and chronic obstructive pulmonary disease.

Compared to other anti-TSLP antibodies, SHR-1905 has better potency and prolonged half-life, which allows longer dosage interval and better patient compliance. Through a YTE mutation of Fc segment, SHR-1905 exhibits enhanced affinity to FcRn, leading to a prolonged serum half-life, significantly longer than that of tezepelumab. As of the Latest Practicable Date, SHR-1905 was undergoing a Phase II clinical study for treatment of severe uncontrolled asthma, a Phase II clinical study for treatment of chronic rhinosinusitis with nasal polyps (CRSwNP), and a Phase II clinical study for the treatment of asthma in adolescents.

In August 2023, we out-licensed to Aiolos Bio exclusive rights to develop, manufacture, and commercialize SHR-1905 worldwide (excluding the Greater China region). In February 2024, GSK concluded the acquisition of Aiolos Bio, which gave it access to SHR-1905. For details, see “—Collaboration and Licensing Arrangements—Out-Licensing Arrangements—Collaboration and License Agreement with Aiolos Bio.”

SHR-1703

SHR-1703 is a novel, long-acting anti-IL-5 antibody. SHR-1703 binds to IL-5 and inhibits its binding to IL-5R on the surface of eosinophils. This mechanism inhibits the IL-5/IL-5R signaling pathway and the proliferation and activation of eosinophils to reduce eosinophil-mediated inflammation and damage. The YTE mutation of Fc segment enhances the affinity of SHR-1703 to FcRn, leading to a prolonged half-life of 72-100 days in humans, supporting every 6-month dosing in asthma. SHR-1703 aims to provide new treatment options for patients with chronic diseases such as asthma and EGPA that have T-helper type 2 (Th2) inflammation as the main mechanism.

BUSINESS

As of the Latest Practicable Date, we were conducting a Phase III clinical study to confirm the efficacy and safety of SHR-1703 in patients with asthma. In addition, as of the same date, we were conducting a Phase II/III study for the treatment of EGPA.

HRS-5965

HRS-5965 is an oral, novel, highly selective, small molecule inhibitor of complement Factor B, a key component of the alternative pathway. Complement-mediated intravascular hemolysis is a characteristic of paroxysmal nocturnal hemoglobinuria (PNH). HRS-5965 inhibits the alternative pathway and therefore controls both intravascular and extravascular hemolysis. As of the Latest Practicable Date, we were conducting Phase III clinical studies to confirm the efficacy and safety of HRS-5965 used in patients with PNH.

HRS-5965 controls glomerular inflammation by alleviating complement activation in IgA nephropathy (IgAN). As of the Latest Practicable Date, we were also conducting a Phase II clinical study to evaluate the efficacy of HRS-5965 in reducing proteinuria and delaying the progression of renal dysfunction. HRS-5965 is expected to be approved by the NMPA for the treatment of treated and naïve paroxysmal nocturnal hemoglobinuria in 2027.

Anti-IFNAR1/TACI Fusion Protein

We are developing an anti-IFNAR1 (interferon α and β receptor subunit 1) / TACI (TNF receptor superfamily member 13B) fusion protein with first-in-class potential. It exerts anti-inflammatory and immunosuppressive biological effects by targeting abnormally activated immune cells, with the potential to reduce autoantibody levels and improve disease activity in patients with autoimmune disorders, offering a new treatment option for these patients. As of the Latest Practicable Date, we were conducting a Phase I clinical study of this drug candidate for the treatment of systemic lupus erythematosus.

Anti-IL-23p19/IL-36R Bispecific Antibody

We are developing a novel, long-acting, anti-IL-23p19/IL-36R bispecific antibody, with first-in-class potential. It exhibited high IL-23 and IL-36R affinity and prolonged half-life, making it the first long-acting anti-IL-23p19/IL-36R bispecific antibody globally, according to Frost & Sullivan. It had entered the Phase II clinical study in moderate-to-severe plaque psoriasis in China as of the Latest Practicable Date.

Anti-IL-4R α Antibody Glucocorticoid Conjugate

We are developing an antibody targeting IL-4R α conjugated glucocorticoid, with first-in-class potential. It is administered through inhalation. It is expected to exert a localized, highly efficient anti-inflammatory effect by blocking key inflammatory pathways in asthma, with the potential to provide an effective and safe treatment option for patients with asthma and other chronic airway diseases. As of the Latest Practicable Date, it was undergoing Phase I clinical studies.

Neuroscience

The neuroscience pharmaceutical market broadly covers neurology, analgesia (or pain management), and anesthesia. Alzheimer's Disease and Parkinson's Disease are two major neurodegenerative disorders worldwide. According to Frost & Sullivan, there were estimated to be 58.3 million people affected by dementia worldwide in 2023, with Alzheimer's Disease contributing to 60-70% of dementia cases. In the same year, there were estimated to be 9.4 million people affected by Parkinson's Disease globally. According to the same source, in 2023, China had 14.0 million people affected by Alzheimer's Disease and approximately 43.4 million people at the MCI stage, compared with 3.2 million people affected by Parkinson's Disease. There are significant unmet medical needs for disease-modifying therapies which target clearly-defined pathogenic mechanisms and have the potential to delay the disease progression. Furthermore, stroke is a leading cause of death and disability globally. We have been developing various therapies with differentiated MOAs to improve the treatment paradigm of stroke.

Pain management is another critical issue both in China and globally. Chronic pain affects over 20% of the general population. Insufficient symptom control, poor tolerance of medications, and opioid overuse are still challenges in clinical practice, especially in the treatment of chronic pain. In addition, anesthesia and related fields such as perioperative management and critical care also show significant growth potential.

Commercialized Product

Tegileridine (AiSuTe®) (泰吉利定(艾蘇特®))

Tegileridine is a novel small molecule μ -opioid receptors (MOR) agonist. In January 2024, tegileridine was approved by the NMPA for the treatment of post-operative analgesia after abdominal surgeries. In addition, in March 2025, tegileridine was approved by the NMPA for the treatment of moderate-to-severe pain after orthopedic surgeries. This newly approved indication was combined with the previously approved indication of post-operative analgesia after abdominal surgeries in tegileridine's descriptions, and it is currently indicated for the treatment of moderate-to-severe postoperative pain.

Tegileridine selectively activates the G-protein-coupled pathway, while only weakly activating the β -arrestin-2 pathway. This mechanism provides analgesic efficacy and mitigates adverse events, such as respiratory depression and gastrointestinal dysfunction.

We conducted a randomized, double-blind, placebo- and active-controlled Phase III clinical study to confirm the analgesic efficacy of tegileridine compared with placebo and morphine in patients with acute postoperative pain following abdominal surgeries. Results of the clinical study showed that the time weighted sum of pain intensity differences (SPID) over 24 hours for tegileridine (0.75 mg and 1.0 mg) were superior compared with the placebo, and SPID over 24 hours for tegileridine (1.0 mg) was comparable to morphine, which indicated tegileridine's improved efficacy for pain relief.

Tegileridine was the first domestically developed innovative MOR agonist approved by the NMPA for the treatment of postsurgical pain, according to Frost & Sullivan.

Butorphanol (NuoYang®) (布托啡諾(諾揚®))

Butorphanol is our product primarily indicated for the treatment of various types of cancer-related pain and postoperative pain. It is a mixed opioid receptor agonist and antagonist that provides effective visceral analgesia and alleviates respiratory depression. It also effectively reduces the incidence and severity of propofol injection pain.

Three generic versions of butorphanol, each marketed by a different company, had been approved by the NMPA as of the Latest Practicable Date. Compared to these generic versions, butorphanol, which was first approved by the NMPA in 2007, was the first-to-market generic version of this pharmaceutical product in China, according to Frost & Sullivan.

Major Product Candidates

SHR-1707

SHR-1707 is a novel anti-A β IgG1 antibody that binds to A β fibrils and monomers to block the formation of A β plaques or to promote the microglial phagocytosis of A β .

In a Phase Ib clinical study, SHR-1707 demonstrated significant brain amyloid load reduction in mild Alzheimer's Disease subjects. In behavior tests of the animal model for Alzheimer's Disease, improvement of cognitive functions was observed.

As of the Latest Practicable Date, we were conducting a Phase II clinical study of SHR-1707 for the treatment of Alzheimer's Disease.

HRG2010

HRG2010 is a novel extended-release fixed-dose combination composed of carbidopa and levodopa. HRG2010 has been developed for a better control of motor fluctuations in Parkinson's Disease patients with long-term use of levodopa.

As of the Latest Practicable Date, we were conducting a Phase III clinical study of HRG2010 for the treatment of Parkinson's Disease.

Na_v1.8 Inhibitor

We are developing a highly selective inhibitor of voltage-gated sodium ion channel subunit 1.8 (Na_v1.8), presenting significant potential for non-opioid pain management.

Gains and losses of function mutations in selective sodium channel subtypes, Na_v1.7 and Na_v1.8, are associated with human pain syndromes. The Na_v1.8 channel is a genetically validated target for pain, and it is mostly expressed in the peripheral nervous system. Compared with the current standard of care, our Na_v1.8 inhibitor is expected to have a better safety profile and tolerability. There was only one Na_v1.8 inhibitor approved in the world for acute pain as of the Latest Practicable Date, according to Frost & Sullivan.

We have received the IND approval from the NMPA to initiate a clinical study for this drug candidate in the treatment of acute pain. As of the Latest Practicable Date, our Na_v1.8 inhibitor was undergoing Phase I clinical development.

Others

In addition to the drugs and drug candidates described above, we have developed other pharmaceutical products including contrast agents and anti-infectives.

Ioversol (碘佛醇)

Ioversol is our contrast agent product, and it is used primarily in various vascular radiographic imaging examinations. Contrast agents are injected or taken into human tissues or organs to enhance the effect of image observation. They are essential diagnostic and differential diagnostic drugs for medical imaging disciplines. Ioversol is a novel, non-ionic, low-osmolar, water-soluble contrast agent for vascular use. Ioversol does not have any significant impact on blood coagulation, unlike ionic contrast agents.

Three generic versions of ioversol, each marketed by a different company, had been approved by the NMPA as of the Latest Practicable Date. Compared to these generic versions, ioversol, which was first approved by the NMPA in 2006, was the first-to-market generic version of this pharmaceutical product in China, according to Frost & Sullivan.

SHR7280

SHR7280 is our proprietary non-peptide, oral, small molecule gonadotropin-releasing hormone (GnRH) receptor antagonist, with first-in-class potential in assisted reproductive technology. Upon oral administration, SHR7280 competes with GnRH for receptor-binding. By blocking the binding of endogenous GnRH to its receptor, SHR7280 inhibits the synthesis and release of luteinizing hormone and reduces testosterone and estradiol levels.

In recent years, non-peptide oral GnRH antagonists have been developed as a promising treatment strategy for patients with sex hormone-dependent diseases, such as endometriosis, uterine fibroid, polycystic ovary syndrome, and precocious puberty, and are applied in the field of assisted reproduction. For example, elagolix, an oral GnRH antagonist, has been approved by the U.S. FDA to treat moderate-to-severe pain associated with endometriosis. However, in several countries and regions, including China, elagolix has not been approved for use in women with sex hormone-related diseases. SHR7280 is a novel treatment with the potential to fill in the gap.

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As of the Latest Practicable Date, we were conducting a Phase III clinical study for SHR7280 for the treatment of controlled ovarian hyperstimulation in assisted reproductive technology, which is expected to be approved by the NMPA in 2027.

In April 2025, we out-licensed the exclusive right to commercialize SHR7280 in mainland China to MRKDG.

HRS-5635

HRS-5635 is an N-acetyl-galactosamine (GalNAc)-conjugated, double-stranded RNA interference (RNAi) agent. The GalNAc moiety enables targeted delivery of HRS-5635 into the liver via uptake by asialoglycoprotein receptors (ASGPR) expressed on the hepatocyte surface, and specifically targets the HBV genome X-region through RNA interference (RNAi) pathway to inhibit the expression of HBV-related proteins, like HBsAg.

HRS-5635 is administered as a long-acting, subcutaneous injection for the treatment of chronic hepatitis B (CHB), aiming at high functional cure rates of CHB patient. In the preclinical studies, HRS-5635 showed excellent antiviral activity against all HBV genotypes, and exert efficient and durable antiviral effect.

The first-in-human (proof-of-concept) study of HRS-5635 showed a favorable safety profile as well as marked and durable reductions in HBsAg. As of the Latest Practicable Date, we were conducting a Phase II study to evaluate the efficacy and safety of HRS-5635 for the treatment of CHB.

COLLABORATION AND LICENSING ARRANGEMENTS

We are committed to maximizing the commercial value of our high-quality innovative drugs through out-licensing arrangements and expanding our product matrix through in-licensing and co-development collaborations. These initiatives have helped to expand our global footprint to unlock and maximize the potential of our product matrix and technology platforms.

The duration of our collaboration and licensing agreements is typically until we or our collaboration partners have fulfilled all payment obligations under the relevant agreements. Payments other than upfront payments and royalties are generally conditioned upon development, approval, and sales milestones. Development and approval milestones typically include clinical development achievements, regulatory approvals for marketing or new indications of licensed products, and the products' entry into insurance programs. Sales milestones are typically based on the actual annual net sales revenue of the licensed products in specified regions.

Out-Licensing Arrangements***Collaboration and License Agreement with IDEAYA Biosciences***

In December 2024, we entered into a collaboration and license agreement with IDEAYA Biosciences, a precision medicine oncology company headquartered in the United States. Pursuant to this agreement, we out-licensed to IDEAYA Biosciences the exclusive rights to develop, manufacture, and commercialize SHR-4849 worldwide (excluding the Greater China region). Under this agreement, IDEAYA Biosciences agreed to provide us with an upfront payment of US\$75 million. We are also entitled to receive development and approval milestone payments of up to US\$200 million. In addition, IDEAYA Biosciences agreed to provide us with sales milestone payments of up to US\$770 million and single- to double-digit sales royalties, based on future actual annual net sales of SHR-4849 worldwide (excluding the Greater China region).

Collaboration and License Agreement with Kailera Therapeutics

In May 2024, we entered into a collaboration and license agreement with Kailera Therapeutics, under which we out-licensed to Kailera Therapeutics the exclusive rights to develop and commercialize three of our proprietary GLP-1 drug candidates—HRS-7535, HRS9531, and HRS-4729—worldwide (excluding the Greater China region).

Kailera Therapeutics agreed to provide us with an upfront payment of US\$100 million, a near-term technology transfer milestone payment of US\$10 million and 19.9% of its equity interest. We are also entitled to receive potential clinical development and regulatory related milestone payments of up to US\$200 million, sales milestone payments of up to US\$5.725 billion, and sales royalties ranging from low single digit to low double digits. The total deal value for this transaction is approximately US\$6 billion.

Strategic Collaboration and License Agreement with MRKDG and a Fully Owned Subsidiary of MRKDG

In October 2023, we entered into a strategic collaboration and license agreement with Merck Healthcare KGaA, a fully owned subsidiary of Merck KGaA, Darmstadt, Germany, or MRKDG, a multinational chemical, pharmaceutical, and life sciences corporation. Pursuant to the agreement, we (i) out-licensed to this fully owned subsidiary of MRKDG the exclusive rights to develop, manufacture, and commercialize HRS-1167 worldwide (outside of mainland China), (ii) granted this fully owned subsidiary of MRKDG an exclusive option to develop, manufacture, and commercialize SHR-A1904 worldwide (outside of mainland China), and (iii) granted this fully owned subsidiary of MRKDG an option to co-promote HRS-1167 and SHR-A1904 with us within mainland China.

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Under this agreement, the fully owned subsidiary of MRKDG agreed to provide us with an upfront payment of €160 million and we are entitled to receive additional payments upon the achievement of certain development, regulatory and commercial milestones, as well as tiered royalties on net sales by this fully owned subsidiary of MRKDG. Potential payments may total up to €1.4 billion.

In addition, in April 2025, we entered into a license agreement with MRKDG. Pursuant to the agreement, we (i) out-licensed to MRKDG an exclusive right to commercialize SHR7280 in mainland China, and (ii) granted MRKDG a right of first negotiation for SHR7280 in regions outside mainland China. Under this agreement, MRKDG agreed to provide us with an upfront payment of €15 million, milestone payments upon SHR7280's approval by the NMPA, as well as double-digit royalties on net sales of SHR7280 by MRKDG.

Global Licensing Agreement with Elevar Therapeutics

In October 2023, we entered into a global licensing agreement with Elevar Therapeutics, a rapidly growing, fully integrated biopharmaceutical company based in the U.S. Pursuant to this agreement, we out-licensed to Elevar Therapeutics the exclusive rights to develop and commercialize our anti-PD-1 antibody camrelizumab in combination with rivoceranib for uHCC worldwide (excluding the Greater China region and South Korea).

Under this agreement, after the product obtains first regulatory approvals in the U.S., Japan, and designated European countries, we will receive sales milestone payments of US\$600 million after the product's cumulative actual net sales reach a specified amount. We are also entitled to receive additional payments if its cumulative net sales exceed a specified amount. In addition, we will receive a double-digit percentage of sales royalties based on its future actual annual net sales.

Collaboration and License Agreement with Dr. Reddy's

In October 2023, we entered into a collaboration and license agreement with Dr. Reddy's, a leading multinational pharmaceutical company based in India. Pursuant to the agreement, we out-licensed the exclusive rights to develop and commercialize pyrotinib in India to Dr. Reddy's.

Under this agreement, Dr. Reddy's agreed to provide us with an upfront payment of US\$3 million. In addition, we are entitled to receive sales milestone payments of up to US\$152.5 million, as well as double-digit percentage sales royalties based on the product's future actual annual net sales.

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Collaboration and License Agreement with Aiolos Bio

In August 2023, we entered into a collaboration and license agreement with Aiolos Bio (previously known as One Bio), a clinical-stage biopharmaceutical company based in the U.S. and UK that focused on respiratory and inflammatory diseases. Pursuant to this agreement, we out-licensed to Aiolos Bio the exclusive rights to develop, manufacture, and commercialize SHR-1905, worldwide (excluding the Greater China region).

Under this agreement, Aiolos Bio paid an upfront payment of US\$21.5 million. In addition, we are entitled to receive (i) development and sales milestone payments of up to over US\$1.0 billion based on regulatory approvals and the future annual net sales in designated countries, and (ii) tiered, up to double-digits royalties based on future annual net sales by Aiolos Bio.

In February 2024, GSK acquired Aiolos Bio, which is a strong validation of SHR-1905's potential and could help expedite this product candidate's development and commercialization.

Collaboration and License Agreement with Treeline Biosciences

In February 2023, we entered into a collaboration and license agreement with Treeline Biosciences, Inc. ("Treeline Biosciences"), a U.S. pharmaceutical company that specializes in the development of innovative precision medicines for cancer patients. Pursuant to this agreement, we out-licensed to Treeline Biosciences the exclusive rights to develop, manufacture, and commercialize SHR2554, our EZH2 inhibitor, worldwide (excluding the Greater China region).

Under this agreement, Treeline Biosciences agreed to provide us with an upfront payment of US\$11 million. In addition, we are entitled to receive (i) development milestone payments of up to US\$45 million, (ii) milestone payments of up to US\$650 million based on future annual net sales, and (iii) double-digit percentage sales royalties based on future annual net sales.

Collaboration and License Agreement with DONG-A ST

In November 2020, we entered into a collaboration and license agreement with DONG-A ST CO., LTD. ("DONG-A ST"), a pharmaceutical company based in South Korea. Pursuant to this agreement, we out-licensed to DONG-A ST the exclusive rights to develop, manufacture, and commercialize retlirafusp alfa, a bifunctional fusion protein, in South Korea.

Under this agreement, DONG-A ST agreed to provide us with a total upfront payment of US\$2.29 million. We are also entitled to receive (i) payments for development milestones and technology transfer of up to US\$8.46 million based on the completion of its clinical trials and the obtainment of regulatory approvals, and (ii) sales milestone payments of up to US\$128.5 million based on its future annual net sales. In addition, we are entitled to receive a double-digit percentage sales royalties based on the product's future annual net sales upon the

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commercialization of retlirafusp alfa in South Korea until the later of (i) 20 years from the first commercial sale of retlirafusp alfa by DONG-A ST, or (ii) DONG-A ST's loss of effective intellectual property protection within the licensed regions.

Collaboration and License Agreement with HLB Life Science

In September 2020, we entered into a collaboration and license agreement with HLB Life Science Co., Ltd. ("HLB Life Science"), a leading Korean pharmaceutical company focused on developing innovative oncology drugs. Pursuant to the agreement, we out-licensed to HLB Life Science the exclusive rights to develop and commercialize pyrotinib in South Korea.

Under this agreement, HLB Life Science agreed to provide us with a total upfront payment of US\$1.7 million. We are also entitled to receive (i) a milestone payment of US\$500,000 upon the regulatory approval for its first indication in South Korea, (ii) a milestone payment of US\$1 million upon its first entry into the medical insurance system in South Korea, and (iii) a milestone payment of US\$1 million for each new indication it expands into. We will also receive sales milestone payments of up to US\$101.5 million based on the product's future annual net sales. In addition, we are entitled to receive double-digit percentage sales royalties based on the product's future annual net sales upon the commercialization of pyrotinib in South Korea until the later of (i) 12 years from the first commercial sale of pyrotinib by HLB Life Science, or (ii) HLB Life Science' loss of effective intellectual property protection within the licensed regions.

Collaboration and License Agreement with CrystalGenomics

In April 2020, we entered into a collaboration and license agreement with CrystalGenomics Inc. ("CrystalGenomics") (currently known as CG Invites), a biopharmaceutical company in South Korea. Pursuant to this agreement, we out-licensed the exclusive rights to develop, register and commercialize camrelizumab in South Korea to CrystalGenomics.

Under this agreement, CrystalGenomics agreed to provide us with an upfront payment of US\$1.5 million. In addition, we are entitled to receive milestone payments of up to US\$86.25 million, comprising a milestone of US\$500,000 upon clearance of regulatory approvals for its indications, a milestone payment of up to US\$1.5 million for indication expansions, and a sales milestone payment of up to US\$84.25 million based on its future annual net sales after its commercial launch. We are also entitled to receive a double-digit percentage sales royalties on net sales of camrelizumab until the later of (i) ten years from the first commercial sale of camrelizumab by CrystalGenomics, or (ii) CrystalGenomics' loss of market exclusivity within the licensed regions.

Collaboration and License Agreement with TG Therapeutics

In January 2018, we entered into a collaboration and license agreement with TG Therapeutics, a U.S.-based biotechnology company focused on B-cell lymphoma and immunological diseases. Pursuant to this agreement, we out-licensed the exclusive rights to develop and commercialize SHR1459 and SHR1266, our orally available, covalently-bound Bruton's Tyrosine Kinase (BTK) inhibitors, for the treatment of malignant hematologic tumors, to TG Therapeutics, worldwide (excluding Asia but including Japan), for a total consideration of US\$347 million (excluding sales royalties). We commenced the Phase I clinical study for SHR1459 in China in December 2017.

Under this agreement, TG Therapeutics agreed to provide us with an upfront payment of US\$1 million. We are entitled to receive development and approval milestone payments of up to US\$93.1 million for each of the out-licensed products, comprising (i) milestone payments totaling up to US\$7.1 million or stock of TG Therapeutics with equivalent value upon the commencement of different stages of clinical trials, (ii) milestone payments totaling up to US\$38 million payment or stock of TG Therapeutics with equivalent value, when a product is used in combination with other drugs for treating hematologic tumors or proved to be more effective than ibrutinib or acalabrutinib in clinical trials overseas, and (iii) milestone payments totaling up to US\$48 million upon their approvals in the licensed regions. We are also eligible to receive sales milestone payments. In addition, we will receive a double-digit percentage sales royalties based on the net sales of these products.

Collaboration and License Agreement with Arcutis Biotherapeutics

In January 2018, we entered into a collaboration and license agreement with Arcutis Biotherapeutics, a U.S.-based biotechnology company focused on dermatological diseases. Pursuant to this agreement, we out-licensed to Arcutis Biotherapeutics the exclusive rights to develop, register, and commercialize SHR0302, our JAK1 small molecule inhibitor, in the U.S., the EU, and Japan for a total consideration of US\$223 million. The agreement was further amended and supplemented in June 2019.

Under this agreement, Arcutis Biotherapeutics agreed to provide us with a total upfront payment of US\$2 million. We are also entitled to receive development and approval milestone payments of up to US\$20.5 million, comprising a milestone payment of US\$3 million upon the commencement of the Phase III clinical study of SHR0302, and milestone payments totaling up to US\$17.5 million upon the product's commercial launch in the U.S., the EU, and Japan. In addition, we are entitled to receive sales milestone payments of up to US\$200 million based on its annual sales performance and single-digit to low-double-digit sales royalties.

In-Licensing and Co-Development Arrangements***Collaboration Agreements with CStone***

In November 2021, we and CStone Pharmaceuticals (“CStone”), an innovation-driven biopharmaceutical company focused on the R&D of anti-cancer therapies, entered into a strategic partnership and exclusive licensing agreement on CS1002/SHR-8068 (an anti-CTLA-4 antibody). According to this agreement, we obtained the exclusive rights for the research, development, registration, manufacturing, and commercialization of this anti-CTLA-4 antibody in the Greater China region, while CStone retained the rights to develop and commercialize CS1002 outside of the Greater China region. Under this agreement, we agreed to provide CStone with an upfront payment and potential milestone payments up to approximately US\$200 million in addition to double-digit percentage sales royalties. CS1002 is currently undergoing Phase III clinical studies in China for the treatment of NSCLC and advanced liver cancer.

In addition, in July 2024, we entered into an agreement with CStone to obtain the exclusive commercial promotion rights of CStone’s precision therapy drug Ayvakit (avapritinib) (which has been commercialized) in mainland China. Under this agreement, we agreed to provide CStone with an upfront payment of RMB35 million, and we may charge CStone service fees for promoting Ayvakit in mainland China.

Strategic Cooperation Agreement with Yingli Pharma

In February 2021, we entered into a strategic cooperation agreement with Yingli Pharma Limited (“Yingli Pharma”), a pharmaceutical company focused on hematologic tumors, solid tumors, and kidney-related metabolic diseases. Under this agreement, we received co-development and exclusive commercialization rights for linperlisib, a PI3K δ inhibitor, in the Greater China region. In addition, we agreed to provide Yingli Pharma with milestone payments totaling up to RMB30 million, and Yingli Pharma agreed to pay us commercialization fees based on sales performance of linperlisib. Around the same time, we entered into a purchase agreement with Yingli Pharma, pursuant to which we agreed to invest US\$20 million to acquire a 6.67% equity stake in Yingli Pharma.

In November 2022, linperlisib was approved by the NMPA for the treatment of relapsed and/or refractory follicular lymphoma in adult patients after at least two system therapies. For details, see “—Our Products and Product Candidates—Overview.”

Collaboration and License Agreement with Novaliq

In November 2019, we entered into an exclusive agreement with Novaliq GmbH (“Novaliq”), a Germany-based biopharmaceutical company focused on ocular therapeutics, to obtain the exclusive rights to develop, manufacture, and commercialize Novaliq’s drugs for the treatment of dry eye diseases, CyclASol (a 0.1% cyclosporine A formulation) and NOV03 (perfluorohexyloctane), in the Greater China region.

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Under this agreement, we agreed to provide Novaliq with an upfront payment of US\$6 million, in addition to a payment of US\$3 million upon the granting of the first core patent for NOV03 in China. We also agreed to make development milestone payments of up to US\$12 million to Novaliq with respect to the development and regulatory objectives of the two products. In addition, we agreed to make sales milestone payments of up to US\$144 million to Novaliq based on the sales performance of the products and tiered percentage royalties on annual net sales of the products in the Greater China region.

Our NDA/BLAs for CyclASol and NOV03 for the treatment of dry eye syndrome were accepted by the NMPA in March and February 2023, respectively.

Collaboration and License Agreement with Mycovia Pharmaceuticals

In June 2019, we entered into an exclusive agreement with Mycovia Pharmaceuticals Inc. (“Mycovia Pharmaceuticals”), a U.S.-based pharmaceutical company focused on innovative antifungal therapies, to develop, register, manufacture, and commercialize Mycovia Pharmaceuticals’ investigational drug, oteseconazole (also known as VT-1161), in the Greater China region for the treatment or prevention of a range of fungal conditions, including recurrent vulvovaginal candidiasis, onychomycosis, and invasive fungal infections.

Under this agreement, we agreed to provide Mycovia Pharmaceuticals with (i) a R&D payment of US\$7.5 million in eight installments within two years, (ii) development milestone payments of up to US\$9 million, (iii) sales milestone payments of up to US\$92 million based on the sales performance, and (iv) tiered percentage royalties on annual net sales of the product in Greater China region.

In June 2023, oteseconazole was approved by the NMPA for the treatment of severe vulvovaginal candidiasis. For details, see “—Our Products and Product Candidates—Overview.”

RESEARCH AND DEVELOPMENT

Our robust in-house R&D capabilities are the cornerstone of our competitive advantages and an important driver of our growth. We are committed to improving our innovation capabilities and making breakthroughs.

Intellectual diversity and depth of talent are at the core of our R&D success. With decades of pharmaceutical R&D experience, we have gathered a professional team of scientists, engineers, and technicians that enable us to continuously develop first-in-class and best-in-class innovative drugs. Our all-round R&D team comprises experts with extensive experience throughout the entire R&D cycle of innovative drugs, spanning drug discovery, preclinical development, CMC, clinical development, and regulatory affairs. As of December 31, 2024, our highly experienced R&D team consisted of over 5,500 employees. Nearly 60% of them hold a master’s or higher degree, and more than 12% hold a Ph.D. or M.D. Many of them have years of industry experience at leading multinational corporations, such as Pfizer, Novartis,

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Merck, and Eli Lilly and Company, as well as renowned research institutes, such as Yale School of Medicine, Heidelberg University, and the University of Texas Southwestern Medical Center. Currently, we have 14 R&D centers, with complementary functions, in China, Japan, the U.S., Australia and Switzerland. Our R&D capabilities are demonstrated by a strong portfolio of issued patents and patent applications in China and around the globe. For more details, see “—Intellectual Property Rights” and Appendix IV to this prospectus.

In line with our commitment to innovation and technology breakthroughs, we invested heavily in R&D activities. In 2022, 2023 and 2024, our R&D investments were RMB6,345.6 million, RMB6,150.0 million, and RMB8,227.8 million, respectively, representing 29.8%, 27.0%, and 29.4% of our total revenue for these same respective periods.

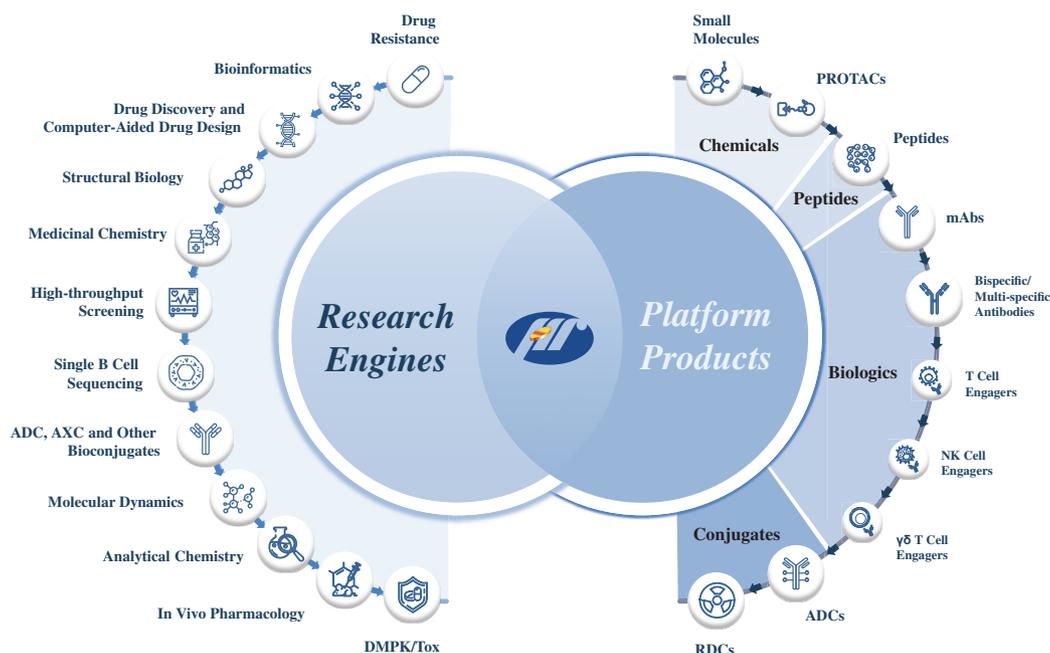
Technology Platforms

We have developed comprehensive technology platforms that drive our continuous innovation. They encompass the stages of drug discovery and drug evaluation, and, either individually or collectively, empower and sustain the roll-out of our novel and differentiated drugs.

Small molecules have been our initial research focus, and remain to be our strength. Leveraging our platform, as of the Latest Practicable Date we had developed a portfolio of over ten approved innovative small molecule drugs, and a substantial majority of them had been included in the NRDL. Building on our experience in the discovery and development of small molecules, we are expanding our technology platforms to encompass a broader range of modalities.

Over the decades, we have extended our research beyond small molecules to encompass a wide range of additional modalities, including PROTACs, peptides, mAbs, BsAbs, multi-specific antibodies, ADCs, RLTs, and oligonucleotide.

The matrix below is illustrative of our technology platforms.



Following below is a description of our selective technology platforms.

Bioinformatics

At the core of our bioinformatics platform is our omics database, which integrates genomics, transcriptomics, proteomics, single-cell transcriptomics, and spatial transcriptomics. Our bioinformatic platform can streamline and optimize various aspects of our R&D:

- *Therapeutic target identification.* By deploying graph neural networks (GNN) and other algorithms, we have substantially reduced the time required to identify potential targets. The platform enables us to complete a comprehensive analysis of the knowledge graph for a specific disease in weeks instead of months, while enhancing the precision of target identification.
- *Literature analysis.* We use advanced tools available on our bioinformatics platform to perform processing and extracting tasks during the process of literature review and analysis, thereby enhancing efficiency and minimizing human error. This rapid assimilation of research allows us to stay abreast of the latest developments. The user-friendly interface also enables our biologists to evaluate targets and develop drugs more efficiently, shortening their time spent on data retrieval and initial assessment.

- *Clinical datasets analysis.* Our bioinformatics platform significantly expedites our analysis of complex clinical trial datasets, leading to faster discovery of key predictive biomarkers, from data collection to obtaining actionable insights. The accuracy of these identifications aids in better patient stratification and a deeper understanding of therapeutic mechanisms. This leads to a substantial reduction in the attrition rate of clinical trials, saving costs associated with our drug development.

Drug Discovery and Computer-Aided Drug Design

By combining cutting-edge computational methods and tools, we have built the “Hengrui-LingShu” drug discovery and computer-aided drug design platform to empower our discovery of small molecule drugs and biologics.

With an accurate prediction of the target-molecule binding mode, “Hengrui-LingShu” platform facilitates a rational drug design. By combining computational simulations with structure-based and *de novo* design, it further contributes to the generation of innovative molecules with superior activity and properties.

In addition, the platform offers molecular modeling and advanced computational methods. These enable us to design antigens for screening antibodies with desired functions. The platform also integrates antibody-antigen complex structure prediction with protein design and experimental validation, which allows us to efficiently optimize our antibody drugs. Furthermore, we can leverage this platform to perform *in silico* assessment of the antibody developability. This allows us to identify molecules with optimal physicochemical properties in an early stage, while improving the success rate of our drug development.

Structural Biology

We have developed an integrated platform for protein production, structural biology and biophysical analysis, which supports the development of both small molecule drugs and biologics. With a cutting-edge, high-throughput protein crystallography pipeline, this platform enables us to generate high-resolution protein-ligand and antigen-antibody complex structures routinely from amenable samples. In particular, for large molecule discovery, we routinely perform hydrogen/deuterium exchange mass spectrometry (HDX-MS) for epitope and paratope mapping. Utilizing our deep learning-assisted prediction framework, we achieve accurate and rapid prediction of antigen-antibody interactions. This enables us to elucidate the molecular mechanism of antibody drugs and facilitate antibody engineering and optimization.

We capitalize on our structural biology platform to develop an in-depth understanding of molecular interactions, facilitating the molecule design and optimization. We also utilize the cryogenic electron microscopy (cryo-EM) approach to elucidating the structure of a wide range of macromolecules including membrane proteins and large multiple subunit proteins which are challenging to crystallize.

Single B Cell Sequencing

Our single B cell sequencing platform is primarily focused on high-throughput single B cell sequencing and automated antibody production. This platform provides efficient bioinformatics sequence analysis tools, and enables high-throughput expression and purification. It has demonstrated significant advantages over conventional approaches in terms of speed, diversity, and developability. We usually obtain hundreds of unique antigen-binding clones within a one-month timeframe for downstream validation.

Antigen-specific B-cells are experimentally enriched and sequenced through next-generation sequencing (NGS). Advanced algorithms are developed to streamline the process of prioritizing the hundreds-to-thousands of hits generated from antibody discovery campaigns for small-scale production and functional assays. We further implement a high-throughput automated protein production system following NGS. With the advancement of precise protein structure prediction methods and the potential for extensive exploration of the immune repertoire, this platform holds great promise for enhancing high-throughput therapeutic antibody discovery and optimization in real-world scenarios.

ADC, AXC and Other Bioconjugates

We pioneer the development of ADCs in China. Building on over a decade of experience, we have built a proprietary Hengrui Rapid Modular ADC Platform, or HRMAP, in researching ADCs and other bioconjugate drugs.

Our HRMAP platform encompasses payloads with different MOAs, optimal conjugation linkers/methods, and well-established antibody discovery and engineering ability that empower our capability to create an ADC with desired *in vitro* and *in vivo* properties within a short period of time.

DXh, a topoisomerase I inhibitor (TOP1i), is a differentiated payload that exemplifies the strength of our ADC platform. DXh is a delicately selected exatecan derivative. It is purposely designed to increase the steric hindrance between the free toxin and the linker. This leads to enhanced chemical stability and avoids uncontrolled release of the toxin in plasma, thus avoiding the toxic side effects associated with premature toxin release. In addition, it improves the permeability of the toxin, leading to an enhanced bystander killing effect of the ADC. Its good solubility also allows for improved flexibility in the drug-to-antibody ratio. DXh is designed to allow for a rapid removal from circulation, which helps minimize adverse reactions caused by free toxins. Compared to peers, ADC molecules developed on our platform exhibit strong tumor-suppressing effects while demonstrating better plasma stability and lower free toxin exposure in the body. This is directly correlated with the lower incidence of interstitial lung disease (ILD) observed in clinical studies, as well as lower incidence of hematological toxicity and gastrointestinal toxicity. As of the Latest Practicable Date, we had advanced over ten differentiated ADC drug candidates with our purposely designed DXh payload to the clinical stage, including trastuzumab rezetecan (or SHR-A1811, a HER2 ADC), SHR-A1904 (a CLDN18.2 ADC), and SHR-4849 (a DLL3 ADC). In particular, as of the same date,

trastuzumab rezetecan (SHR-A1811) had received breakthrough therapy designations from the NMPA for eight indications, which were the most among all clinical-stage drug candidates in China, according to Frost & Sullivan.

We constantly advance our conjugation technologies to expand our bioconjugate component library and research on “AXC” drugs. We take a modular approach to efficiently extending our research of bioconjugates beyond ADCs by conjugating various payloads in addition to chemical drugs with antibodies, or creating AXC:

- *Antibodies.* We utilize our translational medicine expertise to identify novel TAAs. Our antibody engineering capability allows us to develop not only monoclonal antibodies, but also bispecific and multi-specific antibodies, aiming for the synergies of different tumor (or target)-associated-antigens.
- *Conjugation methods.* Besides the conventional cysteine conjugation method, we are developing various site-specific conjugation methods, including glycosite-specific conjugation and engineered cysteine site-specific conjugation.
- *Payloads.* We are actively exploring cytotoxic payloads with new MOAs to overcome the resistance of commonly used cytotoxic payloads. We are also expanding our payload library to cover various modalities, such as degraders (molecular glues and PROTACs) for oncology. By conjugating peptides and oligonucleotides onto antibodies of interest, we further explore new molecular entities in therapeutic areas beyond oncology.

Additionally, our research in the field of new bioconjugates spans DACs, antibody-peptide conjugates, AOCs, and radionuclide drug conjugates (RDCs). We pioneered the development of DACs and AOCs. DACs and AOCs are novel targeted therapies with differentiated MOAs compared to ADCs. In contrast to molecular glue degraders, DACs, with protein degraders as payloads carried by antibodies, have demonstrated favorable efficacy and safety profiles and the potential to overcome drug resistance in preclinical settings. AOCs, by combining the targeting capabilities of antibodies with the gene regulatory potential of oligonucleotides, precisely modulate disease-causing proteins.

PROTACs

We deploy our innovative PROTAC platform to detect PROTAC ternary complexes and research the mechanisms and kinetics of target protein degradation.

PROTAC is a bifunctional molecule that combines an active site selective for binding to the target of interest and a ligand of E3 ubiquitin ligase to drive selective proteasome mediated degradation. Popular PROTAC targets in cancer are well characterized by soluble proteins such as CDK2, BTK, and ER.

As of the Latest Practicable Date, we had two PROTAC programs, namely the ER PROTAC coded as HRS-1358 and the AR PROTAC coded as HRS-5041, in the clinical stage. Both HRS-1358 and HRS-5041 have potent *in vitro/vivo* activity and favorable pharmacokinetic profiles in preclinical studies. Additionally, we have numerous ongoing PROTAC programs covering both oncology and non-oncology indications. We endeavor to leverage our PROTAC platform to address historically undruggable targets.

Bispecific Antibody Construction

Bispecific antibodies, or BsAbs, are artificial proteins that simultaneously bind to two different types of antigen or two different epitopes on the same antigen. Our bispecific antibody platforms—Hengrui Obscurin Titin-Ig (HOT-Ig) and Half Antibody Recombination Technology-IgG (HART-IgG)—are our proprietary platforms incorporating cutting-edge technologies that have demonstrated the ability to generate differentiated new molecules:

- HOT-Ig utilizes the Ig-like domain pair from human obscurin and titin to replace the CH1/CL domains, avoiding heavy and light chain mispairing. By leveraging this platform, we create a variety of bispecific antibodies with multiple formats, great stability, and high compatibility for diverse sequences. As of the Latest Practicable Date, we had three BsAb drug candidates under clinical development.
- HART-IgG is our newly-developed versatile platform to efficiently prepare bispecific antibodies. Bispecific antibodies developed via our HART-IgG platform show robust physicochemical properties and good druggability comparable with those of canonical mAbs. Furthermore, our HART-IgG technology is compatible with other engineering/conjugation technologies, and as a result, facilitates the development of bispecific antibody conjugates.

T-cell Activation

We have a bispecific and multi-specific T cell engager (TCE) platform for hematological malignancies and autoimmune diseases, and have established a cutting-edge TCE prodrug platform for solid tumors aiming at enhancing the safety profile of TCE.

CD3, or cluster of differentiation 3, is a component of the TCR/CD3 complex that plays an essential role in T-cell activation. With the approvals of several CD3 bispecific antibodies, TCEs for hematological malignancies have proved impressive efficacies. However, TCEs for solid tumors are facing significant hurdles due to on-target off-tumor toxicity in healthy tissues. To overcome the narrow therapeutic window induced by healthy tissue damages, a proprietary TCE prodrug platform has been established recently. Our novel proprietary TCE format features a small molecule weight, which has the potential to enable better tumor penetration. Moreover, its conditional activation in the tumor microenvironment avoids on-target off-tumor toxicity. In terms of pharmacokinetics, our TCE prodrug is an inactive compound that becomes active only after conditional activation in tumor microenvironment, thereby improving the safety profile. After turning into an active molecule, it can be rapidly

cleared in circulation due to a short half-life conversion. Our TCE prodrug platform successfully balances the functionality, manufacturability, and multifunctional expandability. We believe that breakthroughs in this area may compensate for the limitations of ADCs in target antigen of low-expressing tumor cells.

We are also actively exploring to add co-stimulating signaling to traditional TCE in multi-specific modalities. We aim to achieve enhanced efficacy through the second signal activation, while effectively controlling the side effects. As of the Latest Practicable Date, we had several bispecific and multi-specific TCE drug candidates developed from our in-house TCE platform at various stages of development.

NK Cell Engagers

Natural killer (NK) cells are innate lymphocytes that kill a wide range of cells in distress, particularly tumor cells and cells infected with viruses. Among immune cell candidates, NK cells have drawn significant attention in the medical community. Unlike T cells, they possess a unique ability to recognize and eliminate target cells without antigen-specific activation. Preclinical and clinical studies have demonstrated safety and efficacy of allogeneic NK cells against both hematological and solid tumors. We have built our proprietary NK cell engager platform to engineer the receptor-binding fragment crystallizable (Fc) region of antibodies, screen NK cell agonists, and construct NK cell engagers.

$\gamma\delta$ T Cell Engagers

In recent years, researchers are developing new therapeutic strategies for targeting specific T cell subsets, such as unconventional gamma delta ($\gamma\delta$) T cells. $\gamma\delta$ T cells directly recognize and kill transformed cells independently of human leukocyte-antigen presentation, which makes them a highly promising effector-cell compartment for cancer immunotherapy. We have built our proprietary $\gamma\delta$ T cell engager platform to delve into biological mechanisms of $\gamma\delta$ T cells, screen novel agonists, and construct $\gamma\delta$ T cell engagers.

Based on insights accumulated over decades, we have also established a few other platforms that facilitate our drug discovery and development, such as our drug resistance platform that encompasses a comprehensive summary of drug-resistant cell lines, preclinical drug resistance models and the collection of real-world clinically resistant samples; our *in vivo* pharmacology platform characterized by a rich portfolio of disease-centric models that facilitate our pharmacological evaluation during the drug discovery; our drug metabolism, pharmacokinetics and toxicology (DMPK/Tox) platform that expedites the discovery, optimization, and nomination of preclinical candidates through robust *in vitro* absorption, distribution, metabolism, and excretion (ADME) assessments, *in vivo* DMPK studies, and dose range-finding testing; and our high-throughput screening platform that capitalizes on high-throughput display technology to perform antibody screening, while optimizing the affinity and druggability properties of molecules.

R&D Process

Each R&D project begins with a thorough market analysis. We apply a market-oriented approach to identifying differentiated innovative targets with significant clinical value to treat diseases with significant unmet medical needs and market potential.

We carefully review each R&D proposal and submit it for approval by our innovative drugs R&D management committee led by Mr. Sun Piaoyang, our Chairman and Executive Director; Mr. Zhang Lianshan, our Executive Director and Executive Vice President; and Mr. Jiang Frank Ningjun, our Executive Director, Executive Vice President, and Chief Strategy Officer. Our R&D management committee includes representatives from various functional departments across early research, preclinical development, CMC, clinical development, and marketing and sales. For approved projects, we also conduct periodic reviews and discontinue projects that fail to make satisfactory progress.

Below is a summary of the key steps of an R&D project:

- *Target identification and validation.* In the earliest stage, we explore targets that we believe may offer first-in-class or best-in-class potential through in-depth research on the pathogenesis of diseases and the MOA of targets and by monitoring the latest research published in international conferences. We may also apply advanced technology to streamline our drug discovery, molecular design, drug property prediction and optimization.
- *Molecule discovery and modification.* After we select a target, we test and screen the compounds on our technology platforms to select (i) the hit compound—a compound that displays the desired biological activity towards a drug target and reproduces this activity when retested, (ii) the lead compound—a compound within a defined chemical series having demonstrated a robust pharmacological and biological activity on a specific therapeutic target, and, eventually, (iii) the preclinical candidate compound.
- *Preclinical studies.* Following the identification of a clinical candidate compound, we conduct preclinical studies on it. These include pharmacodynamic studies, pharmacokinetic studies, pharmacology and toxicology studies, and CMC studies.
- *IND application.* After a preclinical candidate compound has undergone sufficient and comprehensive preclinical validation and achieved the predefined efficacy and safety profile, we will submit an IND application to the applicable regulatory authority, such as the NMPA.
- *Clinical trials.* Once we have obtained the IND approval, we proceed to conduct clinical trials through qualified medical institutions. Our responsibilities include designing the clinical protocols, securing funding for the clinical trials, and

supervising and managing the trials to ensure data quality, procedural compliance, and adherence to GCP standards. We also monitor the safety and efficacy of the investigational product throughout the trial process and ensure that all regulatory requirements are met.

- *NDA/BLA submission.* Upon successful completion of the clinical trials and the collection of sufficient data to demonstrate the drug’s safety and efficacy, we submit an NDA or a BLA to the applicable regulatory authority, such as the NMPA. This submission includes comprehensive data packages from preclinical studies, clinical trials, and CMC. The regulatory authority then typically conducts a thorough review of the application materials, which may include onsite inspections of clinical trial sites and manufacturing facilities to verify the data integrity and compliance with applicable GMP requirements.
- *Commercial launch.* Following the regulator’s approval of the NDA or BLA and issuance of the new drug certificate and drug approval number, we initiate the commercial launch of the drug. This involves activities such as manufacturing scale-up, distribution, marketing, and making the drug available to the public.
- *Post-marketing surveillance studies.* After the drug is launched, ongoing monitoring of its efficacy and adverse reactions is crucial to determine the clinical benefits and safety in the broader patient population. This includes conducting post-marketing surveillance studies to collect data on the drug’s performance in real-world settings, which leads to further understanding of its risks and benefits.

For further details about the laws and regulations related to the registration of pharmaceutical products in China, see “Regulatory Overview—Overview of Laws and Regulations in the PRC—Laws and Regulations in Relation to New Drugs.”

Moreover, we have developed a digital project management platform that covers the entire R&D cycle described above. We leverage this unified platform to integrate, store, and share all necessary information throughout our R&D projects. Our use of this platform ensures the smooth execution of each project in a timely and cost-efficient manner.

Clinical Development

We have built strong end-to-end clinical development capabilities to ensure the efficiency and quality of our drug development process. As of December 31, 2024, our in-house clinical development team covered approximately 5,000 clinical investigators, and we were conducting approximately 400 clinical trials for over 90 innovative drug candidates. In 2024, we enrolled nearly 20,000 participants in our clinical studies.

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We pursue a patient-oriented strategy to quickly and cost-effectively progress clinical development. This strategy contains the following main components:

- *Fast proof of concept.* We conduct rapid proof-of-concept studies with clear endpoint definitions to establish preliminary efficacy and safety signals, which efficiently inform the design of our clinical development programs, help mitigate clinical development risks, and facilitate quicker go/no-go decisions. By quickly eliminating ineffective drugs, we can focus resources on promising candidates, reducing our overall cost of development.
- *Patient stratification.* Through clear patient stratification, we typically enroll only those patients who are most likely to achieve clinical benefits from our product candidates. By evaluating multiple cohorts of patients based on their specific characteristics, such as genomic alterations, or by using biomarkers to select patients who are more likely to benefit from the treatment, we can enhance trial efficacy, accelerate timelines, and pursue an accelerated regulatory approval pathway for certain targeted patient populations.
- *Adaptive trial design.* For some trials, we use accumulated data to perform interim analysis and decide how to modify aspects of an ongoing clinical trial, such as dosage, patient population, and treatment regimens, without undermining the validity and integrity of the trial. This flexibility makes the trial more efficient, potentially reducing the number of patients needed and shortening the timeline. The interim analysis also allows quicker go/no-go decisions, enabling us to halt ineffective treatments earlier to save time and resources.
- *Modular evolution in combination therapies.* While evaluating each module, we can quickly pivot and test various modules systematically. Applying this approach, we can shorten the overall timeline of exploring effective combination therapy options, thus accelerating our product development and iteration processes, and addressing various unmet medical needs. By enabling the progressive integration of new candidates, modifying treatment regimens based on emerging insights, and personalizing therapy based on patient characteristics, this approach can enhance the efficacy and safety of our treatments, particularly for complex and evolving diseases.

Besides our patient-oriented strategy, we adhere to stringent global standards when conducting clinical trials in China for our product candidates with global potential. Applying this approach, we can pursue concurrent IND submissions worldwide and accelerate multi-regional clinical trials for potentially first-in-class or best-in-class drug candidates. We have initiated multi-regional clinical trials in regions, including the U.S., Europe, Australia, Japan, and South Korea, for a number of products demonstrating global potential such as SHR-A1904, SHR-A1811, and camrelizumab in combination with apatinib.

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Our end-to-end clinical development capabilities enable us to achieve superior operational efficiency in clinical development. For example, it took us around four years to advance our trastuzumab rezetecan (SHR-A1811) from the commencement of the clinical trial to obtaining the NMPA’s acceptance of the NDA. From 2018 to the Latest Practicable Date, we had obtained 60 facilitated regulatory pathways in China, the U.S., the EU, and other overseas markets. Our in-house clinical development capabilities allow us to efficiently expedite regulatory timelines for our products.

In addition to our superior efficiency, under the “patient first” guidepost, our pharmacovigilance professionals continuously monitor drug safety data to ensure patients’ well-being and the integrity of our clinical development. Furthermore, we maintain robust quality assurance for the entire process of our clinical trials through a dedicated team of highly experienced clinical quality professionals. Our dedicated professionals implement stringent quality management over the entire process of clinical development. During the Track Record Period and up to the Latest Practicable Date, our clinical programs achieved a 100% pass rate with zero critical deficiencies in over 90 GCP inspections conducted by the NMPA and the U.S. FDA. In particular, in March, October, and November 2024, the U.S. FDA conducted bioresearch monitoring inspections at three of our oncology clinical trial sites, and all of these inspections resulted in a classification of “NAI,” representing the highest standard of GCP compliance and the best outcome of a U.S. FDA inspection.

R&D Publications

To demonstrate our R&D efforts and productivity, from 2022 to 2024, research and clinical studies investigating our products and product candidates resulted in 1,019 peer-reviewed papers in international academic journals, including high-impact journals such as *The Lancet*, *British Medical Journal*, *JAMA*, *Nature Medicine*, and *Journal of Clinical Oncology*, with a cumulative impact factor of approximately 7,173 across these publications. Impact factor is a measure of academic journals’ scientometric index and reflects the yearly main number of citations of articles published in the last two years in a given journal.

The table below provides our selected influential publications.

Our Product(s)/ Product Candidate(s)	Article	Journal
Camrelizumab plus apatinib (also known as rivoceranib) . . .	Camrelizumab plus rivoceranib versus sorafenib as first-line therapy for unresectable hepatocellular carcinoma (CARES-310): a randomized, open-label, international phase 3 study	The Lancet
Camrelizumab plus famitinib . . .	Optimizing first-line subtyping-based therapy in triple-negative breast cancer (FUTURE-SUPER): a multi-cohort, randomised, phase 2 trial	Lancet Oncology

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Our Product(s)/ Product Candidate(s)	Article	Journal
Camrelizumab	Effect of Camrelizumab vs Placebo Added to Chemotherapy on Survival and Progression-Free Survival in Patients with Advanced or Metastatic Esophageal Squamous Cell Carcinoma: The ESCORT-1st Randomized Clinical Trial	JAMA-Journal of the American Medical Association
	Camrelizumab versus Placebo in Combination with Chemotherapy as Neoadjuvant Treatment in Patients with Early or Locally Advanced Triple-Negative Breast Cancer	JAMA-Journal of the American Medical Association
	Adjuvant PD-1 Blockade with Camrelizumab for Nasopharyngeal Carcinoma: The DIPPER Randomized Clinical Trial	JAMA-Journal of the American Medical Association
	Camrelizumab versus placebo in combination with gemcitabine and cisplatin as first-line treatment for recurrent or metastatic nasopharyngeal carcinoma (CAPTAIN-1st): a multicenter, randomized, double-blind, phase 3 trial	Lancet Oncology
Pyrotinib	Pyrotinib versus placebo in combination with trastuzumab and docetaxel as first-line treatment in patients with HER2-positive metastatic breast cancer (PHILA): a randomized, double-blind, multicenter, phase 3 trial	BMJ-British Medical Journal
	Pyrotinib plus capecitabine versus lapatinib plus capecitabine for the treatment of HER2-positive metastatic breast cancer (PHOEBE): a multicentre, open-label, randomised, controlled, phase 3 trial	Lancet Oncology
	Pyrotinib in HER2-Mutant Advanced Lung Adenocarcinoma After Platinum-Based Chemotherapy: A Multicenter, Open-Label, Single-Arm, Phase II Study	Journal of Clinical Oncology
	Pyrotinib or Lapatinib Combined With Capecitabine in HER2-Positive Metastatic Breast Cancer With Prior Taxanes, Anthracyclines, and/or Trastuzumab: A Randomized, Phase II Study	Journal of Clinical Oncology
	Phase I Study and Biomarker Analysis of Pyrotinib, a Novel Irreversible Pan-ErbB Receptor Tyrosine Kinase Inhibitor, in Patients With Human Epidermal Growth Factor Receptor 2-Positive Metastatic Breast Cancer	Journal of Clinical Oncology
Adebrelimab	Adebrelimab or placebo plus carboplatin and etoposide as first-line treatment for extensive-stage small-cell lung cancer (CAPSTONE-1): a randomised, placebo-controlled, phase 3 trial	Lancet Oncology
Dalpiciclib	Dalpiciclib or placebo plus fulvestrant in hormone receptor-positive and HER2-negative advanced breast cancer: a randomized, phase 3 trial	Nature Medicine

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Our Product(s)/ Product Candidate(s)	Article	Journal
	Dalpiciclib plus letrozole or anastrozole versus placebo plus letrozole or anastrozole as first-line treatment in patients with hormone receptor-positive, HER2-negative advanced breast cancer (DAWNA-2): a multicenter, randomized, double-blind, placebo-controlled, phase 3 trial	Lancet Oncology
Fuzuloparib	Fuzuloparib Maintenance Therapy in Patients with Platinum-sensitive, Recurrent Ovarian Carcinoma (FZOCUS-2): A Multicenter, Randomized, Double-blind, Placebo-controlled, Phase III Trial	Journal of Clinical Oncology
Rezvilutamide	Rezvilutamide versus bicalutamide in combination with androgen-deprivation therapy in patients with high-volume metastatic hormone-sensitive prostate cancer (CHART): a randomised, open-label, phase 3 study	Lancet Oncology
Irinotecan liposome	Irinotecan hydrochloride liposome HR070803 in combination with 5-fluorouracil and leucovorin in locally advanced or metastatic pancreatic ductal adenocarcinoma following prior gemcitabine-based therapy (PAN-HEROIC-1): a phase 3 trial	Signal Transduction and Targeted Therapy
Retlirafusp alfa (SHR-1701)	Neoadjuvant SHR-1701 with or without chemotherapy in unresectable stage III non-small-cell lung cancer: A proof of concept, phase 2 trial	Cancer Cell
Trastuzumab rezetecan (SHR-A1811)	Efficacy and safety of neoadjuvant SHR-A1811 with or without pyrotinib in women with locally advanced or early HER2-positive breast cancer: a randomized, open-label, phase II trial	Annals of Oncology
	Safety, Efficacy, and Pharmacokinetics of SHR-A1811, a Human Epidermal Growth Factor Receptor 2—Directed Antibody-Drug Conjugate, in Human Epidermal Growth Factor Receptor 2—Expressing or Mutated Advanced Solid Tumors: A Global Phase I Trial	Journal of Clinical Oncology
	Trastuzumab rezetecan, a HER2-directed antibody-drug conjugate, in patients with advanced HER2-mutant non-small-cell lung cancer (HORIZON-Lung): phase 2 results from a multicenter, single-arm study	Lancet Oncology
HR20013	Randomized, phase III trial of mixed formulation of fosrolapitant and palonosetron (HR20013) in preventing cisplatin-based highly emetogenic chemotherapy-induced nausea and vomiting: PROFIT	Journal of Clinical Oncology

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Our Product(s)/ Product Candidate(s)	Article	Journal
Vunakizumab	Efficacy and safety of vunakizumab in moderate-to-severe chronic plaque psoriasis: A randomized, double-blind, placebo-controlled phase 3 trial	Journal of the American Academy of Dermatology
Recaticimab	Recaticimab Monotherapy for Nonfamilial Hypercholesterolemia and Mixed Hyperlipemia: The Phase 3 REMAIN-1 Randomized Trial	Journal of the American College of Cardiology
	Recaticimab as Add-On Therapy to Statins for Nonfamilial Hypercholesterolemia: The Randomized, Phase 3 REMAIN-2 Trial	Journal of the American College of Cardiology
Ivamacitinib	Ivamacitinib, a selective Janus kinase 1 inhibitor, in patients with moderate-to-severe active rheumatoid arthritis and inadequate response to conventional synthetic DMARDs: results from a phase III randomized clinical trial	Annals of the Rheumatic Diseases
SHR8028	Water-Free Cyclosporine Ophthalmic Solution vs Vehicle for Dry Eye Disease: A Randomized Clinical Trial	JAMA Ophthalmology
Imrecoxib	Parecoxib sequential with imrecoxib for occurrence and remission of severe acute pancreatitis: a multicentre, double-blind, randomised, placebo-controlled trial	Gut

R&D Collaboration

As a supplement to our in-house clinical capabilities, we use services of R&D partners in limited circumstances. We have established stringent procedures for the selection, evaluation, and management of our R&D partners. We select our R&D partners based on factors such as their qualifications, credentials, professional experience, and industry reputation. Based on the service requirements of each project, we typically select multiple CROs or SMOs to participate in competitive biddings and negotiations, to ensure that we have alternative suppliers for each required service. We collaborate with reputable global R&D partners in our overseas clinical trials. In 2022, 2023 and 2024, we engaged four, six and five CROs, and 154, 188 and 190 SMOs, respectively.

Following below sets forth a summary of key terms of our collaboration agreements with the CROs and SMOs.

- *Scope of services.* In line with industry practice, CROs support us in matters such as trial design, site selection, trial execution, data management and analysis, and compliance with regulatory requirements. According to China's GCP common practice, we also engage SMOs, working together with trial sites in trial site

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management, including assisting in recruiting trial participants, coordinating site staff to confirm site process compliance, collecting clinical trial documents and maintaining data integrity at each site.

- *Our responsibilities.* As part of sponsor oversight on critical partners, we closely monitor the CROs' performance and compliance with our protocols and applicable laws, regulations, and guidelines, to ensure the high integrity and authenticity of our clinical trial data. We also provide specific directions to ensure the quality and efficiency of the trial execution.
- *Payment.* We typically make an initial payment within a specified timeframe upon the execution of the agreement and make subsequent payments contingent upon achieving specific project milestones. We generally reconcile all payments against the deliverables they provided at the conclusion of the project.
- *Intellectual property.* All clinical results, reports, publications, and related rights and interests, including all intellectual property rights in connection with the performance of the agreements, are owned by us.
- *Confidentiality.* CROs and SMOs are obligated to keep all non-public information and data from clinical trials confidential.

SALES, MARKETING AND DISTRIBUTION

Our Sales and Marketing Team

We promote our drugs primarily through our in-house sales and marketing team. As of December 31, 2024, our sales and marketing team consisted of approximately 9,000 employees across over 30 provincial-level regions in China. Meanwhile, we also have deep penetration in lower-tier cities and rural areas, which enables us to capture broader market opportunities. As of December 31, 2024, our sales network covered over 22,000 hospitals and over 200,000 offline retail pharmacies. Aside from offline retail pharmacies, our professional prescription drug sales team also covered all mainstream online pharmacy platforms as of the same date. In addition, we have established a specialized DTP team dedicated to expanding our DTP pharmacy channel to satisfy patients' diversified medical needs. We also utilize various channels and platforms to engage with patients and physicians, aiming to better serve patients with oncology and chronic diseases and improve their long-term treatment outcomes. To enhance our specialized marketing efforts, we have strategically built the following complementary functions to support our highly professional sales force:

- *Strategic planning:* formulates our commercial strategies, conducts market research and analysis, and coordinates with our production and R&D teams to support sales and marketing activities and better align R&D and manufacturing decisions with market demand.

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- *Central marketing:* conducts in-depth analysis of the therapeutic areas, patient journeys, and clinical advantages of our products, develops differentiated branding strategies to effectively convey the advantages of our products to various types of healthcare professionals, thereby ensuring that our therapies are appropriately applied to maximize patients' benefits.
- *Central medical affairs:* formulates medical strategies, gathers insights from physicians' clinical practices, reviews and supports investigator-initiated trials and conducts real-world studies and medical educational training on our innovative products.
- *Central and provincial sales management:* manages and promotes the efficiency of our sales activities, implements our sales strategies, and manages and expands our sales network in local markets.
- *Sales force effectiveness:* develops methods for target setting, oversees sales roles across various regions, assesses daily activities, and formulates incentive policies to enhance the productivity and efficiency of our sales team.
- *Central and provincial market access:* negotiates with regulators on market access related matters such as centralized tender processes, VBP schemes, the NRDL, and other government-sponsored insurance programs, and works towards hospital listings for our drugs.

We have established professional academic promotion teams in various therapeutic areas to promote medical professionals' knowledge and understanding of the clinical benefits of our drugs. We provide regular training to equip our sales and marketing personnel with the latest industry knowledge, timely understanding of our innovative products, and academic promotion skills. In addition to our detailed procedures, policies, and guidelines, we conduct compliance inspections to regulate our sales and marketing personnel's interactions with, and promotion of our products to, healthcare professionals. Furthermore, we conduct regular audits of our sales and have implemented a risk warning mechanism to minimize risks in product sales and ensure that our marketing practices comply with applicable laws and regulations.

Academic Promotion

We focus on academic promotion to facilitate market adoption of our cutting-edge innovations. As early as in the drug discovery process, we would evaluate candidate molecules' commercial potential to efficiently identify promising compounds. Once we have favorable clinical results, our academic promotion will focus on preparing for the commercialization of relevant product candidates.

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Leveraging our over 50 years' industry experience and our premium brand, we have built long-term academic relationships with many renowned physicians and other healthcare professionals. We have supported investigator-initiated trials and performed various post-market real-world studies to benefit more patients and collect clinical evidence to further validate our products. Physicians typically look to peer experts and key opinion leaders in the medical community for guidance in research, diagnosis and treatment. Publications of our R&D results in high-impact journals such as *The Lancet*, *Journal of Clinical Oncology*, *JAMA*, and *Natural Medicine* have been instrumental in raising the awareness of our differentiated innovative drugs and driving their adoption in the medical community.

Furthermore, we regularly organize and participate in a wide variety of major domestic and international academic conferences, seminars and symposia in relation to our main therapeutic areas to enhance our brand recognition. Many of our product studies have been presented at major international academic conferences such as the ASCO Annual Meeting, the European Lung Cancer Conference, the American Society of Gynecological Oncology Annual Meeting, the European Breast Cancer Conference, the World Conference on Lung Cancer, the ADA Annual Meeting, and the American Academy of Dermatology Annual Meeting, among which we have presented major research studies in the ASCO Annual Meeting for 14 consecutive years.

Moreover, as part of our branding strategy, we actively organize and participate in medical research funding initiatives to promote the development of the medical community. For example, in November 2023, we launched a program to invite cardiothoracic surgery experts from Royal College of Surgeons, the University of Cambridge to deliver lectures, analyze difficult cardiothoracic surgery cases and perform live surgeries in Shaoxing, Zhejiang Province and Shanghai, China. This program not only provided new perspectives for the improvement of medical technologies in China, but also solidified the foundation for the cooperation and academic communication between hospitals in China and around the globe.

Sales and Distribution

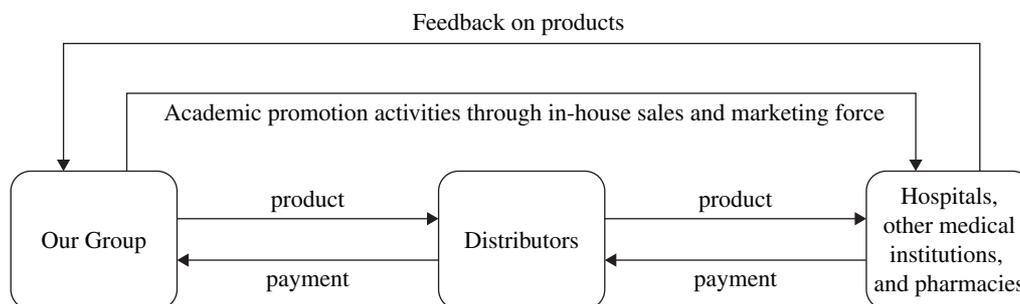
We generate revenue from sales of pharmaceutical products in China predominantly by selling our products to distributors who, in turn, sell our products to hospitals, other medical institutions, and pharmacies. We also sell a minor portion of our APIs and drugs directly to certain pharmacies and international pharmaceutical companies, which accounted for less than 4% of our total revenue for each year during the Track Record Period. Our sales and distribution arrangement is in line with industry norms in the pharmaceutical industry, according to Frost & Sullivan.

Distribution

We primarily sell our pharmaceutical products through third-party distributors, who are our direct customers. We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and the marketing and promotion process.

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The following diagram illustrates the relationships among us, our distributors and the hospitals, other medical institutions, and pharmacies that purchase our products from the distributors:



Distributor Network

We had established a comprehensive, tiered market coverage through our robust distribution channel. As of December 31, 2024, our distribution network comprised 597 distributors across over 30 provincial-level regions in China and for overseas markets. During the Track Record Period, our distributors in China contributed a substantial majority of our revenue from drug sales. To the best knowledge of our Directors, during the Track Record Period, all of our distributors were Independent Third Parties, and none of our distributors were wholly-owned or majority controlled by our former or current employees. In addition, to the best knowledge of our Directors, we do not have any other relationship or arrangement (including family, business, financing, guarantee or otherwise in the past or present) with the distributors engaged by us during the Track Record Period.

The following table sets forth the changes in the number of our distributors for the years indicated below:

	For the Year Ended December 31,		
	2022	2023	2024
Number of distributors at the beginning of the period	580	592	579
Addition of new distributors	46	39	50
Termination of existing distributors	(34)	(52)	(32)
Net increase/(decrease) in distributors	<u>12</u>	<u>(13)</u>	<u>18</u>
Number of distributors at the end of the period	<u>592</u>	<u>579</u>	<u>597</u>

We regularly review the performance of our distributors based on their market coverage, sales growth, reputation, level of cooperation, compliance with the terms of our distribution agreement, and overall credit profiles. Based on the results of our review, we may elect to

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terminate distributors who fail to meet our performance criteria. In 2022, 2023, and 2024, a total of 34, 52, and 32 distributors were terminated, respectively. These were primarily because we continued to optimize our distribution network by terminating under-performing distributors.

Distributor Management

We screen and select our distributors mainly based on criteria such as their business qualifications, creditworthiness, distribution coverage, sales capabilities, past performance, reputation, and compliance record. We conduct inspections to evaluate the performance of distributors. We also check the qualification of our distributors to ensure that they have obtained the necessary permits, licenses, and certifications for the distribution of relevant products, including drug operation permits and GSP certifications. In addition, we carry out regular evaluations of the distributors to determine whether to adjust our list of qualified distributors and their designated distribution regions.

Sales of our products to distributors are generally not subject to seasonal fluctuations. Our distributors are required to maintain sufficient inventory to ensure no shortage of supply of our products. On the other hand, we have taken various measures to minimize the risk of channel stuffing. For example, while we do not collect exact inventory balance data of all of our distributors, we actively monitor the number of our distributors and our distributors' overall inventory levels and further track the flow of our products to optimize the pace of our product delivery and control the risk of overstocking by the distributors. To manage the traceability of our products, we mandate that distributors scan QR codes during the distribution process. In addition, we have also established a periodical reconciliation mechanism to ensure the accuracy of accounts. Our distributors are required to provide GSP-compliant storage conditions for our products. All of our distributors are required by GSP regulations to ensure that they only sell products to qualified end-customers. In addition, each of our pharmaceutical products has a specified expiry date. Given the typically limited shelf life of our drugs, we do not believe it is commercially reasonable for our distributors to overstock inventories. We are generally responsible for disposing of our pharmaceutical products that are beyond the specified expiry dates after they are returned to us. We do not permit our distributors to sell any expired pharmaceutical products. Relatedly, except for defective products or other reasonable requests for returns that we approve, we generally do not accept product returns by our distributors. We only experienced limited product returns during the Track Record Period. See “—Product Returns and Complaints” for more information on our product returns. Moreover, to encourage our distributors to place orders based on actual market demand and sales forecasts, we generally do not set sales targets or minimum purchase amounts for our distributors. During the Track Record Period and up to the Latest Practicable Date, we did not notice any unusually large procurement amount inconsistent with our relevant distributors' past practices, nor any abnormally high inventory level of our distributors. Based on the above, our Directors believe that there was no unreasonable accumulation of inventories by our distributors during the Track Record Period.

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We manage cannibalization risk among our distributors through enforcement of our distribution agreements, which specify the designated products and geographic regions for each distributor. Our distributors are prohibited from distributing our products to customers outside their specified regions. In addition, for each of our products, we generally only maintain one primary distributor for each hospital.

Compliance with the “Two-Invoice System” in China

Under the Two-Invoice System in China, invoices are issued by drug manufacturers to drug distributors on a one-off basis, while invoices are issued by drug distributors to medical institutions on a one-off basis. The Two-Invoice System has been implemented by certain local authorities in China with respect to the purchase of drugs in the regions under their administration to control the prices of drugs by reducing layers of distribution and limiting price markups during the distribution process. While public medical institutions are required to adopt the Two-Invoice System, private medical institutions are encouraged but not required to adopt the Two-Invoice System. Pharmaceutical manufacturers and distributors who fail to implement the Two-Invoice System may be disqualified from attending future bidding events or distributing drugs for the hospitals and blacklisted for drug procurement practices. For more information on the Two-Invoice System, please refer to the subsection headed “Regulatory Overview—Drug Distribution and Two-Invoice System” in this prospectus.

Due to the implementation of the Two-Invoice System in China, generally our distributors are legally prohibited from engaging sub-distributors for distribution of our products to public medical institutions in China. Specifically, in areas where the Two-Invoice System is implemented for drug procurement in public medical institutions, we require our distributors to strictly comply with the Two-Invoice System. During the Track Record Period and up to the Latest Practicable Date, we had only issued invoices to relevant distributors on a one-off basis, who, in turn, issued invoices to public medical institutions on a one-off basis.

In addition, we have adopted a series of internal control measures to monitor the implementation of the Two-Invoice System in different provinces to ensure our continuous compliance with relevant rules, regulations and policies. These measures include: (i) providing training to our management and sales and marketing team to enhance their understanding of the Two-Invoice System as well as relevant rules and regulations; and (ii) requiring our sales and marketing team to timely adjust their distribution strategy according to the latest implementation status of the Two-Invoice System. Furthermore, our authorizations to our distributors typically specify the distribution area and period, and we reserve the right to adjust the distribution area and products authorized to each distributor. Therefore, even if the Two-Invoice System is implemented in other areas in the PRC in the future, we can collaborate with well-established local distributors and effectively adjust our local distributorship.

For distribution of our products to private medical institutions and pharmacies in the PRC and to overseas countries, we do not require our distributors to seek our prior approval to engage sub-distributors, since the Two-Invoice System is not required to be adopted for these sales. We do not have contractual relationships with sub-distributors engaged by our

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distributors, nor do we manage such sub-distributors directly. Instead, we rely on our distributors to supervise their respective sub-distributors. Our existing distribution model is in line with the general practice in the industry, according to Frost & Sullivan.

We generally monitor the types and/or identities of our end-customers through our distributors. Through such information, we gain insight into our sales related circumstances and continuously oversee our distribution network's adherence to the Two-Invoice System. Should we detect any violations of the Two-Invoice System by a distributor, we will enforce stringent penalties (including suspension or termination of the distributor's contract and request for liquidated damages) and potentially take other legal actions.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we (i) had not been deemed by competent authorities to have violated or circumvented any law, regulations, rules or policies in relation to the Two-Invoice System, (ii) had not been disqualified from participating in public tendering processes in any province in China, (iii) had not been subject to any administrative fines or penalties by competent authorities in relation to the Two-Invoice System, and (iv) had not received any warning or notice from any competent authorities in any provinces in relation to our compliance with the Two-Invoice System.

Terms of Distribution Agreements

We have a seller-buyer relationship with our distributors under the buy-out sale model. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them.

The following sets forth salient terms of our distribution agreements.

- *Term.* The typical duration of our distribution agreements is one year for our distributors.
- *Designated distribution area.* Distributors are generally not allowed to sell our products outside of their designated distribution areas.
- *Exclusivity.* Distributors are granted the distributorship right for specified types of products in their designated distribution areas, generally on a non-exclusive basis.
- *Sales target and minimum purchase requirement.* Our agreements with distributors generally do not specify an agreed annual sales target or minimum annual purchase amount.

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- *Pricing and resale price management.* Our selling prices to distributors are generally fixed during the term of the distribution agreements, and we set pricing terms for our distributors primarily based on the products' selling prices to hospitals and other medical institutions, which may vary in different regions. However, in the event of a retail price change as a result of regulatory or policy changes, centralized tender processes, or pricing negotiations with the government during the term of the distribution agreement, we and the relevant distributors typically would negotiate price adjustments accordingly.
- *Retail price management.* We generally do not control the prices at which our distributors resell our products to their customers.
- *Credit terms.* We generally grant our distributors a credit term of 30 to 90 days, except that new customers are typically required to pay in advance.
- *Termination.* We may terminate the distribution agreements in the event of, among others, any material breach by our distributors of the agreement.
- *Others.* Our distributors are not authorized to use our trade name or any other material which may lead others to believe that they are acting on our behalf. They are required to comply with PRC laws and regulations, including anti-corruption and anti-bribery laws and regulations.

PRODUCT PRICING

We formulate reasonable pricing strategies for our commercialized products to maintain our competitiveness, market position, and profitability. When determining the prices of our commercialized products, we consider various factors including our R&D, production, sales, and marketing costs and expenses, the market potential, product innovation, products' comparative advantages, the perceived value of the products, as well as our share in the markets where the products are marketed.

The prices of our commercialized products are also affected by the laws and regulations governing the pharmaceutical industry. In China, the government regulates prices mainly by establishing a consolidated procurement mechanism, restructuring medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

We are dedicated to closely monitoring new laws and regulations affecting the pricing of pharmaceuticals in China and making timely adjustments to our pricing strategies.

Centralized Tender Process and Volume-based Procurement

Most pharmaceutical products that are sold to public hospitals and other public medical institutions in China must go through a competitive centralized tender process at the provincial or municipal level to make the price of drugs more affordable. In this process, we submit bids to supply our products to these public hospitals or other public medical institutions at specified prices, and the selection of winning bidders is based on multiple factors, including bid price, product quality, clinical effectiveness, and qualifications and reputation of the manufacturer. If, through these tender processes, we become a winning bidder, our relevant products will be sold to the public medical institutions at our bid price, which primarily determines the price at which we sell the products to our distributors. For more details on centralized tender process, see “Regulatory Overview—Overview of Laws and Regulations in the PRC—Drug Purchases by Hospitals.” This process has created pricing pressure on us, which may decrease our revenue from relevant products and resulting in our loss of market share in regions where we failed to win bids. Our bidding and pricing strategies tailored around centralized tender process policies and our product competitiveness helped us win bids and expand our market access.

In addition, prices of certain pharmaceutical products in China sold to public hospitals and public medical institutions are affected by the VBP scheme. The VBP scheme aims to achieve a lower price of pharmaceuticals with mature, high-volume clinical usage and sufficient market competition through a competitive bidding process for large-volume procurement. The VBP scheme has been rolled out at both national and regional levels. As part of the bidding process for the VBP scheme, relevant products need to undergo an evaluation and approval procedure based on specific criteria. While the VBP scheme sometimes allows us to sell our products in larger volumes, it typically exerts downward pressure on the prices at which we sell our products to our distributors. To mitigate such impact, we continue to diversify our product matrix by introducing new innovative drugs. The VBP schemes are generally applicable to generic drugs, which accounted for 60.3%, 53.4% and 42.0% of our total revenue in 2022, 2023 and 2024, respectively. As of the end of 2022, 2023, and 2024, 33, 43, and 46 of our on-sale generic drugs had been included in the VBP schemes, respectively. The fluctuation in the number of drugs included in the VBP schemes during the Track Record Period was mainly due to the expanded coverage of national and provincial VBP schemes. In addition, in 2022, 2023, and 2024, our drugs that had not been included in the VBP schemes as of the respective year-ends contributed less than 30%, 22% and 12% of our total revenue and gross profit during the same respective years. The revenue and gross profit contribution from drugs that had not been included in the VBP schemes decreased from less than 30% in 2022 to less than 22% in 2023 and further to less than 12% in 2024 primarily due to: (i) with the continuous expansion of the VBP schemes, more generic drugs have been included in the national or provincial VBP schemes; (ii) after the inclusion into the VBP schemes, the respective generic drugs will usually undergo price cuts and decreases in revenue; and (iii) our revenue contribution from generic drugs was on a declining trend during the Track Record Period. Based on the downward trend and the significant decrease from the contribution of less than 30% in 2022 to less than 12% in 2024, the materiality of the VBP schemes’ pressure on our drug pricing during the Track Record Period gradually decreased and is expected to decline in the foreseeable future.

NRDL

Participants in China’s public medical insurance programs, along with their employers, if any, are required to contribute to these programs on a monthly basis. They are eligible for full or partial reimbursement of the cost of drugs included in the NRDL, which sets out the payment standard for drugs under the basic medical insurance, work-related injury insurance and maternity insurance funds. The National Healthcare Security Administration of the PRC, along with other government authorities, determines which drugs are included in the NRDL. Drugs listed in any government-led medical insurance program, such as the NRDL, generally undergo a pricing negotiation process with the government, which typically results in price reductions. For more details on the NRDL, see “Regulatory Overview—Laws and Regulations in Relation to New Drugs—National Reimbursement Drug List of China.”

As of the end of 2022, 2023, and 2024, 8, 13, and 15 of our innovative drugs had been included in the NRDL, and 65, 70, and 68 of our on-sale generic drugs had been included in the NRDL, respectively. The fluctuation in the number of innovative and generic drugs included in the NRDL during the Track Record Period was mainly due to: (i) our continuous efforts in launching new innovative drugs to enhance our commercialized innovative drug portfolio. By the end of 2022, 2023, and 2024, we had a portfolio of 12, 15, and 17 commercialized NME drugs, respectively, leading to a substantial increase in number of innovative drugs that had been included in the NRDL; and (ii) as we have shifted our focus to innovative drugs, we have voluntarily terminated the sales of certain generic drugs, leading to a slight decrease in the number of on-sale generic drugs that had been included in the NRDL as of the year-ends during the Track Record Period.

In addition, in 2022, 2023, and 2024, our drugs that had been included in the NRDL as of the respective year-ends contributed over 90%, 90%, and 80% of our total revenue and gross profit during the same period. The percentage in 2022 and 2023 remained stable at around 90%, which decreased to over 80% in 2024 primarily due to a significant increase in licensing revenue in 2024 compared to the prior year. In addition, overall, the benefits of having our pharmaceutical products included in the NRDL significantly outweighed the countervailing factors during the Track Record Period. For example, one of the reasons for the increases in our revenue during the Track Record was the inclusion of our relevant drugs in government-sponsored medical insurance programs. Based on the foregoing factors, including the minimal fluctuation in the number of our drugs that had been included in the NRDL, the NRDL’s impact on our drug pricing during the Track Record Period was insignificant and is expected to remain insignificant in the foreseeable future.

PRODUCT RETURNS AND COMPLAINTS

Product returns and exchanges by our distributors are generally not allowed. Our distributors are required to inspect the products on delivery. Any products that have been accepted on delivery are not eligible for returns, except for defective products or other reasonable requests for return that we approve. We will dispose of any defective products that have been returned, and will not resell these products, regardless of whether or not they have passed the expiry dates. According to the Good Supply Practice for Drugs (藥品經營質量管理規範) of the PRC, distributors of pharmaceutical companies must conduct acceptance inspections on all incoming products to prevent any defective items from entering the market. Non-conforming products must be identified and disposed of under the supervision of the quality management department and may not be resold. Consequently, product returns generally are permitted only in cases of identified defects or other valid reasons. Considering these factors, our industry consultant Frost & Sullivan believes that our product return policy is in line with industry norm. We recorded an insignificant amount of product returns during the Track Record Period, representing less than 1% of our total revenue for the same period. We did not experience any product recalls during the Track Record Period.

We receive feedback from our distributors and have implemented detailed procedures on how to handle quality complaints. We have dedicated personnel who take complaint calls and regularly review and analyze the feedback and complaints received. With respect to any approved product returns, our dedicated personnel will coordinate with relevant distributors for the subsequent transportation and product inspection. In addition, our sales and marketing team will actively follow up on the product related complaints to ensure that they are dealt with appropriately. During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints due to problems associated with the quality of our products.

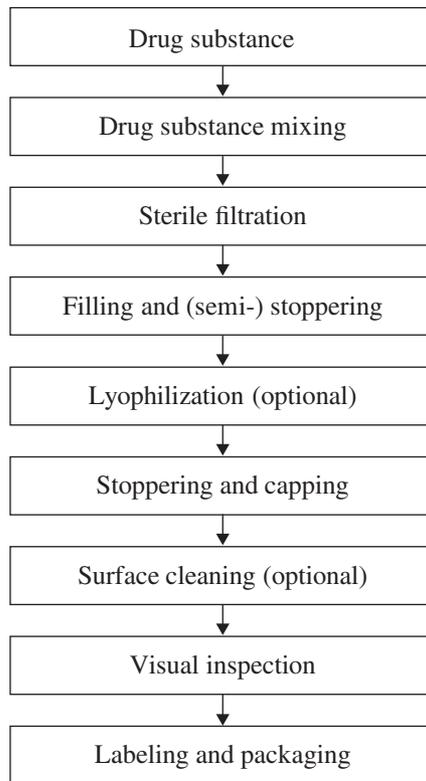
MANUFACTURING AND QUALITY MANAGEMENT**Manufacturing Process**

During the Track Record Period, we manufactured our pharmaceutical products and product candidates fully in-house, except for a limited number of in-licensed products. In addition, we produced a substantial majority of the drug substances used in our pharmaceutical products. We operate tailored manufacturing processes for our pharmaceutical products in a variety of dosage forms, which primarily include injectables, oral solids, and active pharmaceutical ingredients.

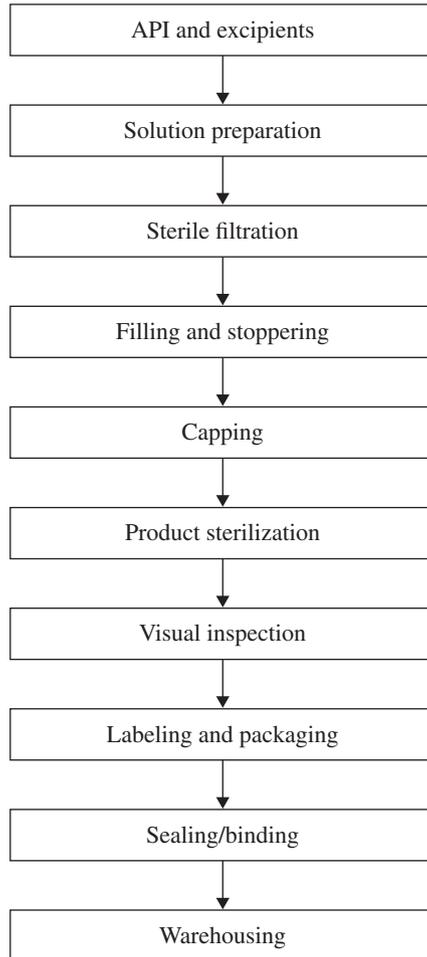
Injectable Dosage Form

The injectables we manufacture include primarily injectable solutions, powder for injection, and lyophilized powder for injection. The following diagram summarizes the production process for our biologics and small molecule drugs in injectable dosage form. Our products manufactured pursuant to the process below include, for example, adbrelimab, camrelizumab, mecapegfilgrastim, vunakizumab, remimazolam, and tegileridine.

Biologics



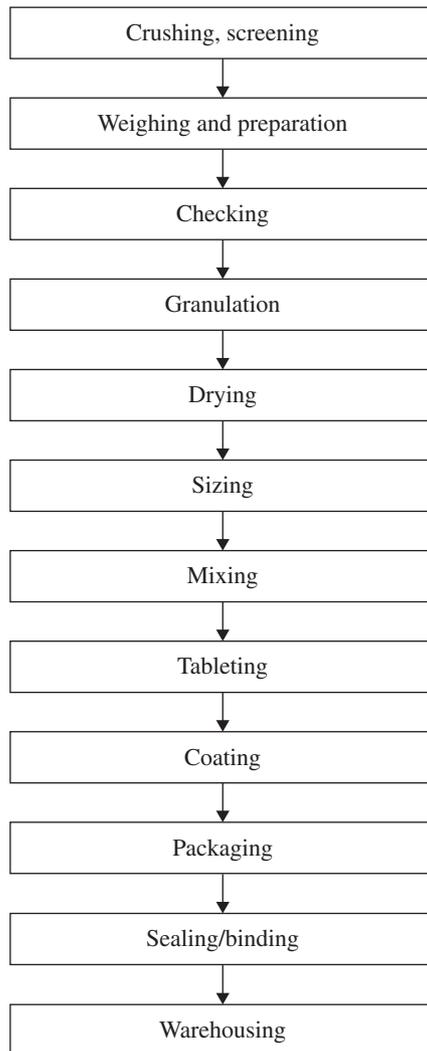
Small Molecules



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Oral Dosage Form

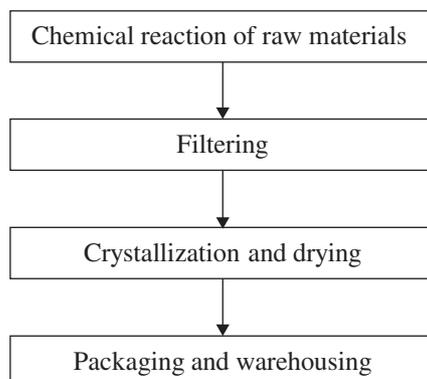
We manufacture a variety of oral tablets and capsules. The following flowchart summarizes the typical manufacturing process for these products. Our products manufactured pursuant to the process below include, for example, linperlisib, herombopag, and imrecoxib.



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Active Pharmaceutical Ingredients

The following flowchart summarizes the typical manufacturing process for our active pharmaceutical ingredients.



Manufacturing Facilities

We currently have 12 manufacturing facilities in use across China, including four located in Lianyungang, two located in Chengdu, and one located in each of Xiamen, Guangzhou, Tianjin, Jinan, Suzhou, and Shanghai. The following table sets forth a summary of our manufacturing facilities in use as of December 31, 2024:

<u>Location</u>	<u>Major Production</u>	<u>Site Area</u> <i>(thousand sq.m.)</i>	<u>Gross Floor Area</u> <i>(thousand sq.m.)</i>
Lianyungang, Jiangsu	Biologics and small molecules	249.8	142.0
Lianyungang, Jiangsu	APIs	200.3	110.3
Lianyungang, Jiangsu	Biologics	95.0	60.6
Lianyungang, Jiangsu	Biologics and small molecules	58.3	33.7
Chengdu, Sichuan . .	Small molecules	100.0	43.4
Chengdu, Sichuan . .	APIs	66.9	32.2
Xiamen, Fujian . . .	Peptides and nucleic acid drugs	94.2	20.7
Guangzhou, Guangdong	Biologics	65.9	23.6
Tianjin	Radioactive drugs	46.5	7.2
Jinan, Shandong . . .	Small molecules	18.0	27.2
Suzhou, Jiangsu . . .	Biologics	110.2	66.8
Shanghai	Small molecules	44.0	14.6

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During the Track Record Period and up to the Latest Practicable Date, we obtained production licenses for all of our manufacturing facilities. Additionally, as of the Latest Practicable Date, all of our production lines for commercialized products had received the GMP certification. For details, see “—Legal and Compliance—Licenses, Permits and Certificates.”

We are committed to advancing the digitalization and automation of our production management processes. During the Track Record Period, we implemented several digital systems, including our laboratory information management system, and quality management system. In addition, we implemented a supervisory control and data acquisition (SCADA) system to collect data at each stage of the manufacturing process. The integration of these systems promotes the traceability of manufacturing information, automates the production materials delivery, and enables real-time scheduling of manufacturing procedures. The SCADA system also enables one-stop control over the entire production process, facilitating an easy and automated production process.

In addition, we provide annual training sessions to enhance our quality and manufacturing team’s understanding of quality assurance and production procedures, the content of which is customized based on the specific products to be manufactured and regulatory requirements. We also provide additional training to personnel who make significant mistakes during the manufacturing process to help them avoid future mistakes.

The following table sets forth our designed production capacity, actual production volume and utilization rate for production lines that are used in the production of injectables and oral solids as of the dates and for the years indicated.

		As of/For the Year Ended December 31,								
		2022			2023			2024		
Production Line	Unit	Designed Production Capacity ⁽¹⁾	Production Volume	Utilization Rate	Designed Production Capacity	Production Volume	Utilization Rate	Designed Production Capacity	Production Volume	Utilization Rate
		(%) ⁽²⁾			(%) ⁽²⁾			(%) ⁽²⁾		
Injectables.	million vials	223.6	155.4	69.5	222.5	145.3	65.3	212.9	148.3	69.7
Oral solids (including tablets and capsules)	million pieces	2,996.5	2,251.3	75.1	3,436.4	2,461.0	71.6	5,009.2	3,077.6	61.4

Notes:

- (1) The designed production capacity for a production line is calculated based on 255 effective production days a year on a triple shift basis (i.e., 24 hours) for oral solids, and a double shift basis (i.e., 16 hours) for other products.
- (2) Utilization rate equals actual production volume divided by production capacity.

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In formulating our expansion and update plan, we have taken into consideration several factors, including the projected market demand for our products, the timing of these plans, the development progress of our product candidates, technological developments that are relevant to our manufacturing process, and the estimated capital expenditures. In particular, we believe the following factors indicate sufficient market demand to support the planned increase in our production capacity: historical growth rates of our sales of commercialized innovative drugs; our robust pipeline of late-stage innovative product candidates, including those with significant market potential; and our strategy to deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts.

Raw Materials

The principal raw materials used for the production of our pharmaceutical products primarily consist of APIs, intermediates, excipients, raw materials for biological products, chemicals, and detection reagents.

We only purchase raw materials used in our product development and manufacturing process from approved suppliers. We maintain and constantly update an approved list of qualified suppliers. We assess potential suppliers based on various factors including their credentials, product quality, occupational health and safety and environmental management, and we conduct sample tests on potential suppliers to ensure that the quality of their products meets our standard. We routinely review, assess, and rate our suppliers' performance and check their qualifications to ensure the legality and quality of our raw materials.

To efficiently regulate the access and behaviors of suppliers, our supplier management department has put in place supplier access policies, supplier performance policies, and in-process supplier management policies and adopted a digitalized supplier relationship management system to manage the whole lifecycle of procurement, from supplier registration and approval to sample collection, on-site inspections and supplier performance assessment.

Most of the raw materials used for our products are readily available in the market through multiple suppliers, and we believe we have alternative sources for such raw materials with comparable quality and prices. During the Track Record Period, we did not experience significant difficulties in maintaining stable sources of supplies, and we expect that we can continue to maintain adequate sources of qualified supplies in the future. We generally enter into supply agreements with our raw material suppliers and make procurements on an as-needed basis. The purchase price of our raw materials is generally determined through a bidding process. During the Track Record Period, the major APIs we procured were irbesartan, valsartan, imrecoxib, paclitaxel, capecitabine and febuxostat, and the purchase prices of these major APIs did not experience any material unfavorable fluctuations.

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Upon the acceptance of the raw materials, we are typically required to make full payment to the relevant supplier within 90 days after receiving the invoice. Our suppliers are generally responsible for arranging the delivery to our designated production facilities at their own costs. We are entitled to exchange goods that do not meet our requirements or industry standards. If the exchanged goods still fail to meet relevant requirements or standards, we are generally entitled to terminate the supply agreement and request a refund. We generally contract with more than one supplier for each major type of raw material, except for very few specified raw materials for which we contract with exclusive suppliers.

We have established standardized procurement processes and a scientific procurement management system to reduce procurement costs and improve our procurement quality and efficiency. We have standardized each step of the procurement process from sourcing, to negotiation, execution and supervision. Our supply chain management department evaluates the capacity of our production lines and makes procurement plans based on our R&D results and market expectations, and timely adjusts the plans based on changes in our demand for raw materials, capacity of our production lines, and our inventory level. We have a dedicated procurement center that is responsible for the overall procurement management. Each department under our procurement center submits procurement requests through our centralized procurement management system, and such requests are integrated into our procurement center upon approval by relevant managers. To avoid unnecessary procurement and effectively control procurement costs, only the procurement requests that are approved will be implemented.

Quality Management

We believe that an effective quality management system is critical to ensuring the quality of our products, maintaining our reputation and success, and safeguarding the health of consumers. We have implemented and continuously improved our quality management system and policies to ensure our product quality. Our quality management systems are designed in accordance with applicable GMP standards, and our exported products comply with or exceed global quality standards such as EU GMP, the U.S. cGMP, and the ICH Quality Guidelines. Our quality management system complies with applicable PRC laws and regulations on drug administration.

We have established comprehensive quality management procedures and protocols, which span the entire production lifecycle from raw material procurement to final product quality testing and release. We have also been promoting the digital transformation of our quality management system, including the use of quality management software such as quality management system, Document Management System and Laboratory Information Management System, to improve the overall efficiency of our product quality management.

We have extensive compliance experience under the manufacturing and quality-related requirements of overseas regulators such as the U.S. FDA and the EMA. For example, we obtained U.S. FDA approval for a total of three ANDAs for our first-to-market generics in January, July, and October 2024. During the Track Record Period, we consistently passed

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various official inspections conducted by domestic and foreign drug supervision and management authorities such as the NMPA and the U.S. FDA or made rectification in a timely manner in accordance with the rectification suggestions made by regulatory authorities. Separately, we frequently receive inspections from our existing and potential global partners, leading to many long-term collaborations. These achievements reaffirm the global recognition of our quality management system.

We have hired our Chief Quality Officer, an industry veteran with over 30 years of global experience (including experience working at the U.S. FDA) in the pharmaceutical industry to further enhance our quality management. He was a former senior CMC reviewer at the U.S. FDA and worked as the director and senior manager of CMC in several leading Chinese and multinational pharmaceutical companies. We have established a professional quality team that actively participates in the quality management throughout the product lifecycle from R&D to production and launch and marketing of the products to monitor product quality at all stages. As of December 31, 2024, we had a dedicated quality team of nearly 1,100 employees, most of whom had pharmaceutical, chemistry or related technical expertise.

Our employees are required to participate in multiple GMP-related trainings held by drug supervision and inspection authorities, as well as industry associations. In addition, we conduct training sessions themed on quality management to promote the awareness of quality management among our employees, and we encourage our employees to participate in the construction of our quality management system. These activities and initiatives enable our employees to continuously enhance their professional skills and knowledge while understanding the regulatory requirements for our quality and production activities and facilities.

Additionally, we have received various industry recognitions for our exceptional quality management capabilities. For example, in March 2023, we were awarded by the China Quality Association for Pharmaceuticals as “First-Batch Quality Assurance Enterprise for Sterile Drugs.” In September 2023, we also won the first prize of the “China Quality Association for Pharmaceuticals Quality Team Activities.” In July 2022 and November 2023, we were awarded by the Jiangsu Quality Association for Pharmaceuticals as “Excellent Enterprise of Quality Management in the Pharmaceutical Industry in Jiangsu Province.” Moreover, we actively contribute to the development of industry standards and regulations for quality management, promoting systematic growth in the pharmaceutical sector while fulfilling our social responsibilities.

Key aspects of our quality management procedures are as follows:

Raw Material Quality Management

We only purchase raw materials and other components used in our product development and manufacturing process from approved suppliers. We have established comprehensive quality management policies covering various aspects of raw materials management, including

raw materials receipt, examination, evaluation, release, and dispensing. After we receive the raw materials, we examine the materials in accordance with our quality standards, and only those raw materials that meet the quality standards would be evaluated and released for further processing.

Production In-process Quality Management

During the production process, we conduct quality testing for intermediates, semi-finished products, and we monitor the manufacturing process of our products. We have implemented a thorough production in-process quality management relevant system. We carry out our manufacturing processes in compliance with GMP requirements.

Final Product Quality Management

We have implemented complete final product release testing, approval and release policies to guarantee the quality of our final products. All of our final products, before their release to the market, are required to undergo sampling and release tests. To ensure sound and accurate testing of all products, we have established our in-house laboratory quality management center, which implements a comprehensive management system and strict quality testing procedures. We conduct testing on the final products in accordance with applicable national quality standards and testing methods for pharmaceutical products. After the testing results are reviewed and approved by relevant qualified personnel and the management in charge of our quality management, the final products that comply with GMP requirements and meet relevant quality standards will be released.

We monitor the quality of our products throughout their full lifecycles, and implement effective quality management measures after the commercialization of our products. We have established a comprehensive pharmacovigilance system and put in place a series of after-sales policies, including the complaint handling policy, adverse drug reaction monitoring policy, and product recall policy. Our drug tracing platform uses barcodes to ensure the traceability of drug products that enter into the market. We have also stipulated detailed scenarios where products should be recalled, and set forth guidelines on product recalls. According to our product recall procedures, we will evaluate our recalled products and, based on results of our evaluation, destroy our recalled products or take other appropriate measures under regulatory agencies' supervision.

Inventory Management

Our inventory consists primarily of finished products, work in progress, and raw materials. We have established an inventory management system that monitors each stage of the warehousing process. All raw materials and products are stored in different areas in our warehouses according to their respective storage condition requirement, properties, usage and batch number. Our warehousing personnel are responsible for receiving inspection, warehousing, storage, and distribution of production materials and finished products. We generally purchase raw materials based on their shelf-lives and required lead times. At the same

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time, we closely monitor our inventory levels and keep appropriate levels of stock for different products. By conducting regular inventory counts and stock checks, we continuously monitor our expired or near expired inventories. During the Track Record Period, we wrote off and disposed of obsolete raw materials and expired finished goods according to relevant regulations. We implement inventory management policies regulating the receipt, inspection, storage, and shipping of inventory in accordance with applicable GMP requirements. In addition, we use ERP and WMS systems for digital management of our inventory and to record the operations of our warehousing personnel, thereby enhancing the efficiency of our inventory management.

CUSTOMERS

Our customers primarily consist of distributors of our pharmaceutical products in China and around the globe and international pharmaceutical companies to which we out-licensed certain rights with respect to our drugs and drug candidates. In each of the years ended December 31, 2022, 2023 and 2024, we generated revenue of RMB12,724.9 million, RMB14,163.9 million, and RMB16,437.1 million from our five largest customers, respectively, representing 59.8%, 62.0%, and 58.7% of our total revenue for the respective periods.

The following table sets forth the details of our five largest customers in each year during the Track Record Period:

For the Year Ended December 31, 2022

<u>Rank</u>	<u>Customer</u>	<u>Products/ Services Provided</u>	<u>Customer Background</u>	<u>Year of Commencing Business Relationship</u>	<u>Revenue Contribution</u>	<u>As a Percentage of Our Total Revenue</u>
					<i>(RMB million)</i>	<i>(%)</i>
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company listed on the Hong Kong Stock Exchange and its subsidiaries, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2005	6,126.5	28.8

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Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution (RMB million)	As a Percentage of Our Total Revenue (%)
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2011	2,659.7	12.5
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company listed on the Hong Kong Stock Exchange, with their principal business located in China and focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,335.0	11.0
4 . . .	Customer D	Pharmaceutical products	Distributor; a public company listed on the Shanghai Stock Exchange and its subsidiaries, with their principal business located in China and focused on the wholesale and retail of pharmaceuticals	2000	896.4	4.2
5 . . .	Customer E	Pharmaceutical products	Distributor; subsidiaries of a public company listed on the Shenzhen Stock Exchange, with their principal business located in China and focused on the sale of pharmaceuticals, healthcare products, and medical devices, and related services	2000	707.3	3.3
Total					12,724.9	59.8

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For the Year Ended December 31, 2023

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					<i>(RMB million)</i>	<i>(%)</i>
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company listed on the Hong Kong Stock Exchange and its subsidiaries, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products and medical devices, and related services	2005	6,784.5	29.7
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products and medical devices, and related services	2011	3,150.8	13.8
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company listed on the Hong Kong Stock Exchange, with their principal business located in China and focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,498.1	10.9

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Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					<i>(RMB million)</i>	<i>(%)</i>
4 . . .	Customer D	Pharmaceutical products	Distributor; a public company listed on the Shanghai Stock Exchange and its subsidiaries, with their principal business located in China and focused on the wholesale and retail of pharmaceuticals	2000	948.5	4.2
5 . . .	Customer E	Pharmaceutical products	Distributor; subsidiaries of a public company listed on the Shenzhen Stock Exchange, with their principal business located in China and focused on the sale of pharmaceuticals, healthcare products, and medical devices, and related services	2000	782.0	3.4
Total					<u>14,163.9</u>	<u>62.0</u>

For the Year Ended December 31, 2024

Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution	As a Percentage of Our Total Revenue
					<i>(RMB million)</i>	<i>(%)</i>
1 . . .	Customer A	Pharmaceutical products	Distributor; a public company listed on the Hong Kong Stock Exchange and its subsidiaries, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2005	7,494.8	26.7

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Rank	Customer	Products/ Services Provided	Customer Background	Year of Commencing Business Relationship	Revenue Contribution <i>(RMB million)</i>	As a Percentage of Our Total Revenue <i>(%)</i>
2 . . .	Customer B	Pharmaceutical products	Distributor; subsidiaries of a public company listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with their principal business located in China and focused on the distribution and retail of pharmaceuticals, healthcare products, and medical devices, and related services	2011	3,444.5	12.3
3 . . .	Customer C	Pharmaceutical products	Distributor; subsidiaries of a public company listed on the Hong Kong Stock Exchange, with their principal business located in China and focused on the manufacturing, distribution, and retail of pharmaceuticals, healthcare products, and medical devices	2001	2,927.7	10.5
4 . . .	Customer F	Licensing	Pharmaceutical company; a subsidiary of a public company listed on the Frankfurt Stock Exchange, with its principal business located in Germany and focused on healthcare, life science, and performance materials	2023	1,416.9	5.1
5 . . .	Customer G	Licensing	Pharmaceutical company; a private company with its principal business located in the United States and focused on the development of a broad and advanced therapeutic pipeline	2024	1,153.3	4.1
Total					<u>16,437.1</u>	<u>58.7</u>

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The credit terms that we provided to our five largest customers generally ranged from 30 to 90 days after the invoice date, with payments made through wire transfers or banks' acceptance bills. To the best knowledge of our Directors, in each year during the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors or their respective close associates, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest customers in each year during the Track Record Period. In addition, except for Customer G in which we held a 19.9% equity interest as of the Latest Practicable Date, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee, or otherwise in the past or present) between any of our five largest customers in each year during the Track Record Period and us.

SUPPLIERS

Our suppliers primarily consist of suppliers of APIs, excipients and other raw materials. In each of the years ended December 31, 2022, 2023 and 2024, our aggregate purchases from our five largest raw material suppliers amounted to RMB842.5 million, RMB957.1 million, and RMB948.0 million, respectively, representing 24.1%, 27.0%, and 28.0% of our cost of sales for these respective periods.

The tables below set forth certain details of our five largest raw material suppliers in each year during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					<i>(RMB million)</i>	<i>(%)</i>
1 . .	Supplier A	APIs and intermediates	A public company listed on the Shanghai Stock Exchange, with its principal business located in China and focused on the manufacturing of pharmaceutical intermediates	2003	270.5	7.8
2 . .	Supplier B	Intermediates	A private company with its principal business located in China and focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	165.1	4.7

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Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount <i>(RMB million)</i>	As a Percentage of Our Cost of Sales <i>(%)</i>
3 . .	Supplier C	APIs and intermediates	A private company with its principal business located in China and focused on the manufacturing of basic chemical raw materials	2006	151.5	4.3
4 . .	Supplier D	APIs and intermediates	A private company with its principal business located in China and focused on the R&D of chemicals, pharmaceuticals, biology, and technical developments in the chemical industry	2017	132.5	3.8
5 . .	Supplier E	Excipients, reagents, and consumables	A subsidiary of a public company listed on the Frankfurt Stock Exchange, with its principal business located in Germany and focused on the trading and distribution of chemical products	2009	122.9	3.5
Total					<u>842.5</u>	<u>24.1</u>

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For the Year Ended December 31, 2023

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					<i>(RMB million)</i>	<i>(%)</i>
1 . .	Supplier A	APIs and intermediates	A public company listed on the Shanghai Stock Exchange, with its principal business located in China and focused on the manufacturing of pharmaceutical intermediates	2003	343.6	9.7
2 . .	Supplier F	APIs and intermediates	A private company with its principal business located in China and focused on the manufacturing of tablets, capsules, granules, APIs, and industrial chemical raw materials	2019	251.9	7.1
3 . .	Supplier B	Intermediates	A private company with its principal business located in China and focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	137.8	3.9
4 . .	Supplier C	APIs and intermediates	A private company with its principal business located in China and focused on the manufacturing of basic chemical raw materials	2006	113.6	3.2
5 . .	Supplier G	APIs and intermediates	A public company listed on the Shenzhen Stock Exchange, with its principal business located in China and focused on the manufacturing of pharmaceuticals and basic chemical materials	2016	110.2	3.1
	Total				<u>957.1</u>	<u>27.0</u>

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For the Year Ended December 31, 2024

Rank	Supplier	Products/ Services Purchased	Supplier Background	Year of Commencing Business Relationship	Purchase Amount	As a Percentage of Our Cost of Sales
					<i>(RMB million)</i>	<i>(%)</i>
1 . .	Supplier B	Intermediates	A private company with its principal business located in China and focused on the manufacturing and research of chemical raw materials and pharmaceutical intermediates	2021	329.2	9.7
2 . .	Supplier F	APIs and intermediates	A private company with its principal business located in China and focused on the manufacturing of tablets, capsules, granules, APIs, and industrial chemical raw materials	2019	180.0	5.3
3 . .	Supplier G	APIs and intermediates	A public company listed on the Shenzhen Stock Exchange, with its principal business located in China and focused on the manufacturing of pharmaceuticals and basic chemical materials	2016	158.2	4.7
4 . .	Supplier A	APIs and intermediates	A public company listed on the Shanghai Stock Exchange, with its principal business located in China and focused on the manufacturing of pharmaceutical intermediates	2003	141.1	4.2
5 . .	Supplier I	Clinical pharmaceuticals	A private company with its principal business located in China and focused on the distribution (including wholesale, retail, as well as import and export) of pharmaceuticals and medical devices	2023	139.5	4.1
Total					<u>948.0</u>	<u>28.0</u>

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The credit terms that our five largest raw material suppliers provided to us generally ranged from 30 to 90 days after receipt of the invoice, with payments made through wire transfers or banks' acceptance bills. To the best knowledge of our Directors, in each year during the Track Record Period, all of our five largest suppliers were Independent Third Parties. None of our Directors or their respective close associates, and to the best knowledge of our Directors, none of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest suppliers in each year during the Track Record Period. In addition, except that, as of the Latest Practicable Date, Supplier C held a 2.94% equity interest and Supplier D held an 8.82% equity interest in a subsidiary of our Company, to the best knowledge of our Directors, there is no other relationship or arrangement (including family, business, financing, guarantee, or otherwise in the past or present) between any of our five largest suppliers in each year during the Track Record Period and us.

INTELLECTUAL PROPERTY RIGHTS

As of December 31, 2024, we filed 2,609 patent applications in the Greater China region and 704 patent applications under the Patent Cooperation Treaty. As of the same date, we owned 1,084 issued patents in the Greater China region and 753 issued patents in other jurisdictions, including the United States, Europe and Japan. With respect to our 19 commercialized NME drugs, other than two compound invention patents that already expired in April 2020 and November 2022, respectively, invention patents we held as of the Latest Practicable Date in the PRC on their compounds and preparation methods will expire from January 2029 to December 2036 (except for one that will expire in October 2026 and one that will expire in November 2028) and from March 2030 to October 2042, respectively. Based on the relatively small revenue contribution of each commercialized NME drug, our holding of additional patents on relevant NME drugs (including the two drugs that each have one of their patents expiring in October 2026 and November 2028, respectively), and our large NME drug portfolio, our Directors are of the view that the above-mentioned expiration of patents did not, and the future expiration of patents for any single commercialized NME drug is not expected to, have any material impact on our business or results of operations. Our patent strategy is focused on seeking coverage for our new drug compounds, protein molecular structures, preparation processes, among others, providing a comprehensive and long-term patent protection for our products and technologies.

We rely on intellectual property rights to protect technologies, inventions, and improvements that we believe are important to maintain our product's competition. To protect our intellectual property rights, our standard employment contracts include confidentiality clauses restraining our employees from disclosing trade secrets to any third party. We may also enter into additional confidentiality agreements with certain R&D personnel, which provide that all relevant intellectual property rights developed by our R&D personnel during their employment with us should become our intellectual property and are treated as trade secrets. We also follow procedures, such as patent searches, to minimize the risk of infringing on the intellectual property rights of others.

As of the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights, or any disputes or claims against us in relation to the infringement of intellectual property rights of third parties, that were pending or threatened and would, individually or in the aggregate, have a material adverse impact on our business, financial condition or results of operations.

DATA PRIVACY AND PROTECTION

We receive, collect and store de-identified codes of subjects enrolled in our clinical studies and the corresponding clinical data and we process, analyze and transfer these data within the scope of the relevant clinical studies and drug registration. In line with industry practices, some of our studies are based on published research data, which may contain de-identified individual cases. In addition, we receive, collect and store personal data from post-marketing surveillance and real-world studies, such as spontaneously reported adverse drug reactions, and submit drug safety reports as required by regulatory authorities. As such, we are bound by the relevant data privacy and protection laws and regulations that apply to our data activities in the jurisdictions where we operate and conduct our clinical studies. For instance, any transfer or processing of personal and clinical data from our clinical studies across jurisdictions, including regulatory submissions, is subject to applicable local data privacy and protection laws and regulations.

Our data privacy and protection policy includes comprehensive measures and procedures to safeguard the security and confidentiality of data we access in our operations. We collect and retain data only as permitted by law and as necessary for our clinical studies. Personal data of subjects enrolled in our clinical studies and the corresponding clinical data are collected and processed in accordance with the informed consent agreed upon by the subjects. We require our R&D partners for clinical studies in overseas markets to have data protection clauses in the agreements with us, making them responsible for safeguarding personal and clinical data handled by them. We also require employees involved in clinical studies to comply with confidentiality requirements, and our policies mandate training for our employees in the protection of personal information.

Furthermore, together with our R&D partners, we have implemented controls to govern the transfer or processing of all personal and clinical data. We have established policies and protocols to ensure compliance with data security and privacy protection requirements for the cross-border transfer of clinical data, and to ensure that the applicable filings for the export or transfer of personal data, including human genetic resources, are made with the competent government authorities in accordance with applicable laws and regulations.

Specifically, our key data policies and protocols for collecting, transferring and processing of personal and clinical data include the following:

- *Purpose limitation:* Personal data are processed in a manner compatible with the purpose for which they were collected.

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- *Minimal data collection:* We only collect necessary personal data and avoid the collection of unnecessary information.
- *Retention policy:* Subject to legal requirements for longer retention periods, personal data are stored no longer than necessary for the purposes for which they were collected or processed.
- *Data migration and transfer:* For projects involving data migration or transfer, authorized departments are required to assess the legality and necessity of such actions and ensure compliance with relevant laws and regulations.
- *Cross-border data transmission:* When data transmission overseas is required for regulatory or business purposes, it must comply with applicable laws. While we typically de-identify the personal data, this does not meet the stand of anonymization and the data should still be treated as personal information and protected accordingly. Therefore, personal data subjects are typically informed of the transfer and provide their approval. For projects involving human genetic resources, such as clinical trials or real-world data projects, approval must be obtained from authorities or applicable filing requirements must be fulfilled.
- *Technical safeguards:* Appropriate technical measures are in place to ensure data security, including hardware and equipment security, network structure protection, secure communication transmission, intrusion prevention, and protection against malicious codes.
- *Access control:* Access to personal data is strictly limited to authorized personnel with legitimate business purposes.
- *Training requirements:* All employees and third-party personnel with access to personal data must undergo regular training on data privacy and security protocols.
- *Third-party data handling:* Third parties engaged in data collection, processing, or storage on our behalf are required to comply with relevant laws, regulations, and our internal data policies. Before engagement, we conduct due diligence to assess the third parties' ability to process and store data securely. Once personal data processing is complete, the third parties must either delete or transfer the data according to our instructions. The third parties are required to acknowledge their responsibilities regarding personal data.
- *Data security incident management:* We have established an emergency management system and contingency plans to respond to data security incidents. This includes promptly notifying data subjects of incidents or reporting them to relevant authorities, as required by applicable laws and regulations. We have also established a dedicated management organization to oversee the timely resolution of

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data security incidents, such as unauthorized disclosure, modification or destruction of information. In addition, our policies require that regular emergency drills be conducted to ensure preparedness for data security incidents.

- *Compliance audits and impact assessments:* Under our data policies, regular compliance audits are required to be conducted to ensure that the processing of personal data adheres to legal and regulatory standards. In addition, prior to engaging in activities that could significantly impact data subject rights, including processing sensitive personal data, entrusting third-party data processing, sharing personal data with other processors, disclosing personal data, or transferring personal data abroad, a personal information protection impact assessment is required to be carried out, and records of processing activities are to be properly maintained.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not encountered any material data breaches or personal information leaks. Our Directors confirm that, as of the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with applicable laws and regulations for data privacy and protection.

AWARDS AND RECOGNITIONS

The following table highlights notable awards and recognitions that we have received as of the Latest Practicable Date:

Year	Awards and Recognitions	Grantor
2021 to 2024	China's Top 10 Innovative BigPharma Companies (中國BigPharma創新力Top 10排行榜)	Menet
2019 to 2024	Global Top 50 Pharmaceutical Companies by Pharma Exec	Pharm Exec
2019 to 2024	Top 100 Chinese Chemical & Pharmaceutical Companies (中國化藥企業Top 100排行榜)	Menet
2018 to 2024	Among the top on the Ranking of Comprehensive Pharmaceutical R&D Capabilities in China (中國藥品研發綜合實力排行榜)	China Pharmaceutical Development Innovation Summit (中國醫藥研發創新峰會)
2013 to 2024	Among the top of R&D-driven Pharmaceutical Companies in China (中國醫藥研發產品線最佳工業企業)	China National Pharmaceutical Industry Information Center (中國醫藥工業信息中心)

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Year	Awards and Recognitions	Grantor
2024	8th among the Top 25 Global Pharma Companies by Pipeline Size	Citeline
2024	Top 10 in the Global Pharmaceutical Invention Index and Top 15 in the Global Pharmaceutical Innovation Index	IDEA Pharma
2023 and 2024	Hurun Global 500 list	Hurun Research Institute
2016, 2017 and 2024	State Science and Technology Progress Award (Second Prize)	The State Council
2021 and 2022	China Patent Silver Award	China National Intellectual Property Administration
2016	China Patent Excellence Award	China National Intellectual Property Administration

COMPETITION

China’s pharmaceutical market is highly competitive, characterized by a number of large domestic and multinational pharmaceutical companies, as well as some smaller emerging pharmaceutical and biotechnology companies. We face competition from these companies in various aspects including brand recognition, R&D capabilities, marketing activities, sales network, product efficacy and safety, reliability, and price. Our products primarily compete with those indicated for similar conditions as our products on the basis of efficacy, price, brand recognition, and general market acceptance by medical professionals and hospitals. Our competitors may possess greater financial and R&D resources than us, and they may choose to focus these resources on developing, manufacturing, importing, and marketing substitute products in our targeted therapeutic areas. Our competitors may also have more extensive sales and marketing coverage and might be able to reach a broader market.

We believe that our competitive edge lies in our differentiated innovative product portfolio and pipeline, advanced technology platforms, global-standard manufacturing system, robust commercialization capabilities, increasing global presence, as well as visionary management and leadership. Our ability to stay competitive and continue our success will depend on our ability to accelerate our global expansion by addressing immense unmet medical needs worldwide; further bolster our R&D capabilities to develop more differentiated, high-quality therapeutics to the global market; further strengthen our manufacturing capabilities supported by global-standard quality system; further enhance our commercialization capabilities in China and overseas markets; and recruit and retain top-notch talent to fuel our innovation and global expansion.

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LAND AND PROPERTIES

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. The total carrying amounts of our property interests comprising buildings and construction in progress accounted for 9.0% of our total assets as of December 31, 2024, and, consequently, no single property interest had a carrying value exceeding 15% of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of December 31, 2024, we owned and/or occupied 18 parcels of land in China (with an aggregate site area of approximately 1,296.2 thousand square meters) and 75 properties in China (with an aggregate gross floor area (GFA) of approximately 659.8 thousand square meters) that we consider as our major properties. Our major properties refer to properties that are currently used in our production or R&D activities, or are relatively large (i.e., with a GFA of at least 1,000 square meters) and used as office premises, dormitories or other ancillary facilities.

Among our major properties, we have not completed the as-built acceptance procedures for nine properties, and the GFA of these properties used for our production or R&D activities and the GFA of these properties for other purposes accounted for approximately 5.21% and 7.20%, respectively, of the total GFA of our major properties as of December 31, 2024. Completing the as-built acceptance procedures is a precondition for obtaining the building ownership certificates. Under relevant PRC laws and regulations, for buildings that we put into use before completing the as-built acceptance procedures, we may be ordered to take remedial measures, and the relevant government authorities may impose penalties on us. We are preparing applications to complete the as-built acceptance procedures and obtain the building ownership certificates for these properties. The expected time for completion of the as-built acceptance procedures is subject to various factors that may be out of our control, which include the application review process of the relevant local governmental authorities. Nevertheless, we have been and will continue utilizing our internal resources and making all commercially reasonable efforts to complete these procedures and then obtain the building ownership certificates as soon as possible. On the other hand, as advised by our PRC Legal Advisor, we are entitled to use, and will not be penalized for our use of, the buildings for which we have completed the as-built acceptance procedures but have not obtained the building ownership certificates. Separately, within the properties used for our production or R&D activities having not completed the as-built acceptance procedures, one property has been used mainly as office premises while the land is designated mainly for scientific research and design

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use. Under relevant PRC laws and regulations, the relevant government authorities may require us to return the land and impose a penalty on us. We have not been subject to any penalty nor received any rectification requirement from government authorities for the abovementioned properties. In addition,

- For the properties related to our production or R&D activities not having completed the as-built acceptance procedures, including one property used inconsistent with its permitted use (which is primarily used as office premises but also houses R&D activities), our PRC Legal Advisor has consulted with competent government authorities, which confirmed that they would not impose any penalty on us and that we could continue to use these properties under current circumstances. Based on these confirmations, our PRC Legal Advisor is of the view that the risk for the relevant government authorities to impose any penalty on us or require us to cease our use of these properties under current circumstances is remote.
- On the other hand, for the properties not used for our production or R&D activities that have not completed the as-built acceptance procedures, they are used primarily as office premises and canteens, which are easy to replace and immaterial to our business operations. In the unlikely event where we were required to relocate from these buildings, we would not expect to encounter any material difficulty in finding replacement properties or to incur any material relocation costs.

Separately, we have used a property on a parcel of allocated land for production purposes. This property accounted for 6.80% of the total GFA of our major properties as of December 31, 2024. We have historically obtained the right to use this land based on a land use contract that we entered into with a state-owned enterprise in 2001. We have performed, and expect to continue to perform, our obligations under the land use right contract, including payment of land use fees and land administration fees to the state-owned enterprise. Based on applicable government policies, our PRC Legal Advisor is of the view that the risk for us to be required to cease our use of this property under current circumstances is remote.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any relevant government authorities or third parties against us with respect to the above matters. On this basis and having considered relevant government authorities' confirmations and our PRC Legal Advisor's advice, we believe that the above matters will not materially affect our business and results of operations.

Properties Under Construction

As of December 31, 2024, we had 11 projects of properties under construction in China. These properties are expected to be used primarily as production and R&D facilities and office premises.

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Leased Properties

As of December 31, 2024, we leased 25 major properties in China, with an aggregate GFA of 105.1 thousand square meters, which are used primarily as our production or R&D facilities, office premises, dormitories, or ancillary facilities.

Among the above leased properties, we have used one leased property as our office premises while the land is designated for scientific research and education use. This building accounted for 1.25% of the total GFA of our leased major properties as of December 31, 2024. Under PRC laws and regulations, for this property, the landlord may be subject to fines by relevant government authorities, and we may be unable to continue our use of the property. However, this leased property used as our office premises is immaterial to our business operations.

Lease agreements are required by applicable PRC laws and regulations to be registered with local land authorities. As of the Latest Practicable Date, we had not completed such registration for 48 of the lease agreements for the leased properties that we held as of December 31, 2024. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed timeframe after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease agreement, at the discretion of the relevant authority, and the maximum amount of penalties will be approximately RMB0.48 million for our failure to complete the lease registration. We have not been subject to any penalty nor received any rectification notice from government authorities in respect of lease registrations. As advised by our PRC Legal Advisor, if the lease registration is completed within the prescribed time limit ordered by competent government authorities, the risk of government authorities to impose any penalty on us with respect to these leased properties is remote.

As of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any relevant government authorities or third parties against us with respect to the above matters. On this basis and having considered our PRC Legal Advisor's advice, we believe that the above matters will not, individually or in the aggregate, materially affect our business and results of operations.

Internal Controls

With respect to our properties, we have implemented the following internal control measures to prevent future occurrences of non-compliance with property laws and regulations:

- before we purchase any properties and enter into any new lease, we will conduct enhanced due diligence to ensure no material title defects, including to review the relevant land use right and building ownership certificates, use commercially reasonable efforts to complete the lease registration, and check whether any mortgages, charges or other security rights are attached to the properties;

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- for our purchased or self-constructed properties, we will seek PRC legal advice on property title related issues and other related compliance matters; and
- our legal and/or other designated departments will supervise the implementation of our compliance procedures and will work with external counsel and other professional advisors to monitor and try to resolve any property related non-compliance incident going forward.

We believe that the above measures are effective and adequate in preventing material non-compliance with relevant property laws and regulations in future.

INSURANCE

We maintain property insurance covering physical damages to, or loss of, our facilities, equipment, office furniture and inventory, and clinical trial insurance covering us against liabilities in the event of injury to any trial subjects caused by serious adverse events in our clinical trials. We are not required under PRC laws and regulations to, and we generally do not, purchase any employer's liability insurance or key person insurance.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. Our Directors believe that our insurance coverage is adequate and in line with industry norm. However, the risks related to our business and operations may not be fully covered by insurance. For details, please see "Risk Factors—Risks Related to Our Business and Industry—Our insurance coverage is limited. If we experience uninsured losses, it could adversely affect our financial condition and results of operations."

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Occupational Health and Safety

We are subject to various PRC laws and regulations with respect to occupational health and safety. We are committed to complying with PRC regulatory requirements to prevent and reduce hazards and risks associated with our operations and ensuring the health and safety of our employees as well as the surrounding communities. We have policies in place for various aspects of our operations, including R&D, sales and marketing, and production, as well as guidelines to ensure the safety of our operations and work environment. We also conduct regular checks on occupational hazards in accordance with applicable laws and regulations. In addition, we organize regular training, competitions, emergency drills, and other activities about occupational safety knowledge to enhance our employees' safety awareness and create a corporate culture that values health and safety.

During the Track Record Period and up to the Latest Practicable Date, our operations had not experienced any material incidents, and we were not aware of any claims for material personal or property damage related to health and occupational safety.

Environmental Protection

Our business is subject to national, provincial and local environmental laws, and regulations in China and other jurisdictions where we operate. The relevant laws and regulations applicable to pharmaceutical production in China include those governing air emissions, water discharge, solid waste, sewage and exhaust fumes, and hazardous substances. For more details, see “Regulatory Overview—Overview of Laws and Regulations in the PRC—Regulations in Relation to Environmental Protection and Fire Safety.” We actively monitor and ensure compliance with the applicable environmental laws and regulations in China. During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations relating to environmental requirements in all material respects. Our costs for compliance with the applicable environmental regulations were immaterial during the Track Record Period. We do not expect there to be substantial changes to our costs for compliance with the applicable environmental regulations in the near future.

Our environmental protection measures mainly include:

- establishing a standardized, science-based, and rational environmental management system;
- regularly conducting internal and external environmental monitoring and audit to ensure our compliance with applicable environmental standards and mitigate the environmental impact of our operations;
- implementing effective environmental emergency response plans and on-site management; and
- providing regular training sessions for our employees to enhance their environmental awareness.

We also regularly carry out rigorous internal and external environmental monitoring. In addition, we engage independent third-party certification organizations to conduct audit on our environmental management systems to evaluate their effectiveness.

We have adopted and implemented various policies and practices to manage the discharge of various types of pollutants, emissions, and wastes. As our business expands, we plan to allocate environmental targets and responsibilities to each department, enabling continuous monitoring of progress of environmental protection with the support of our multi-tiered environmental management structure.

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Pollutants

The main pollutants generated during our production process include wastewater, waste gas and solid waste.

Wastewater

With respect to sewage discharge, we have implemented, and plan to continue implementing, various measures to comply with applicable wastewater discharge standards and reduce wastewater intensity. These measures include the installment and upgrade of sewage pipeline transportation systems and associated sewage treatment equipment. For example, in 2022, we upgraded the sewage treatment facilities for our Lianyungang factories and built new sewage treatment facilities for our Guangdong factory. In 2023, we commenced the sewage network upgrade project at our factories in Lianyungang. This project is expected to be completed in two to three years and will allow all sewage to be channeled through a structure of “exposed pipes + pipe supports.”

Waste Gas

We diligently monitor the exhaust gases generated during our production and operations. The table below sets forth a breakdown of our waste gas emissions for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Nitrogen oxides emissions (tons)	2.25	2.09	1.76
Sulphur oxides emissions (tons)	0.06	0.12	0.08
Organic compound emissions (tons) . . .	23.18	33.67	22.27
Other significant gas emissions (ton) . . .	1.33	2.43	1.43

We have implemented targeted treatment measures for exhaust gases to ensure compliance with standards after effective treatment:

- *Exhaust gases from manufacturing workshops and laboratories.* Exhaust gases containing volatile organic compounds (VOCs) undergo pretreatment, absorption and activated carbon adsorption/regeneration before being discharged. Dusty exhaust gases are treated by dust removal facilities such as filters and burning plate dust removers; and
- *Exhaust gases generated in laboratories.* Exhaust gases are collected by fume hood and universal exhaust hood and treated by filtration or adsorption devices. Adsorption materials are regularly replaced to improve the removal efficiency.

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Solid Waste

In solid waste disposal, we follow the “Reduce, Reuse and Recycle” principle in pursuit of waste reduction, long-term compliant discharge and resource utilization efficiency. The table below sets forth a breakdown of our solid wastes generated for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Hazardous waste (tons)	14,032.2	18,493.8	21,749.5
Non-hazardous waste (tons)	423.2	437.3	673.9

In the course of our business operations, the hazardous materials we primarily handle include chemicals, biomaterials, and radioactive substances, which may generate hazardous waste. For hazardous wastes, we have developed detailed measures to mitigate the associated safety risks:

- implementing stringent procedures for the use, storage, treatment, and disposal of hazardous materials;
- establishing designated storage areas for hazardous materials and wastes, managing each type separately and complying with standardized operational procedures, while equipping these areas with essential fire prevention, explosion-proof, leak-proof, anti-seepage, anti-corrosion, and radiation protection facilities;
- conducting regular training sessions on relevant laws and regulations, as well as handling and emergency response procedures in relation to hazardous materials and wastes, requiring all new employees to complete such training and pass assessments before onboarding; and
- conducting periodic emergency drills to enhance employees’ response capabilities.

In addition, we continually invest in technology innovation and adopt clean production and recycling methods to reduce hazardous material use and minimize environmental impact. Furthermore, we engage qualified third-party service providers to process and dispose of hazardous waste, who provide their services in compliance with relevant government regulations.

We have set traceable targets to manage our waste recycling levels. Specifically, we aim to achieve resource reutilization of at least 70% of our hazardous wastes by the end of 2025, through the engagement of qualified third-party professional service providers.

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Greenhouse Gas Emissions

We strictly abide by applicable laws and regulations related to emissions discharges. We are committed to improving the processing efficiency of our emissions treatment facilities.

The greenhouse gas emissions from our manufacturing and operations activities primarily stem from fossil fuel combustion, as well as electricity and steam consumption. The table below sets forth a breakdown of our greenhouse emissions for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Greenhouse gas emissions			
Scope 1 greenhouse gas (tons of CO ₂ equivalent)	5,993.7	4,898.0	8,516.6
Scope 2 greenhouse gas (tons of CO ₂ equivalent)	<u>197,519.2</u>	<u>203,382.1</u>	<u>249,380.6</u>
Total	<u><u>203,512.9</u></u>	<u><u>208,280.1</u></u>	<u><u>257,897.2</u></u>

To reduce carbon emissions, we are transitioning to clean energy by expanding the use of renewable resources in our production and operations and optimizing our energy mix to reduce carbon emissions.

Resource Consumption

We continuously promote emission and consumption reductions by setting energy-saving targets and adopting energy and water conservation technologies.

In terms of energy consumption management, we have implemented a robust energy management system, establishing tailored energy consumption targets for energy efficiency and emission reduction in line with our operational and developmental needs. To achieve these targets, we have implemented energy-saving measures to drive efficiency improvements, such as the installment and upgrade of energy-saving equipment.

Through stringent water resource management systems and policies, we aim to curtail water consumption across all aspects of our production and operations, thereby enhancing the efficiency of our water utilization. We have implemented upgraded water-saving technologies in processes with high water consumption. We have also conducted projects such as reverse osmosis concentrated water recovery, dry pump replacement, and steam condensate recycling.

Energy Saving

We are committed to expanding our business in a sustainable manner, taking into account our forecasted growth and implementation of energy-saving measures and innovations. We actively monitor our energy consumption, take proactive measures to conserve energy, and ensure thorough utilization of resources and materials. In 2022, 2023, and 2024, based on our best estimates, we consumed approximately 199.5 million kWh, 212.2 million kWh, and 274.2 million kWh of electricity and approximately 4,212,084 tons, 3,859,973 tons, and 4,777,352 tons of water, respectively.

We make every effort to upgrade and improve energy-saving and water-saving initiatives while progressively optimizing our energy consumption structure to enhance resource and energy utilization efficiency. For example, we plan to implement, or have implemented, some photovoltaic power generation projects, aiming to increase the use of renewable energy.

Climate Change

Our ESG policy places a strong emphasis on addressing the impacts of climate change. Increased frequency of meteorological disasters such as strong winds, cyclones, floods, and torrential rains can lead to significant disruptions, including power and water supply interruptions and urban waterlogging, which could impact our operational stability.

Recognizing the significant impact that climate change can have on our long-term business sustainability, we incorporate climate-related issues into our governance and decision-making processes. We proactively identify and mitigate climate-related risks, while tailoring our strategies to enhance our adaptability. For instance, we have improved our emergency response systems and contingency plans to better manage the effects of extreme weather conditions, thereby enhancing our ability to mitigate potential operational disruptions, resource shortages, and safety risks during such events. Looking ahead, we plan to monitor evolving climate-related risks, and aim to enhance our overall resilience to climate challenges by strengthening our climate change management system, leveraging green energy, and promoting a responsible supply chain.

Impact of ESG-Related Risks

We estimate the magnitude of ESG-related risks over short, medium and long term horizons. In recent years, changing weather patterns due to climate change have increased the frequency of extreme weather conditions. These may pose challenges to, and increase costs associated with, the storage and transportation of our pharmaceutical products. Disasters created by extreme weather conditions may damage our facilities, leading to additional repair or replacement costs or resulting in temporary or long-term disclosure. They may also disrupt logistics or cause delivery delays, which, in turn, may expose us to additional costs associated with third-party liabilities. In the medium to long term, new legislative and regulatory developments addressing the potential impacts of climate change may impose strict carbon emission limits and energy efficiency standards. They could impact our operations directly, or

indirectly as a result of required compliance by our customers, potentially leading to additional compliance costs and restrictions. We may need to further invest in the development of green pharmaceutical products, characterized by sustainable sourcing and biodegradable packaging. We may also need to further invest in environmental and energy-saving initiatives. Any failure to address the growing market demand for eco-friendly products may affect our business, competition and damage our reputation.

Governance and Oversight of ESG Matters

Our corporate governance framework is designed to facilitate sound decision-making through systems and policies aligned with our corporate values and best industry practice. We have established four specialized board committees—strategy, audit, remuneration and evaluation, and nomination—each providing strategic guidance to our Board. In particular, our strategy committee serves as our ESG management body, responsible for the formulation and assessment of our ESG strategies and goals. This committee oversees the implementation of our environmental policies, tracks the progress of our environmental objectives, and reports on environmental management issues to our Board. In addition, our supervisory board exercises active oversight to prevent any irregularities that could impact our decision-making.

Moreover, we have integrated ESG into our employee management practices to ensure that our employees contribute to our sustainability goals. For instance, to effectively manage ESG issues, mitigate risks, and achieve sustainable growth, we tie executive and managerial compensation to performance metrics related to safety, environment protection, quality, and compliance.

We strictly comply with the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China, as well as other relevant laws and regulations to ensure the safeguarding of our employees’ rights and interests. We are also committed to upholding the Ten Principles of the UN Global Compact, which respects and upholds human rights and aims to eliminate unlawful employment practices, including child labor, forced labor, as well as other restrictions on employee freedom. In compliance with these principles, we have established reasonable working hours and employee policies.

We embrace diversity in experience and background and adhere to the equal employment principle, focusing on equal opportunities, diversity and anti-discrimination. Our internal policy ensures that there is no discrimination on nationality, gender, ethnicity, race, religion, and education qualifications. Accordingly, we give each job applicant, as well as all our employees, equal opportunities. We believe fostering diversity and inclusion are critical for business success. We have female members on our Board, board of Supervisors, and our senior management team. Our Directors, Supervisors and senior management also span multiple age brackets. Besides, we have a dedicated policy on diversity and inclusion for our workforce. We require all employees to complete a training program and pass an assessment to ensure they understand our policies concerning diversity and inclusion. Our policies are designed to ensure

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that all employees, current and prospective, experience equal treatment, while discrimination against employees or job applicants is strictly prohibited. Additionally, we set specific diversity goals and regularly monitor key performance indicators to ensure ongoing improvement.

To identify ESG concerns and risks that are critical to both our Company and the relevant stakeholders, we engage in ongoing, multi-channel communication with them. This includes regular engagement with government agencies, investors, customers, employees, suppliers, and the community. Through surveys, interviews, and analysis of external market trends, we assess stakeholder priorities and identify material ESG issues. Key ESG issues that we have identified include regulatory compliance, climate change mitigation, and greenhouse gas emission. By continuously assessing and managing the social, economic and environmental impacts of our operations, we promote shared growth with stakeholders.

In recognition of our ESG performance, our MSCI ESG rating, which measures our resilience to long-term, financially relevant ESG risks, was “A” for two consecutive years since 2023.

Social Responsibility

Fulfilling social responsibility and giving back to society are our core value. We are committed to promoting people’s health and making medical services more accessible to people all over the world. As such, we constantly refine and improve our product marketing plans and pricing policies to increase drug accessibility and affordability to benefit more people from different regions.

We actively participate in social welfare and charity activities. Holding a longstanding commitment to improving the lives of patients with chronic diseases such as high blood pressure, arthritis, and diabetes, we have developed long-term drug donation plans for underdeveloped regions in China. In July 2023, we donated drugs worth RMB100,000 for chronic disease treatment to Baokang County, a county in Xiangyang, Hubei Province, China. We also established various charity funds and organized charitable donations to institutions such as schools. For example, in November 2023, to support the development of education in rural areas and facilitate rural revitalization, our representatives visited the Central Comprehensive Primary School of Fengyuan village in Yunnan, China, and we donated school supplies including computers, winter school uniforms, and sports equipment to the school. In addition, after natural disasters such as earthquakes, we were consistently among the first responders to offer various forms of aid including medicines, supplies, and financial support to the affected areas. For example, in December 2023, after the earthquake in Gansu, China, we donated RMB1 million and first-aid medicine worth over RMB1 million to the affected areas. We are committed to continuing to participate in charitable events to contribute to public health construction.

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EMPLOYEES

As of March 31, 2025, we had 20,325 full-time employees, with a substantial majority of our employees based in China. The following table sets forth a breakdown of our full-time employees by function as of March 31, 2025:

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total</u>
Sales and marketing	8,977	44.2%
R&D	5,590	27.5%
Manufacturing	3,856	19.0%
General administration	1,902	9.4%
Total	<u>20,325</u>	<u>100.0%</u>

Our ability to attract, retain and motivate qualified personnel is crucial to our success. We offer remuneration packages to our employees that include a base salary and a variable portion linked to individual performance and overall company results, aiming to fully engage our employees and incentivize talent attraction, retention, and motivation. Additionally, to further incentivize our employees, we have implemented share-based awards and other incentives to further enhance employee engagement. Moreover, we provide a variety of benefits to meet the diverse needs of our workforce, including accessible facilities for disabled employees, lactation rooms for nursing mothers, specialized health screenings, regular health check-ups, medical insurance, team-building activities, hobby clubs, holiday events and gifts, and transportation and meal subsidies. We made full social insurance and housing provident fund contributions for our employees during the Track Record Period, except that certain of our subsidiaries engaged a third-party human resources agency to do so, which involves potential risks. See “Risk Factors—Risks Related to Doing Business in the Jurisdictions Where We Operate—We are subject to laws and regulations in jurisdictions where we operate, and any failure to respond to future changes in the regulatory environment in these jurisdictions could have an adverse effect on our business, results of operations and financial condition” for more information.

Recognizing the importance of continuous learning and professional development, we offer a robust training program designed to enhance the professional skills of our employees. This includes (i) general training in areas such as business ethics, anti-corruption, marketing practices, occupational health and safety, office software operations, and communication skills; (ii) specialized training tailored to individual job requirements, providing learning opportunities and customized courses for different functional departments; and (iii) leadership training for different levels of employees, featuring a detailed learning roadmap, online courses, and sessions with professional leadership coaches through systematic training and practical projects to equip employees with necessary leadership knowledge and skills at each stage. Furthermore, to support the growth and development of our employees, we allocate

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specific funds for them to participate in external training programs, professional qualifications, and certifications. Additionally, we encourage employees to pursue on-the-job degree education relevant to business needs and professional directions.

We believe we have maintained good relationships with our employees. As of the Latest Practicable Date, our employees were represented by a labor union, and we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

LEGAL AND COMPLIANCE

Licenses, Permits and Certificates

As of the Latest Practicable Date, we had obtained all material licenses, permits, approvals, and certificates required for our operations in the PRC and all of these material licenses, permits and approvals were valid and remained in effect.

The following table sets forth the major licenses, permits, approvals, and certificates for our business operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

<u>License/Permit/ Certificate</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Expiration Date</u>
Drug Manufacturing License (藥品生產許可證)	The Company	Jiangsu Provincial Drug Administration	September 20, 2025
Drug Manufacturing License (藥品生產許可證)	Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司)	Shanghai Municipal Drug Administration	December 31, 2025
Drug Manufacturing License (藥品生產許可證)	Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司)	Shanghai Municipal Drug Administration	October 14, 2026
Drug Manufacturing License (藥品生產許可證)	Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司)	Jiangsu Municipal Drug Administration	September 20, 2025
Drug Manufacturing License (藥品生產許可證)	Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司)	Sichuan Provincial Drug Administration	October 22, 2025

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License/Permit/ Certificate	Holder	Issuing Authority	Expiration Date
Drug Manufacturing License (藥品生產許可證)	Shandong Suncadia Medicine Co., Ltd. (山東盛迪醫藥有限公司)	Shandong Provincial Drug Administration	October 9, 2025
Drug Manufacturing License (藥品生產許可證)	Fujian Shengdi Pharmaceutical Co., Ltd. (福建盛迪醫藥有限公司)	Fujian Provincial Drug Administration	August 8, 2029
Drug Manufacturing License (藥品生產許可證)	Guangdong Hengrui Pharmaceutical Co., Ltd. (廣東恒瑞醫藥有限公司)	Guangdong Provincial Drug Administration	May 25, 2028
Drug Manufacturing License (藥品生產許可證)	Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司)	Sichuan Provincial Drug Administration	November 2, 2025
Radioactive Drug Manufacturing License (放射性藥品生產許可證)	Tianjin Hengrui Pharmaceutical Co., Ltd. (天津恒瑞醫藥有限公司)	Tianjin Municipal Drug Administration	December 24, 2028
Drug Supply Permit (藥品經營許可證)	Jiangsu Kexin Pharmaceutical Sales Co., Ltd. (江蘇科信醫藥銷售有限公司)	Jiangsu Provincial Drug Administration	March 6, 2030

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits, approvals, and certificates prior to the expiration date. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licenses, permits, approvals, and certificates for our business operations. We do not expect there to be any material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations, and rules.

Legal Proceedings

We have been, and may from time to time be, subject to litigation, arbitration or other legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been a party to any legal, arbitral, or administrative proceedings, nor were we aware of any pending or

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threatened legal, arbitral, or administrative proceedings against us or our Directors, that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any non-compliance incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

IMPACT OF COVID-19

During the Track Record Period, we did not experience material and prolonged disruptions in our operations as a result of the COVID-19 pandemic, and its overall impact on our clinical trials and other drug development progress, manufacturing, drug commercialization and sales, and other aspects of our business operations was manageable.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are committed to establishing and maintaining a robust risk management system. Our comprehensive risk management policies address potential risks that may arise in various aspects of our business, including R&D, clinical trials, production, procurement, sale activities, inventory management, financial reporting, information system management, human resources, legal and compliance matters, and corporate governance.

Our key risk management objectives include identifying and analyzing various types of risks and establishing corresponding mitigation strategies and policies. We regularly review these strategies and policies in response to regulatory updates, market conditions, and changes in our operations, ensuring that they remain relevant and effective. Applying these strategies and policies, we have put in place a risk management system to identify, assess, monitor, and mitigate various operational, financial, and legal risks. This system encompasses dedicated policies, guidelines, notices, code of conduct, and employee handbooks on an array of topics.

As part of our risk management system, our audit department leads our daily risk management work and is supported by our various business units and departments. The audit department regularly reports to our Board on risk management related matters. Its responsibilities also include setting the functions and responsibilities of our relevant business units and departments in risk management and working with our business units and departments to collect information for risk analysis and assessment. As an important part of our risk identification process, each relevant business unit and department collects information on risks related to our business, taking into consideration our strategic goals and annual business plans. The audit department then reviews this information to formulate targeted risk mitigation strategies and measures.

Internal Control

We have developed internal control policies and guidelines that specify standards for identifying internal control deficiencies, conducting internal audits, and managing follow-up actions. In line with these policies and guidelines, we conduct regular internal audits across all major aspects of our operations, and our Audit Committee oversees our internal controls and evaluates their effectiveness. Additionally, we have implemented a range of internal control measures addressing various areas including conflicts of interest, insider trading, confidentiality control, and business ethics for our employees, business partners, or other stakeholders. These measures aim to ensure comprehensive governance and ethical business conduct.

To ensure regulatory compliance, we have implemented anti-money laundering, anti-corruption, and anti-bribery related policies and procedures. Our policies prohibit any form of bribery, corruption, or improper payments in our business operations. This prohibition applies to all employees and extends to all external stakeholders, including customers, suppliers and other third parties involved in our business activities. Prohibited improper payments include bribes, excessive gifts, or any form of valuable possessions or favors intended to secure an undue business advantage. Additionally, prohibited improper conduct includes participating in money laundering schemes, falsifying expenses, engaging in illegal tax evasion, or supporting any illegal activities.

Our internal control measures to ensure compliance in these areas include: (i) conducting regular internal audits focused on business ethics, anti-money laundering, anti-corruption, and anti-bribery policies; (ii) conducting regular compliance training sessions for employees to raise awareness of ethical standards and obligations; and (iii) maintaining multiple channels through which employees can report issues, complaints, or suspicions of illegal activities, including channels such as designated compliance emails, hotlines, and direct reporting to compliance officers.

In particular, we encourage employees, business partners, and other stakeholders to report any suspected corruption, bribery, fraud, conflicts of interest, or other potential violations. Reports will be investigated by our compliance office in accordance with our internal procedures to assess whether violations have occurred. Following the investigation, a comprehensive report will be issued detailing the findings and any necessary corrective actions. In addition, we are committed to protecting whistleblowers and their related information in accordance with applicable laws and regulations. The identity of the whistleblower will not be disclosed without their consent, except as required by applicable laws or by orders or directives issued by courts or regulatory authorities.

The PRC government has launched increasingly stringent initiatives to combat corrupt practices in the pharmaceutical industry since 2023, targeting not only medical and healthcare institutions, but also pharmaceutical manufacturers, distributors, and industry organizations and associations, or the Anti-corruption Campaign. Leveraging our comprehensive anti-corruption and anti-bribery related internal control policies described above, we believe that

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the Anti-corruption Campaign has not had, and is not expected to have, any material adverse impact on our business or results of operations. See “Risk Factors—Risks Related to Our Business and Industry—If we, our employees, affiliates or business partners engage, or are perceived to engage, in misconduct or other improper activities, including corrupt practices and non-compliance with regulatory standards and requirements, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities” for more information.

In addition, to comply with applicable sanctions and export controls related regulations, we have formulated a dedicated compliance policy that sets out standard operating procedures for risk screening, identification, reporting, and assessment, compliance governance organization, and an inquiry and reporting mechanism. We have integrated this policy into our business processes, particularly in new business initiation and customer engagements.

With strong emphasis on compliance, we have established a three-tier compliance management structure under the Board’s leadership. Our compliance management committee, led by our Directors and senior executives, oversees our compliance strategy and major policy implementations. The compliance office, as our central compliance department, coordinates and monitors our compliance efforts and provides guidance and oversight to all of our departments and subsidiaries. The compliance departments at all levels within our Group are responsible for the routine management of compliance within their respective areas, to ensure adherence to applicable policies and regulations.

Maintaining robust corporate governance is a primary objective of our internal controls. To this end, we have adopted policies to comply with the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, which cover aspects such as risk management, connected transactions, financial reporting, and information disclosure. We also provide periodic compliance training sessions to our senior management and employees, including training on the Listing Rules for our Directors and senior management, and offer targeted compliance training to our employees, thereby promoting sound decision-making and adherence to regulatory requirements.

We have engaged an independent internal control consultant (the “IC Consultant”) to review the effectiveness of our internal control systems. Based on (i) the agreed review scope and work procedures, (ii) the absence of high-risk issues identified during the review, and (iii) the remediation of all findings by us as of the Latest Practicable Date, the IC Consultant is of the view that we have maintained effective internal control systems during the Track Record Period and up to the Latest Practicable Date.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards ("IFRS").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a leading innovative global pharmaceutical company rooted in China. We have been ranked as one of the global Top 50 pharmaceutical companies by Pharm Exec for six consecutive years since 2019. We were also ranked 8th on the list of "Top 25 Global Pharma Companies by Pipeline Size" published by Citeline in 2024. Furthermore, as a strong validation of our innovation results, we had a leading position among Chinese pharmaceutical companies, in terms of revenue from NME drugs in 2023 and the number of NME drug candidates in clinical or later stages of development as of the Latest Practicable Date, according to Frost & Sullivan. We strategically focus on comprehensive therapeutic areas with significant unmet medical needs and growth potential. These mainly include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

As a result of continuous innovation, we achieved notable financial performance during the Track Record Period. Our healthy profitability and strong cash flows enable us to continue investing in R&D activities to propel long-term sustainable growth, thus supporting a virtuous cycle. We recorded revenue of RMB21.3 billion, RMB22.8 billion, and RMB28.0 billion in 2022, 2023 and 2024, respectively. Moreover, sales of innovative drugs have become a major source of our revenue. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024. Our revenue from sales of generic drugs as a percentage of our total revenue decreased from 60.3% in 2022 to 53.4% in 2023 and further to 42.0% in 2024. In addition, our net profit margin increased from 17.9% in 2022 to 18.7% in 2023 and further to 22.6% in 2024. Furthermore, we generated net operating cash inflows of RMB1.3 billion, RMB7.6 billion, and RMB7.4 billion in these respective periods.

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BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. We have early adopted all IFRS effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value. Our historical financial statements are presented in Renminbi and all values are rounded to the nearest thousand except otherwise indicated.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including the following significant factors:

Growth of the Global and Chinese Pharmaceutical Markets and Our Major Therapeutic Areas

We are a leading innovative global pharmaceutical company rooted in China. We believe that the overall growth of the global and Chinese pharmaceutical markets, particularly in the therapeutic areas we focus on, has and will continue to have a significant impact on our revenue growth. Our major therapeutic areas include: (i) oncology, (ii) metabolic and cardiovascular diseases, (iii) immunological and respiratory diseases, and (iv) neuroscience.

The above therapeutic areas present significant unmet medical needs and growth potential. In 2023, the aggregate pharmaceutical market of these therapeutic areas accounted for 57.4% and 50.3%, respectively, of the overall global and Chinese pharmaceutical markets according to Frost & Sullivan. Looking forward, for the period from 2023 to 2028, the global and Chinese pharmaceutical markets of these major therapeutic areas are expected to grow at CAGRs of 6.4% and 9.8%, respectively, which are higher than the overall global and Chinese pharmaceutical markets' expected CAGRs of 5.7% and 7.7%, respectively, according to the same source. Please see the section headed "Industry Overview" for more information on the recent trends and drivers for the global and Chinese pharmaceutical markets and our major therapeutic areas.

We are dedicated to the evolution of treatment modalities, improvements of monotherapies, and the development of effective combination therapies to satisfy the significant unmet medical needs. We have also been expanding our global footprint quickly in recent years. As such, we believe that we are well positioned to capitalize on the expected growth of the overall pharmaceutical markets in China and globally, and in particular, the growth of our major therapeutic areas.

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Our Ability to Continuously Replenish and Strengthen Our Product Portfolio

Our ability to continuously develop and commercialize new drugs and strengthen our product portfolio is crucial to sustain our growth momentum and achieve long-term success. As of the Latest Practicable Date, we had established a large, diverse portfolio of over 110 commercialized drugs. Our robust portfolio spans broad therapeutic areas such as oncology, metabolic and cardiovascular diseases, immunological and respiratory diseases, and neuroscience, which enables us to withstand market and regulatory changes and maintain a strong financial growth trajectory. In recent years, we have focused on innovative drugs as a main growth driver. We believe that innovative drugs generally command higher margins and advantages in rapid market penetration and their patent protection offers a long exclusivity period. Our revenue from sales of innovative drugs as a percentage of our total revenue increased from 38.1% in 2022 to 43.4% in 2023 and further to 46.3% in 2024. We are also continuously replenishing our innovative product portfolio by leveraging our advanced technology platforms and end-to-end clinical development capabilities. As of the Latest Practicable Date, we had a pipeline of over 90 NME drug candidates in clinical or later stages of development.

As drug candidates come out of the pipeline, our results of operations will depend on our ability to successfully commercialize these products. To enhance market acceptance and boost sales volumes of our commercialized drugs, we plan to strengthen our engagement with patients, physicians, leading research institutions, key opinion leaders and scholars to promote our differentiated innovative products. However, our ability to successfully develop, commercialize, and increase the market penetration for our new innovative drugs is subject to a number of risks and uncertainties, many of which are beyond our control.

Our Ability to Expand in the Global Pharmaceutical Market

We have been, and will continue, expanding our global footprint to unlock and maximize the potential of our product matrix and technology platforms and address immense unmet medical needs worldwide. Since 2018, we have carried out 14 out-licensing transactions with global partners, involving 17 molecular entities with an aggregate deal value of approximately US\$14 billion. Relatedly, our licensing revenue increased substantially from RMB268.4 million in 2023 to RMB2,700.4 million in 2024. In addition, compared to product sales, given its relatively high gross profit margin, increases in our out-sourcing related licensing revenue can help improve our overall profitability. Leveraging our strong pipeline of innovative drugs, particularly those with first-in-class or best-in-class potential, we will continue to explore out-licensing opportunities and other international collaborations to augment our commercial success globally. At the same time, we will continue to increase the international recognition and accessibility of our drugs. As of the Latest Practicable Date, we had initiated over 20 overseas clinical trials, including in the U.S., Europe, Australia, Japan, and South Korea, and had commercialized our products in over 40 countries.

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In addition, we will boost our brand recognition in the global pharmaceutical community through enhanced branding initiatives. We also intend to selectively acquire or invest in overseas pharmaceutical or biotechnology companies, including those with attractive drug assets or strong R&D, manufacturing, or commercialization capabilities.

Our Ability to Enter Medical Insurance Programs and Compete in Pharmaceutical Procurement by Public Medical Institutions in China

The market adoption and sales volume of our products are affected by their inclusion in government-sponsored medical insurance programs. Under China's public medical insurance programs, patients are entitled to reimbursement for all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogs, or critical illness medical insurance catalogs at provincial or local levels, depending on the particular program applicable to them. Pharmaceutical products included in these programs are subject to relevant pricing regulation. However, the inclusion of a pharmaceutical product in national, provincial, or other government-sponsored medical insurance programs typically can significantly increase its demand and sales volume. As of the Latest Practicable Date, a vast majority of our commercialized NME drugs had been included in the NRDL. Overall, the benefits of having our drugs included in China's national and provincial medical insurance programs significantly outweighed the countervailing factors during the Track Record Period. We believe these benefits will continue to support our business expansion in the foreseeable future.

Public medical institutions in China implement a centralized tender process for their procurement of pharmaceuticals listed in medical insurance catalogs or those consumed in large volumes and commonly prescribed for clinical uses. Bids submitted through this process are generally considered based on factors including price competitiveness, clinical effectiveness, product quality, and the qualifications and reputation of the manufacturer. If we win the bids, our relevant drugs will be sold to public medical institutions at the bid prices, which are the primary determinant of prices at which we sell our products to our distributors. This process could result in downward pricing pressure on us. In addition, some of our commercialized drugs sold to public medical institutions in China are also affected by the VBP scheme. The VBP scheme aims to achieve lower prices for pharmaceuticals with mature, high-volume clinical usage through sufficient competition in the bidding process for large-volume procurement. While the VBP scheme sometimes allows us to sell our products in large volumes, it generally places downward pressure on the prices at which we sell our products to our distributors. Our strategies focus on differentiating our products from those of our competitors leveraging the market recognition of our products and their clinical effectiveness, instead of competing solely on pricing. Therefore, our sales volume and profitability are affected by our success in this strategy while pricing our bids, mainly for our generic products, in a manner that enables us to succeed in the VBP scheme. For details, see "Risk Factors—Risks Related to Our Business and Industry—Certain of our products are subject to pricing regulation or other policies that are intended to reduce healthcare costs."

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Our Ability to Effectively Control Costs and Expenses

Our profitability has benefitted from our ability to effectively control costs and expenses. With over 50 years of operational experience and extensive industry expertise, we have established end-to-end in-house capabilities from R&D to manufacturing, marketing, and sales, which enable us to cost-effectively develop and commercialize pharmaceutical products. We are also committed to digitalizing our business operations and automating our manufacturing processes to improve operational efficiency. Our cost of sales consists of material costs, staff costs, depreciation and amortization, utilities and others. Due in part to our cost control efforts, our gross profit margin increase from 83.6% in 2022 to 84.6% in 2023 and further to 86.2% in 2024.

Selling and distribution expenses are a significant component of our operating expenses. We have carefully curated our sales force into complementary functions and are continuously increasing our sales team's academic promotion capabilities to enhance our sales productivity. Selling and distribution expenses as a percentage of our total revenue decreased from 34.5% in 2022 to 33.2% in 2023 and further to 29.8% in 2024. We will continue to strengthen and promote the productivity of our sales and marketing team and further optimize our selling and distribution expenses.

To solidify our leadership in innovation and maintain a sustainable drug roll-out cycle, we have invested heavily in R&D. In 2022, 2023 and 2024, our R&D investments as a percentage of our total revenue were 29.8%, 27.0%, and 29.4%, respectively. We carry out R&D activities in a cost-effective manner. As a result, we are able to continue investing in R&D activities to propel our long-term sustainable growth while maintaining healthy profitability.

MATERIAL ACCOUNTING POLICIES AND CRITICAL JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

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We set forth below some of the accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policy information and significant accounting judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report set out in Appendix I to this prospectus.

Material Accounting Policies

Revenue Recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur, when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Drug sales

Revenue from the drug sales is recognized at the point in time when we transfer the controls of goods at a point in time and has rights to payment from the customers upon acceptance by the customers or delivery of the products.

(b) Licensing revenue

Our licensing revenue may contain more than one performance obligation, including grants of licenses to the intellectual property rights, agreement to provide R&D services and other deliverables. As part of the accounting for these arrangements, we must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, we consider competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

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Please refer to “Note 2.3 Material Accounting Policies—Revenue Recognition” to the Accountants’ Report included in Appendix I to this prospectus for further details of our revenue recognition accounting policy.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or sum-of-the-years basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life is as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Buildings	20 years
Electronic devices and others	3-5 years
Machinery	10 years
Motor Vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period during the Track Record Period.

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An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible Assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each of the years ended December 31, 2022, 2023 and 2024.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually or more frequently if indicators of impairment exist. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and Development Expenditure

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Capitalized development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

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Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized under the category of “capitalized development costs” if (a) the product or process is technically and commercially feasible, (b) we have sufficient resources and the intention to complete the development, (c) we have sufficient ability to use or sell the asset, (d) the asset will generate future economic benefit, and (e) the cost can be reliably measured.

The significant increase in capitalized development costs from RMB262.7 million as at January 1, 2022 to RMB1,717.7 million as at December 31, 2022, RMB2,892.9 million as at December 31, 2023, and RMB4,489.2 million as at December 31, 2024 was mainly due to a significant number of our self-developed product candidates’ entry into the Phase III clinical trial stage and the successive progress of our Phase III clinical trials.

Critical Accounting Judgments and Estimates

Judgments

In the process of applying our accounting policies, our management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in our historical financial information.

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project, and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalized requires the use of judgments and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Our management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

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Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation Uncertainty

We have outlined below the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

We use a provision matrix to calculate expected credit losses (ECLs) for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provisions matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each reporting period during the Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade and bills receivables is disclosed to Note 20 to the Accountants' Report in Appendix I to this prospectus.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period during the Track Record Period. Indefinite life intangible assets or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or

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observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, our management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Assessment of useful lives of capitalized development costs

In assessing the estimated useful lives of capitalized development costs when the products are put into commercial production, we take into account factors such as expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of our management.

Estimated useful lives and residual values of property, plant and equipment

Our management determines the estimated useful lives, residual values and related depreciation and amortization charges for our property, plant and equipment with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

Fair value measurement for unlisted investments

We made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and we use our judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period during the Track Record Period. Further details are included in Note 36 to the Accountants' Report included in Appendix I to this prospectus. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

In relation to the valuation of our financial assets categorized within the level 3 of fair value hierarchy, our management established the fair value of these financial assets based on assumptions that are not supported by observable market prices or rates. Our Directors carefully considered, among others, the following factors: (i) fair value measurement of our level 3 financial assets conducted by our management after reviewing the underlying transactional documents, assessing the valuation techniques and various assumptions of unobservable inputs, and evaluating whether the fair value measurement was in compliance with applicable IFRS, and (ii) applicable assumptions, methodology and valuation techniques

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applied in determining the valuation of the investments. Based on the above, our Directors are of the view that the valuation of our financial assets categorized within the level 3 of fair value hierarchy is fair and reasonable, and our financial statements have been properly prepared.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, the valuation techniques and significant unobservable inputs and the relationship of unobservable inputs to fair value are disclosed in Note 36 to the Accountants' Report in Appendix I to this prospectus.

RESULT OF OPERATIONS

The following table sets forth our selected consolidated statements of profit or loss for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	21,275,271	100.0	22,819,785	100.0	27,984,605	100.0
Cost of sales	(3,486,639)	(16.4)	(3,525,248)	(15.4)	(3,848,177)	(13.8)
Gross profit	17,788,632	83.6	19,294,537	84.6	24,136,428	86.2
Other income and gains . .	1,371,215	6.4	1,033,784	4.5	1,174,630	4.2
Selling and distribution expenses	(7,347,894)	(34.5)	(7,577,176)	(33.2)	(8,336,069)	(29.8)
Research and development expenses	(4,886,553)	(23.0)	(4,953,887)	(21.7)	(6,582,916)	(23.5)
Administrative expenses . .	(2,498,159)	(11.7)	(2,644,551)	(11.6)	(2,815,094)	(10.1)
Other expenses	(389,262)	(1.8)	(406,996)	(1.8)	(380,149)	(1.4)
Finance costs	(6,491)	(0.0)	(5,905)	(0.0)	(5,559)	(0.0)
Share of losses of associates	(62,996)	(0.3)	(72,696)	(0.3)	(21,581)	(0.1)
Profit before tax	3,968,492	18.7	4,667,110	20.5	7,169,690	25.6
Income tax expenses	(153,351)	(0.8)	(389,289)	(1.8)	(832,695)	(3.0)
Profit for the year	3,815,141	17.9	4,277,821	18.7	6,336,995	22.6
Attributable to:						
Owners of the parent	3,906,374	18.4	4,302,436	18.9	6,336,527	22.6
Non-controlling interests . .	(91,233)	(0.5)	(24,615)	(0.2)	468	0.0
	<u>3,815,141</u>	<u>17.9</u>	<u>4,277,821</u>	<u>18.7</u>	<u>6,336,995</u>	<u>22.6</u>

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NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We define EBITDA (non-IFRS measure) as profit for the year adjusted by deducting bank interest income and adding back (i) finance costs, (ii) depreciation and amortization, and (iii) income tax expenses. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain non-operating items.

We believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as it helps our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) to profit for the year in respect of the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	3,815,141	4,277,821	6,336,995
Adjustments:			
Bank interest income	(385,275)	(477,143)	(603,277)
Finance costs	6,491	5,905	5,559
Depreciation and amortization	640,511	793,937	870,819
Income tax expenses	153,351	389,289	832,695
EBITDA (non-IFRS measure)	<u>4,230,219</u>	<u>4,989,809</u>	<u>7,442,791</u>

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from the sale of our drugs. Our licensing revenue represents income we recognized upon fulfilling relevant performance obligations under our out-licensing agreements, which authorize third parties to develop, manufacture, and/or commercialize certain of our innovative drugs or drug candidates. We typically receive non-refundable upfront payments under these agreements and are entitled to receive milestone payments and tiered royalties based on the drugs' future net sales in specified territories. Our other revenue primarily includes revenue from rendering commercial promotion services and sales of APIs to certain collaboration partners.

The following table sets forth a breakdown of our revenue by source, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Drug sales	21,213,026	99.7	22,377,188	98.1	25,009,582	89.4
Licensing revenue	6,442	0.0	268,371	1.2	2,700,433	9.6
Others ⁽¹⁾	55,803	0.3	174,226	0.7	274,590	1.0
Total	<u>21,275,271</u>	<u>100.0</u>	<u>22,819,785</u>	<u>100.0</u>	<u>27,984,605</u>	<u>100.0</u>

Note:

- (1) Primarily includes revenue from rendering commercial promotion services and sales of APIs to certain collaboration partners.

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The following table sets forth a breakdown of our total revenue by major therapeutic areas and other sources, in absolute amounts and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Oncology	11,313,013	53.2	12,217,364	53.5	14,586,574	52.1
Metabolic and cardiovascular diseases	975,316	4.6	1,081,257	4.7	1,747,836	6.2
Immunological and respiratory diseases	722,316	3.4	701,219	3.1	776,774	2.8
Neuroscience	3,888,641	18.3	4,204,922	18.4	4,288,739	15.3
Contrast agents	2,728,731	12.8	2,742,423	12.0	2,749,236	9.8
Others ⁽¹⁾	1,647,254	7.7	1,872,600	8.3	3,835,446	13.8
Total	<u>21,275,271</u>	<u>100.0</u>	<u>22,819,785</u>	<u>100.0</u>	<u>27,984,605</u>	<u>100.0</u>

Note:

- (1) Primarily includes revenue from sales of products in other therapeutic areas, licensing revenue, and revenue from rendering commercial promotion services and sales of APIs to certain collaboration partners.

Cost of Sales

Our cost of sales consists of: (i) raw material and packaging costs for our products, (ii) direct labor and manufacturing costs, which primarily include salaries, share-based compensation, and other benefits for employees involved in our production, depreciation and amortization related to property, plant, and equipment and right of use assets used in our production, and production related utilities, and (iii) others, which are miscellaneous overheads. The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as a percentage of total cost of sales, for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw material and packaging costs	2,098,956	60.2	2,183,135	61.9	2,243,052	58.3
Direct labor and manufacturing costs	1,360,769	39.0	1,278,581	36.3	1,493,829	38.8
Others ⁽¹⁾	26,914	0.8	63,532	1.8	111,296	2.9
Total	<u>3,486,639</u>	<u>100.0</u>	<u>3,525,248</u>	<u>100.0</u>	<u>3,848,177</u>	<u>100.0</u>

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Note:

- (1) Primarily includes cost of sales for rendering commercial promotion services to certain collaboration partners and various other miscellaneous overheads.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit amounted to RMB17,788.6 million, RMB19,294.5 million, and RMB24,136.4 million in 2022, 2023 and 2024, respectively. Our gross profit margin was 83.6%, 84.6%, and 86.2% in 2022, 2023 and 2024, respectively. The gross profit margin for our licensing revenue was 100% in these years because the costs for developing the out-licensed drug candidates had been recorded in our research and development expenses. In addition, we have also recognized staff costs for our business development team and legal expenses related to our out-licensing transactions, both of which were expensed in the periods when they were incurred.

The following table sets forth a breakdown of our gross profit and gross profit margin for the years indicated:

	Year Ended December 31,					
	2022		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Drug sales	17,753,301	83.7	18,915,472	84.5	21,272,701	85.1
Licensing revenue	6,442	100.0	268,371	100.0	2,700,433	100.0
Others ⁽¹⁾	28,889	51.8	110,694	63.5	163,294	59.5
Total	<u>17,788,632</u>	83.6	<u>19,294,537</u>	84.6	<u>24,136,428</u>	86.2

Note:

- (1) Primarily includes gross profit from rendering commercial promotion services and sales of APIs to certain collaboration partners.

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Other Income and Gains

Our other income consists of: (i) bank interest income, (ii) government grants income, which represents subsidies received from the government relating to both expenses and assets, and (iii) dividend income from equity investments at FVTPL.

Our other gains primarily consist of: (i) gain on financial assets at FVTPL, primarily related to wealth management products offered by licensed banks and investments in unlisted equities, (ii) net foreign exchange gains, primarily related to our bank balances and other assets denominated in foreign currencies, (iii) gain on disposal of subsidiaries, related to our disposal of 100% of the equity interest in Shanghai Fuhong Biopharmaceutical Co., Ltd. in 2022 to an asset management company (controlled by Mr. Cen Junda) to optimize our asset structure based on an independent third-party valuer's valuation, and (iv) gain on deemed disposal of subsidiaries, related to Shanghai Regenelead Therapies Co., Ltd. ("Shanghai Regenelead") and Suzhou Yiduoyun Health Co., Ltd. ("Suzhou Yiduoyun"), both of which changed from our subsidiaries to associates after certain investors injected additional capital into them in 2022. In September 2022, certain investors (including our related parties) injected RMB497.7 million into Shanghai Regenelead. The consideration was based on an independent third-party valuer's valuation applying the asset-based approach, which is derived from the replacement cost of underlying assets. As a result, our direct equity interest in Shanghai Regenelead was diluted from 100% to approximately 38%, and a deemed disposal gain of RMB291.1 million was recorded as the excess of fair value of our retained equity interest in Shanghai Regenelead over the carrying amount of Shanghai Regenelead's net assets at the deemed disposal date when we lost control of Shanghai Regenelead. Separately, in August 2022, certain third party investors injected RMB30 million into Suzhou Yiduoyun. The fair value was equal to the paid-in capital of Suzhou Yiduoyun given that Suzhou Yiduoyun was in its early stage of development. The Directors considered that it was an arm's length transaction. As a result, our equity interest in Suzhou Yiduoyun was diluted from approximately 71% to approximately 50%, and a deemed disposal gain of RMB27.8 million was recorded as the excess of fair value of our retained equity interest in Suzhou Yiduoyun over the carrying amount of Suzhou Yiduoyun's net assets at the deemed disposal date when we lost control of Suzhou Yiduoyun. See Note 31 to the Accountants' Report included in Appendix I to this prospectus for more information on our disposal and deemed disposal of subsidiaries.

We typically invest in low-risk, liquid wealth management products issued by large reputable financial institutions to make better use of our idle cash before their scheduled use in our business operations. We also make opportunistic investments in selected targets. We have in place an internal investment policy that sets forth investment approval processes by our Board or officers authorized by our Board and, if needed, by our shareholders' meeting, depending on the investment amount. Our securities department prepares investment proposals for our legal and finance departments to review and our General Manager to approve. For proposals approved by our General Manager, our Board Secretary will coordinate with our securities, finance, technology, and other relevant departments or engage qualified professional advisors to prepare feasibility reports. After an investment is approved and made, our securities department keeps our investment records, and our finance department, led by our Financial

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Controller, regularly monitors the investment performance. In addition, our internal control department coordinates annual audits of our investments and reports to our Board and shareholders' meeting. Our Board and senior management collectively possess extensive industry experience and financial management expertise, which enable them to effectively oversee these investments. See "Directors, Supervisors and Senior Management" for details. In addition, these investments will be subject to compliance with the applicable requirements under Chapter 14 of the Listing Rules upon the Listing.

The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other income			
Bank interest income	385,275	477,143	603,277
Government grants income	287,401	498,486	394,266
Dividend income from equity investments at FVTPL	9,028	8,813	37,017
Total other income	681,704	984,442	1,034,560
Gains			
Gain on financial assets at FVTPL	230,903	28,262	117,062
Foreign exchange gains, net	93,188	7,902	–
Gain on disposal of subsidiaries	30,916	–	–
Gain on deemed disposal of subsidiaries	325,986	–	–
Others	8,518	13,178	23,008
Total gains	689,511	49,342	140,070
Total other income and gains	1,371,215	1,033,784	1,174,630

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Selling and Distribution Expenses

Our selling and distribution expenses consist of: (i) marketing expenses, which primarily consist of the expenses associated with market research and various marketing and promotion activities, including those for our newly launched products, (ii) staff costs, consisting of salaries, share-based compensation, and other benefits for our in-house sales and marketing staff, (iii) travel and conference expenses, including expenses for hosting and participating in different levels of academic conferences, seminars and symposia, and (iv) others, primarily consisting of office expenses and certain other expenses that are directly related to our marketing and promotion activities. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Marketing expenses	3,808,307	3,876,914	4,292,619
Staff costs	2,904,075	2,593,822	2,851,021
Travel and conference expenses	549,854	1,038,006	1,149,095
Others	85,658	68,434	43,334
Total	<u>7,347,894</u>	<u>7,577,176</u>	<u>8,336,069</u>

Research and Development Expenses

Our research and development expenses consist of: (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our R&D personnel, (ii) cost of materials, which primarily consists of costs of reagents and consumables used in our R&D activities, (iii) design and clinical trial expenses associated with our development of product candidates and indication expansion of our commercialized products, (iv) depreciation and amortization of property, plant and equipment and right-of-use assets used in our R&D activities, and (v) others, including R&D related miscellaneous expenses and travel expenses. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	2,069,152	1,893,629	2,262,451
Cost of materials	788,105	976,060	1,177,834
Design and clinical trial expenses	1,191,922	1,139,289	2,049,982
Depreciation and amortization	224,943	291,986	279,006
Others	612,431	652,923	813,643
Total	<u>4,886,553</u>	<u>4,953,887</u>	<u>6,582,916</u>

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses consist of: (i) staff costs, consisting of salaries, share-based compensation, and other benefits for our managerial and administrative staff, (ii) meeting and related expenses, which primarily consist of expenses associated with attending and hosting conferences by our managerial and administrative staff, and other related expenses, (iii) travel expenses, office expenses and general operating expenses related to our managerial and administrative staff, (iv) consulting, professional and other service expenses, (v) taxes and surcharges, and (vi) others, which primarily include depreciation and amortization, insurance expenses, utilities, repairs, and maintenance expenses. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	876,548	964,518	832,250
Meeting and related expenses	549,586	513,906	700,649
Travel expenses, office expenses and general operating expenses	401,008	394,455	505,136
Consulting, professional and other service expenses	426,993	388,018	405,764
Taxes and surcharges	190,389	219,257	257,884
Others	53,635	164,397	113,411
Total	<u>2,498,159</u>	<u>2,644,551</u>	<u>2,815,094</u>

FINANCIAL INFORMATION

Other Expenses

Our other expenses primarily consist of: (i) donations, (ii) net foreign exchange losses, primarily related to our bank balances and other assets denominated in foreign currencies, (iii) impairment losses under the expected credit loss model, net of reversal, related to our trade receivables and other receivables, (iv) discounts on derecognition of bills receivables, (v) impairment loss recognized on inventories and other non-current assets, and (vi) loss on disposal of items of property, plant and equipment. The following table sets forth a breakdown of our other expenses for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Donations	142,268	231,743	323,216
Foreign exchange losses, net	–	–	24,045
Impairment losses under expected credit loss model, net of reversal	26,284	(17,254)	(28,997)
Discounts on derecognition of bills receivables	69,971	71,793	19,589
Impairment loss recognized on other non-current assets	130,000	70,000	–
Impairment loss recognized on inventories, net	16,684	37,217	32,538
Loss on disposal of items of property, plant and equipment	2,203	12,430	7,113
Others	1,852	1,067	2,645
Total	<u>389,262</u>	<u>406,996</u>	<u>380,149</u>

Finance Costs

Our finance costs consist of the interest accrued on our borrowings and lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	943	1,633	1,020
Interest on lease liabilities	5,548	4,272	4,539
Total	<u>6,491</u>	<u>5,905</u>	<u>5,559</u>

FINANCIAL INFORMATION

Share of Losses of Associates

Our share of losses in associated companies during the Track Record Period was primarily attributable to our investments in Shanghai Regenelead. In 2022, 2023 and 2024, we recorded share of losses of associates of RMB63.0 million, RMB72.7 million, and RMB21.6 million, respectively, which were primarily attributable to Shanghai Regenelead's R&D expenses.

Income Tax Expenses

Our income tax expenses consist of current income tax and deferred income tax. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. The following table sets forth a breakdown of our income tax expenses for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	175,596	487,760	855,836
Deferred income tax	(22,245)	(98,471)	(23,141)
Total	<u>153,351</u>	<u>389,289</u>	<u>832,695</u>

Mainland China

The provision for corporate income tax in mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the EIT Law, except for our Company and certain of our subsidiaries in mainland China that are granted tax concession and are taxed at preferential tax rates. For details of preferential tax treatments enjoyed by our Company and our subsidiaries, see Note 11 to the Accountants' Report in Appendix I to this prospectus.

U.S.

Our subsidiaries incorporated in the U.S. are subject to statutory federal corporate income tax at a rate of 21% and state income tax generally ranging from 1% to 10%.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 22.6% from RMB22,819.8 million in 2023 to RMB27,984.6 million in 2024. This increase was primarily attributable to (i) an RMB2,632.4 million increase in our revenue from drug sales, which was primarily driven by increased sales of our innovative drugs, and (ii) an RMB2,432.1 million increase in our licensing revenue, which was primarily due to the satisfaction of our obligations under out-licensing arrangements in 2024. See “Business—Collaboration and Licensing Arrangements—Out-Licensing Arrangements” for more information on our out-licensing arrangements.

In terms of therapeutic areas and products, our revenue increase was mainly driven by an RMB2,369.2 million increase in our oncology revenue and an RMB666.6 million increase in our metabolic and cardiovascular diseases revenue, primarily attributable to increased sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was primarily attributable to the following factors:

- (i) the expansion of approved indications of our innovative drugs such as oncology drugs camrelizumab, pyrotinib, and apatinib, and their broader market acceptance within the medical community, due to the accumulation of medical evidence through post-marketing studies supporting these drugs’ clinical benefits;
- (ii) improved adoption by public medical institutions of our innovative products, such as our oncology drugs rezvolutamide and dalpiciclib and metabolic drugs retaglipatin and henagliflozin, after they were included in government-sponsored medical insurance programs attributable to their good clinical profiles; and
- (iii) the inclusion of our oncology drug adebrelimab in insurance schemes regarding special medications in various regions attributable to its strong clinical efficacy in significantly raising the overall survival of patients.

These factors were offset in part by a decline in sales revenue from certain generic products that were included in the VBP scheme, whose selling prices and sales revenue were adversely affected.

Cost of Sales

Our cost of sales increased by 9.2% from RMB3,525.2 million in 2023 to RMB3,848.2 million in 2024. This increase was primarily attributable to an RMB215.2 million increase in direct labor and manufacturing costs, generally in line with growth of our drug sales.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 25.1% from RMB19,294.5 million in 2023 to RMB24,136.4 million in 2024. Our gross profit margin increased from 84.6% in 2023 to 86.2% in 2024, primarily due to (i) increased contribution of licensing revenue, which has a relatively higher gross margin compared to drug sales, and (ii) an increase in gross profit margin for drug sales attributable to our efforts to optimize our manufacturing costs and because a higher proportion of our revenue was generated from innovative drugs (which generally have higher gross profit margins than generics).

Other Income and Gains

Our other income and gains increased by 13.6% from RMB1,033.8 million in 2023 to RMB1,174.6 million in 2024, primarily attributable to an RMB126.1 million increase in bank interest income due to increased balance of bank deposits and an RMB88.8 million increase in gain on financial assets at FVTPL primarily due to an increase in the fair value of our equity interest in an investee company. These factors were partially offset by an RMB104.2 million decrease in government grants income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 10.0% from RMB7,577.2 million in 2023 to RMB8,336.1 million in 2024, primarily attributable to (i) an RMB415.7 million increase in marketing expenses generally in line with our sales growth, (ii) an RMB257.2 million increase in staff costs due to an increase in the average remuneration of our sales and marketing personnel, and (iii) an RMB111.1 million increase in travel and conference expenses associated with our marketing activities for newly launched products.

Research and Development Expenses

Our research and development expenses increased by 32.9% from RMB4,953.9 million in 2023 to RMB6,582.9 million in 2024, primarily attributable to (i) an RMB910.7 million increase in design and clinical trial expenses related to clinical trials for our innovative product candidates, (ii) an RMB368.8 million increase in staff costs due to an increase in the headcount and average remuneration of our R&D staff, (iii) an RMB201.8 million increase in cost of materials due to increased R&D activities, and (iv) an RMB160.7 million increase in others, primarily due to increased traveling expenses for R&D personnel.

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Administrative Expenses

Our administrative expenses increased by 6.4% from RMB2,644.6 million in 2023 to RMB2,815.1 million in 2024, primarily attributable to (i) an RMB186.7 million increase in meeting and related expenses due to an increased number of meetings held and attended by our managerial and administrative staff, and (ii) an RMB110.7 million increase in travel expenses, office expenses and general operating expenses, partially offset by an RMB132.3 million decrease in staff cost due to our workforce optimization measures.

Other Expenses

Our other expenses decreased by 6.6% from RMB407.0 million in 2023 to RMB380.1 million in 2024, primarily because we had an RMB70.0 million impairment loss on other non-current assets in 2023 while we did not have this item in 2024, and because we reduced our use of bills receivables for discounting. These factors were partially offset by an RMB91.5 million increase in donations.

Finance Costs

Our finance costs decreased by 5.9% from RMB5.9 million in 2023 to RMB5.6 million in 2024, attributable to an RMB0.6 million decrease in interest on borrowings, partially offset by an RMB0.3 million increase in interest on lease liabilities.

Share of Losses of Associates

Our share of losses of associates decreased by 70.3% from RMB72.7 million in 2023 to RMB21.6 million in 2024, primarily due to decreased losses incurred by Shanghai Regenelead and because the carrying amount of our equity interest in Suzhou Yiduoyun decreased to zero.

Income Tax Expenses

Our income tax expenses increased by 113.9% from RMB389.3 million in 2023 to RMB832.7 million in 2024, primarily due to an increase in our profit before tax. Our effective income tax rate (equal to income tax expenses as a percentage of profit before tax) increased from 8.3% in 2023 to 11.6% in 2024, primarily due to an increase in expenses not deductible for tax purposes and a decrease in deductible allowance for qualified R&D costs.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 48.1% from RMB4,277.8 million in 2023 to RMB6,337.0 million in 2024. Our net profit margin, which represents profit for the year as a percentage of total revenue, increased from 18.7% in 2023 to 22.6% in 2024.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 7.3% from RMB21,275.3 million in 2022 to RMB22,819.8 million in 2023. This increase was primarily attributable to (i) an RMB1,164.2 million increase in revenue from drug sales, which was primarily driven by an increase in sales of our innovative drugs, and (ii) an RMB261.9 million increase in licensing revenue, which was primarily due to the satisfaction of our obligations under our out-licensing arrangements. See “Business—Collaboration and Licensing Arrangements—Out-Licensing Arrangements” for more information on our out-licensing arrangements.

In terms of therapeutic areas and products, our revenue increase was mainly driven by:

- (i) an RMB904.4 million increase in our oncology revenue and an RMB105.9 million increase in our metabolic and cardiovascular diseases revenue, primarily attributable to an increase in sales of our innovative drugs. The increase in revenue from sales of our innovative drugs in these therapeutic areas was primarily attributable to the following factors: (a) our launch of new innovative drugs, such as our oncology drug adebrelimab and metabolic drug retagliptin and the ramp-up in their sales, as well as the inclusion of adebrelimab in insurance schemes regarding special medications in various regions primarily due to its efficacy in significantly improving the overall survival of patients; (b) the improved adoption by public medical institutions of our innovative drugs, such as rezvilutamide and dalpiciclib in the oncology therapeutic area and henagliflozin in the metabolic and cardiovascular diseases therapeutic area, after they were included in government-sponsored medical insurance programs attributable to their good clinical profiles; and (c) the expansion of approved indications of our innovative drugs such as oncology drugs mecapegfilgrastim and herombopag, and their broader market acceptance within the medical community, due to the accumulation of medical evidence through post-marketing studies supporting these drugs’ clinical benefits; and
- (ii) an RMB316.3 million increase in our neuroscience revenue, primarily attributable to an increase in sales of our anesthesia and analgesia products driven by increasing market demand for these products along with the recovery of diagnosis and treatment in medical institutions following the ease of pandemic-related restrictions.

These factors were offset in part by (i) a decline in sales revenue from certain generic products that experienced lower sales volume in certain regions and pricing pressure due to intense competition under the VBP scheme, and (ii) the inclusion of additional generic products in the VBP scheme, which adversely affected their selling prices and sales revenue.

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Cost of Sales

Our cost of sales increased slightly from RMB3,486.6 million in 2022 to RMB3,525.2 million in 2023. This increase was primarily attributable to an RMB84.2 million increase in raw material and packaging costs, which was in line with our sales growth, partially offset by an RMB82.2 million decrease in direct labor and manufacturing costs mainly due to manufacturing cost optimization.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased by 8.5% from RMB17,788.6 million in 2022 to RMB19,294.5 million in 2023. Our gross profit margin increased from 83.6% in 2022 to 84.6% in 2023, primarily due to (i) an increase in gross profit margin for drug sales attributable to our efforts to optimize our manufacturing costs and because a higher proportion of our revenue was generated from innovative drugs (which generally have higher gross profit margins than generics), and (ii) a substantial increase in licensing revenue in 2023, which has a relatively higher gross margin compared to drug sales.

Other Income and Gains

Our other income and gains decreased by 24.6% from RMB1,371.2 million in 2022 to RMB1,033.8 million in 2023, primarily because (i) we had an RMB326.0 million in gain on deemed disposal of subsidiaries in 2022, while we did not have this item in 2023, and (ii) our gain on financial assets at FVTPL decreased by RMB202.6 million, primarily because we recognized a significant gain on fair value changes of our investment in an unlisted entity and wealth management products in 2022. These factors were partially offset by an RMB211.1 million increase in government grants income.

Selling and Distribution Expenses

Our selling and distribution expenses increased slightly from RMB7,347.9 million in 2022 to RMB7,577.2 million in 2023, primarily attributable to an RMB488.2 million increase in travel and conference expenses primarily because of (i) our sales staff's increased business travel following the ease of pandemic-related travel restrictions in late 2022, and (ii) our hosting and participation in an increased number of academic promotion related conferences to promote our new innovative drugs, such as adabrelimab and retaglipitin that were approved in February and June 2023, respectively, while we had linperlisib and rezvilutamide approved in November and June 2022, respectively. This factor was partially offset by an RMB310.3 million decrease in staff costs as a result of our sales personnel optimization measures.

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Research and Development Expenses

Our research and development expenses increased slightly from RMB4,886.6 million in 2022 to RMB4,953.9 million in 2023, primarily attributable to (i) an RMB188.0 million increase in cost of materials related to our R&D activities for innovative drugs, and (ii) an RMB67.0 million increase in depreciation and amortization related to our R&D activities. These factors were partially offset by an RMB175.5 million decrease in staff costs primarily due to our optimization of R&D personnel.

Administrative Expenses

Our administrative expenses increased slightly from RMB2,498.2 million in 2022 to RMB2,644.6 million in 2023, primarily attributable to (i) an RMB88.0 million increase in staff costs due to increased average remuneration of our administrative staff, and (ii) an RMB110.8 million increase in others, primarily due to an increase in depreciation and amortization, mainly as a result of the transfer in the second half of 2022 of certain construction-in-progress assets to buildings primarily used as our office premises.

Other Expenses

Our other expenses increased slightly by 4.6% from RMB389.3 million in 2022 to RMB407.0 million in 2023, primarily due to an RMB89.5 million increase in donations, partially offset by (i) an RMB43.5 million decrease in our impairment losses under the expected credit loss model, primarily due to a decrease in our trade receivables, and (ii) an RMB39.5 million decrease in impairment loss recognized on non-financial assets.

Finance Costs

Our finance costs decreased by 9.0% from RMB6.5 million in 2022 to RMB5.9 million in 2023 due to an RMB1.3 million decrease in interest on lease liabilities, which was partially offset by an RMB0.7 million increase in interest on borrowings.

Share of Losses of Associates

Our share of losses of associates increased by 15.4% from RMB63.0 million in 2022 to RMB72.7 million in 2023, resulting primarily from increased losses incurred by Shanghai Regenelead.

Income Tax Expenses

Our income tax expenses increased by 153.9% from RMB153.4 million in 2022 to RMB389.3 million in 2023, primarily due to an increase in our profit before tax. Our effective income tax rate (equal to income tax expenses as a percentage of profit before tax) increased from 3.9% in 2022 to 8.3% in 2023, primarily because we had relatively lower expenses not deductible for tax purposes in 2022.

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Profit for the Year

As a result of the foregoing, our profit for the year increased by 12.1% from RMB3,815.1 million in 2022 to RMB4,277.8 million in 2023. Our net profit margin increased from 17.9% in 2022 to 18.7% in 2023.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current assets				
Inventories	2,450,575	2,314,026	2,417,119	2,400,980
Trade and bills receivables	8,341,471	6,134,907	6,159,470	7,298,492
Prepayments, other receivables and other assets	2,270,834	1,993,384	1,649,088	2,074,469
Financial assets at FVTPL	2,760,494	99,050	273,345	110,116
Pledged deposits and restricted cash	250	–	13,430	10,402
Cash and bank balances.	<u>15,110,430</u>	<u>20,746,105</u>	<u>24,802,475</u>	<u>24,075,306</u>
Total current assets . . .	<u>30,934,054</u>	<u>31,287,472</u>	<u>35,314,927</u>	<u>35,969,765</u>
Current liabilities				
Trade and other payables	2,187,171	2,296,285	3,230,864	2,937,716
Interest-bearing borrowings	1,260,943	–	–	–
Income tax payables . . .	4,030	59,284	242,938	262,470
Contract liabilities	<u>187,075</u>	<u>198,091</u>	<u>159,793</u>	<u>162,694</u>
Total current liabilities	<u>3,639,219</u>	<u>2,553,660</u>	<u>3,633,595</u>	<u>3,362,880</u>
Net current assets	<u><u>27,294,835</u></u>	<u><u>28,733,812</u></u>	<u><u>31,681,332</u></u>	<u><u>32,606,885</u></u>

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Our net current assets increased from RMB27,294.8 million as of December 31, 2022 to RMB28,733.8 million as of December 31, 2023, primarily due to an RMB5,635.7 million increase in cash and bank balances, and because we had RMB1,260.9 million in interest-bearing borrowings as of December 31, 2022 but did not have this item as of December 31, 2023. These factors were partially offset by (i) an RMB2,661.4 million decrease in financial assets at FVTPL, as we redeemed our relevant investments in wealth management products offered by licensed banks, and (ii) an RMB2,206.6 million decrease in trade and bills receivables, primarily due to our collection of trade and bills receivables.

Our net current assets increased from RMB28,733.8 million as of December 31, 2023 to RMB31,681.3 million as of December 31, 2024, primarily due to an RMB4,056.4 million increase in cash and bank balances, partially offset by an RMB934.6 million increase in trade and other payables.

Our net current assets increased from RMB31,681.3 million as of December 31, 2024 to RMB32,606.9 million as of March 31, 2025, primarily due to an RMB1,139.0 million increase in trade and bills receivables and an RMB293.1 million decrease in trade and other payables, partially offset by an RMB727.2 million decrease in cash and bank balances.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories consist of raw materials, work in progress, finished goods, and contract costs. The following table sets forth the breakdown of our inventories as of the date indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	871,513	753,759	711,539
Work in progress	402,613	405,842	435,842
Finished goods	1,149,527	1,146,124	1,260,530
Contract costs	26,922	8,301	9,208
Total	<u>2,450,575</u>	<u>2,314,026</u>	<u>2,417,119</u>

We generally purchase raw materials based on their shelf-lives and required lead times. At the same time, we closely monitor our inventory levels and keep appropriate levels of stock for different products. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

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Our inventories decreased by 5.6% from RMB2,450.6 million as of December 31, 2022 to RMB2,314.0 million as of December 31, 2023, primarily due to an RMB117.8 million decrease in raw materials as a result of our enhanced inventory management.

Our inventories increased by 4.5% from RMB2,314.0 million as of December 31, 2023 to RMB2,417.1 million as of December 31, 2024, primarily due to an RMB114.4 million increase in finished goods, primarily because we stocked up inventory to meet the high demand for our products.

The table below sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,162,909	1,994,897	2,186,610
1 to 2 years	252,182	276,517	188,549
Over 2 years	68,261	82,832	95,235
Impairment	(32,777)	(40,220)	(53,275)
Total	<u>2,450,575</u>	<u>2,314,026</u>	<u>2,417,119</u>

As of December 31, 2022, 2023 and 2024, a vast majority of our inventories were aged within one year. Our inventories aged longer were mainly raw materials and finished goods. This was mainly because we typically make bulk purchases of raw materials to meet our manufacturing and R&D requirements, and because we need to maintain sufficient inventory in line with our safety stock requirements. We recognize impairment on our inventories if their expected net realizable value is lower than the cost of the inventories.

The following table sets forth our inventory turnover days for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Inventory turnover days of raw materials ⁽¹⁾	96.2	84.1	69.5
Inventory turnover days of work in progress ⁽²⁾	42.1	41.9	39.9
Inventory turnover days of finished goods ⁽³⁾	113.9	118.8	114.1

(1) Calculated using the average of the beginning and ending raw materials balances of the period, divided by cost of sales for the year and multiplied by 365 days.

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- (2) Calculated using the average of the beginning and ending work in progress balances of the period, divided by cost of sales for the year and multiplied by 365 days.
- (3) Calculated using the average of the beginning and ending finished goods balances of the period, divided by cost of sales for the year and multiplied by 365 days.

Our inventory turnover days of raw materials decreased from 96.2 days in 2022 to 84.1 days in 2023, and further to 69.5 days in 2024, primarily due to our enhanced inventory management measures to accelerate our inventory turnover.

Our inventory turnover days of work in progress remained relatively stable at 42.1 days in 2022, 41.9 days in 2023, and 39.9 days in 2024.

Our inventory turnover days of finished goods remained relatively stable at 113.9 days in 2022, 118.8 days in 2023, and 114.1 days in 2024.

As of March 31, 2025, RMB2,150.9 million, or 89.0%, of our inventories as of December 31, 2024 had been utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables represent trade receivables and bills receivables, net of impairment. The following table sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	5,989,439	5,276,769	4,968,479
Bills receivables	2,450,074	940,413	1,244,598
Impairment	<u>(98,042)</u>	<u>(82,275)</u>	<u>(53,607)</u>
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

Our trade receivables primarily represent the balances due from our customers for our pharmaceutical products. Our trade receivables are typically due within 30 to 90 days from the invoice date, and we require payment in advance for certain sales. We seek to maintain strict credit control over our outstanding receivables, and we have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Our bills receivables represent bank acceptance notes received from our customers in lieu of cash payments. Our bills receivables are generally due within six months from the date of issuance. The impairment was recognized for our trade receivables under the expected credit loss model. As there was no material change in the types or credit profiles of our customers, the expected credit loss rate was 1.64%, 1.56% and 1.08% as of December 31, 2022, 2023 and 2024, respectively.

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Our trade and bills receivables decreased by 26.5% from RMB8,341.5 million as of December 31, 2022 to RMB6,134.9 million as of December 31, 2023, primarily due to our accelerated collection of trade and bills receivables.

Our trade and bills receivables remained relatively stable at RMB6,134.9 million and RMB6,159.5 million as of December 31, 2023 and 2024.

The following table sets forth an aging analysis of our trade and bills receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	7,786,353	5,529,352	5,558,730
Past due within 1 year	544,862	604,080	599,744
Past due 1 year to 2 years	6,133	212	908
Past due 2 years to 3 years	4,123	1,263	88
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

The following table sets forth our trade receivables turnover days for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Trade receivables turnover days ⁽¹⁾	91.7	90.1	66.8

(1) Calculated using the average of the opening and closing balances of trade receivables for the relevant year divided by revenue and multiplied by 365 days.

Our trade receivables turnover days remained relatively stable at 91.7 days in 2022 and 90.1 days in 2023. Our trade receivables turnover days decreased to 66.8 days in 2024, primarily due to (i) our accelerated collection of trade receivables and (ii) an increase in our licensing revenue, which was recognized from upfront payments received and therefore did not increase our trade receivables.

As of March 31, 2025, RMB5,661.6 million, or 91.9%, of our trade and bills receivables as of December 31, 2024 had been subsequently settled.

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Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consist of prepayments and prepaid expenses, income tax recoverable, value-added tax recoverable, and deposit. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and prepaid expenses	1,601,567	1,643,676	1,188,416
Income tax recoverable	507,196	226,071	239,543
Value-added tax recoverable	146,668	107,979	195,893
Deposit	15,403	15,658	25,236
Total	<u>2,270,834</u>	<u>1,993,384</u>	<u>1,649,088</u>

Prepayments and prepaid expenses mainly consist of our prepayments for research and development costs and production related materials. Income tax recoverable relates to additional deductible allowance for qualified R&D expenses for our income tax. Value-added tax recoverable represents value-added taxes paid with respect to our procurement that can be credited against future value-added tax payables.

Our prepayments, other receivables and other assets decreased by 12.2% from RMB2,270.8 million as of December 31, 2022 to RMB1,993.4 million as of December 31, 2023, primarily due to an RMB281.1 million decrease in income tax recoverable as we prepaid relatively more income tax in 2022 than in 2023.

Our prepayments, other receivables and other assets decreased by 17.3% from RMB1,993.4 million as of December 31, 2023 to RMB1,649.1 million as of December 31, 2024, primarily attributable to an RMB455.3 million decrease in prepayments and prepaid expenses, which was in turn primarily due to our efforts to control prepayment amounts and timing.

As of March 31, 2025, we had settled RMB1,232.9 million, or 74.8%, of our prepayments, other receivables and other assets as of December 31, 2024.

Trade and Other Payables

Our trade and other payables primarily represent outstanding amounts due to our suppliers. Our trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months after the invoice date.

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The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	1,493,467	1,334,012	1,517,333
Payables relating to purchases of items of property, plant and equipment	274,082	176,317	449,926
Borrowings from third parties ⁽¹⁾	159,992	159,992	159,992
Consideration received from employees under A share stock ownership schemes ⁽²⁾	59,640	313,920	558,827
Other payables	84,839	152,358	316,087
Other tax payables	115,151	159,686	187,573
Lease liabilities	–	–	41,126
Total	2,187,171	2,296,285	3,230,864

Notes:

- (1) Represents interest-free borrowings by one of our subsidiaries from potential investors which will be converted into investments in the subsidiary upon the investors' completion of the overseas direct investment registration with the relevant PRC authorities.
- (2) Represents payments from our employees as consideration for incentive shares we granted to them. The payments were accounted for as other payables because we are entitled to redeem the incentive shares if the employees fail to meet their respective vesting conditions.

Our trade and other payables increased slightly from RMB2,187.2 million as of December 31, 2022 to RMB2,296.3 million as of December 31, 2023, primarily due to an RMB254.3 million increase in consideration received from employees under A Share Employee Stock Ownership Schemes, offset in part by an RMB159.5 million decrease in trade and bills payables as we accelerated settlement of payments to suppliers.

Our trade and other payables increased by 40.7% from RMB2,296.3 million as of December 31, 2023 to RMB3,230.9 million as of December 31, 2024, primarily attributable to (i) an RMB273.6 million increase in payables relating to purchases of items of property, plant and equipment, resulting mainly from increased investment in the construction of our production and R&D facilities, (ii) an RMB244.9 million increase in considerations received from employees under A share stock ownership schemes, (iii) an RMB183.3 million increase in trade and bills payables, mainly due to an increase in payables for R&D materials and service fees, and (iv) an RMB163.7 million increase in other payables primarily related to statutory welfare expenditure accruals.

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The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,401,710	1,270,701	1,461,317
1 to 2 years	78,159	35,460	38,284
2 to 3 years	10,829	18,093	11,574
Over 3 years	2,769	9,758	6,158
Total	1,493,467	1,334,012	1,517,333

The following table sets for our trade and bills payables turnover days for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
Trade and bills payables turnover days ⁽¹⁾	178.7	146.4	135.2

(1) Calculated using the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant year divided by cost of sales and multiplied by 365 days.

Our trade and bills payables turnover days decreased from 178.7 days in 2022 to 146.4 days in 2023, and further to 135.2 days in 2024, primarily due to our accelerated settlement of payments to suppliers to further improve our credit profiles with our distributors.

As of March 31, 2025, RMB1,256.3 million, or 82.8%, of our trade and bills payables as of December 31, 2024 had been subsequently settled.

Contract Liabilities

Our contract liabilities consist of amounts received in advance for delivery of products and services. As of December 31, 2022, 2023 and 2024, we had contract liabilities of RMB187.1 million, RMB198.1 million and RMB159.8 million, respectively. We recognize contract liability when a payment is received or a payment is due (whichever is earlier) from a customer before the relevant criteria for revenue recognition are satisfied. We recognize contract liabilities as revenue when the relevant criteria for revenue recognition are satisfied.

As of March 31, 2025, RMB125.7 million, or 78.6%, of our contract liabilities as of December 31, 2024 had been subsequently recognized as revenue.

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Intangible Assets

We had intangible assets of RMB1,730.7 million, RMB2,917.8 million and RMB4,556.3 million as of December 31, 2022, 2023 and 2024, respectively. Our intangible assets comprised primarily capitalized development costs, as well as software and exclusive distribution rights. See Note 15 to the Accountants' Report included in Appendix I to this prospectus for more information.

Our capitalized development costs included in intangible assets that were not yet available for use and not subject to amortization were RMB1,681.0 million, RMB2,492.5 million, and RMB3,837.6 million as of December 31, 2022, 2023 and 2024, respectively.

Intangible assets not ready for use are tested annually for impairment, with the key assumptions including the discount rate and the estimated revenue to be generated by the in-development drug, or more frequently if events or changes in circumstances indicate that they might be impaired. Based on the result of annual impairment test, the recoverable amount of capitalized development costs would have exceeded their carrying amount (headroom) by more than 200% as of December 31, 2022, 2023 and 2024.

The table below sets forth the key assumptions used in our intangible assets' impairment test, including the discount rate and expected annualized compound revenue growth rate of our drug candidates in Phase III clinical trials, as of December 31, 2022, 2023 and 2024:

	As of December 31,		
	2022	2023	2024
Pre-tax discount rate	11.10%	11.13%	10.11%
Average revenue growth rate	29.95%	34.88%	37.46%

We have performed a sensitivity test with key assumptions of discount rate and expected revenue. Should the discount rate increase by 1% or expected revenue decrease by 10%, the headroom would have decreased by no more than 20% as of December 31, 2022, 2023 and 2024.

Our management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances that could cause the carrying amount of capitalized development costs to exceed the recoverable amount as of December 31, 2022, 2023 and 2024.

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CASH FLOWS

Our use of cash primarily related to operating activities, capital expenditure, and dividend distribution. We have historically financed our operations primarily through cash flows generated from our operations and borrowings.

The following table sets forth a summary of our cash flows information for the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	1,265,265	7,643,665	7,422,753
Net cash flows from/(used in) investing activities	390,291	1,222,314	(1,911,986)
Net cash flows used in financing activities	<u>(318,771)</u>	<u>(3,144,428)</u>	<u>(1,550,589)</u>
Net increase in cash and cash equivalents	1,336,785	5,721,551	3,960,178
Cash and cash equivalents at beginning of year	13,120,156	14,537,437	20,271,524
Effect of foreign exchange rate changes, net	<u>80,496</u>	<u>12,536</u>	<u>7,400</u>
Cash and cash equivalents at end of year	<u>14,537,437</u>	<u>20,271,524</u>	<u>24,239,102</u>

Net Cash Flows From Operating Activities

Our net cash flows from operating activities in 2022 were RMB1,265.3 million, primarily attributable to (i) RMB3,968.5 million in profit before tax, (ii) an RMB1,875.6 million increase in trade and other payables, and (iii) adjustments for depreciation of property, plant and equipment of RMB579.3 million. The foregoing was partially offset by (i) an RMB4,339.1 million increase in trade and bills receivables, and (ii) adjustments for an RMB326.0 million gain on deemed disposal of subsidiaries and an RMB230.9 million gain on financial assets at FVTPL.

Our net cash flows from operating activities in 2023 were RMB7,643.7 million, primarily attributable to (i) RMB4,667.1 million in profit before tax, (ii) an RMB2,343.0 million increase in trade and other payables, (iii) adjustments for depreciation of property, plant and equipment of RMB717.7 million, and (iv) an RMB362.3 million decrease in prepayments, other receivables and other assets. The foregoing was partially offset by (i) an RMB436.4 million increase in trade and bills receivables.

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Our net cash flows from operating activities in 2024 were RMB7,422.8 million, primarily attributable to (i) RMB7,169.7 million in profit before tax, (ii) an RMB3,227.8 million increase in trade and other payables, and (iii) adjustments for depreciation of property, plant and equipment of RMB749.8 million. The foregoing was partially offset by an RMB3,208.0 million increase in trade and bills receivables.

Net Cash Flows From/Used in Investing Activities

Our net cash flows from investing activities in 2022 were RMB390.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB10,209.7 million. This factor was partially offset by (i) addition to intangible assets of RMB1,559.5 million, and (ii) purchases of financial assets at FVTPL of RMB7,589.6 million.

Our net cash flows from investing activities in 2023 were RMB1,222.3 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB2,694.0 million. This factor was partially offset by (i) addition to intangible assets of RMB1,213.5 million, and (ii) purchases of items of property, plant and equipment of RMB270.3 million.

Our net cash flows used in investing activities in 2024 were RMB1,912.0 million, primarily attributable to (i) additions to other intangible assets of RMB1,745.8 million and (ii) purchases of financial assets at FVTPL of RMB622.7 million. These factors were partially offset by proceeds from disposal of financial assets at FVTPL of RMB613.9 million.

Net Cash Flows Used in Financing Activities

Our net cash flows used in financing activities in 2022 were RMB318.8 million, primarily attributable to (i) dividends paid of RMB1,015.5 million, (ii) payments for repurchase of restricted A shares of RMB667.8 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB398.0 million. This cash outflow was partially offset by (i) new borrowings of RMB1,260.0 million, and (ii) capital injections from non-controlling shareholders of subsidiaries of RMB378.9 million.

Our net cash flows used in financing activities in 2023 were RMB3,144.4 million, primarily attributable to (i) repayment of borrowings of RMB1,281.1 million, (ii) dividends paid of RMB1,019.9 million, and (iii) payments for repurchase of shares for the A share stock ownership schemes of RMB827.3 million.

Our net cash flows used in financing activities in 2024 were RMB1,550.6 million, primarily attributable to (i) dividends paid of RMB1,273.8 million, (ii) repayment of borrowings of RMB799.9 million, and (iii) payments for repurchase of shares for A share stock ownership schemes of RMB228.4 million.

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WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash flows from operating activities, our current cash and cash equivalents, and the estimated net proceeds from the Global Offering, our Directors are of the view that we have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures principally comprise expenditures for purchases of items of property, plant, and equipment, purchase of land use right, and addition to intangible assets, primarily related to our production and R&D activities. We have funded our capital expenditures during the Track Record Period mainly from cash generated from operating activities. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. The following table sets forth a breakdown of our capital expenditures during the years indicated:

	Year Ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,219,936	705,458	985,442
Land use right	53,045	–	27,102
Intangible assets	<u>1,501,529</u>	<u>1,330,998</u>	<u>1,780,847</u>
Total	<u>2,774,510</u>	<u>2,036,456</u>	<u>2,793,391</u>

Commitments

As of December 31, 2022, 2023 and 2024, we had contractual commitments for purchases of property, plant and equipment and interest in an existing subsidiary in an aggregate amount of RMB146.1 million, RMB193.7 million and RMB372.6 million, respectively.

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INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March
	2022	2023	2024	31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2025 <i>RMB'000</i> <i>(Unaudited)</i>
Current				
– Interest-bearing borrowings	1,260,943	–	–	–
– Borrowings from third parties	159,992	159,992	159,992	–
– Lease liabilities	–	–	41,126	45,956
Subtotal	<u>1,420,935</u>	<u>159,992</u>	<u>201,118</u>	<u>45,956</u>
Non-current				
– Lease liabilities	98,861	75,176	69,036	62,714
Total	<u>1,519,796</u>	<u>235,168</u>	<u>270,154</u>	<u>108,670</u>

Borrowings

We had interest-bearing borrowings of RMB1,260.9 million as of December 31, 2022, but did not have any interest-bearing borrowings as of December 31, 2023, December 31, 2024 or March 31, 2025. We had borrowings from third parties of RMB160.0 million as of December 31, 2022, 2023 and 2024, and these borrowings had been fully settled as of March 31, 2025. See “Discussion of Selected Items from Consolidated Statements of Financial Position—Trade and Other payments” for more information on borrowings from third parties. As of the Latest Practicable Date, we had unutilized banking facilities of RMB200 million. During the Track Record Period and up to the Latest Practicable Date, we did not violate any material covenant in our borrowings or experience any default in payment of our borrowings, not did we experience any difficulty in obtaining bank or other borrowings.

Lease Liabilities

We are the lessee in respect of certain properties held under leases for our plant, offices and laboratories during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

As of December 31, 2022, 2023 and 2024, and March 31, 2025, we had a total of current and non-current lease liabilities of RMB98.9 million, RMB75.2 million, RMB110.2 million, and RMB108.7 million, respectively.

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Indebtedness Statement and Contingent Liabilities

Except as disclosed above, as of March 31, 2025, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, borrowings, indebtedness, guarantees or other material contingent liabilities.

Our Directors confirm that there was no material change in our indebtedness from March 31, 2025 to the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 34 to the Accountants' Report in Appendix I to this prospectus.

The following table sets forth a breakdown of our balances due from/to related parties as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from:			
Associates ⁽¹⁾	–	24,193	65,255
Controlled by a close family member of a director ⁽²⁾	–	247	5,097
Controlled by a director ⁽³⁾	–	663	1,740
Total	–	25,103	72,092
Amounts due to:			
Associates ⁽⁴⁾	–	137	13
Controlled by a close family member of a director ⁽⁵⁾	–	136	3,894
Total	–	273	3,907

Notes:

- (1) Represents sales of pharmaceutical products and rendering of research and development services to associates.
- (2) Represents sales of pharmaceutical products and rendering of research and development services to the related parties controlled by a close family member of a director.
- (3) Represents rendering of research and development services to a related party controlled by a director.
- (4) Represents service fee payable to associates.
- (5) Represents purchases of pharmaceutical products and research and development services from the related parties controlled by a close family member of a director.

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All of our related party balances as of December 31, 2022, 2023 and 2024 were trade in nature. Our Directors confirm that all of our related party transactions during the Track Record Period set out in Note 34 to the Accountants' Report in Appendix I to this prospectus were conducted on an arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	As of December 31,		
	2022	2023	2024
Current ratio ⁽¹⁾	8.5	12.3	9.7
Quick ratio ⁽²⁾	7.8	11.3	9.1
	Year Ended December 31,		
	2022	2023	2024
Gross profit margin ⁽³⁾	83.6%	84.6%	86.2%
Net profit margin ⁽⁴⁾	17.9%	18.7%	22.6%
Return on equity ⁽⁵⁾	10.3%	10.8%	14.5%
Return on assets ⁽⁶⁾	9.3%	9.9%	13.5%

Notes:

- (1) Current ratio is calculated using total current assets divided by total current liabilities.
- (2) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.
- (3) Gross profit margin represents gross profit as a percentage of total revenue.
- (4) Net profit margin represents profit for the year as a percentage of total revenue.
- (5) Return on equity is calculated using profit for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.
- (6) Return on assets is calculated using profit for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

See “—Significant Factors Affecting Our Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the relevant periods.

Current Ratio and Quick Ratio

Our current ratio increased from 8.5 as of December 31, 2022 to 12.3 as of December 31, 2023, and our quick ratio increased from 7.8 as of December 31, 2022 to 11.3 as of December 31, 2023. These increases were primarily because our current assets or current assets less inventories (as the case may be) increased while our current liabilities decreased.

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Our current ratio decreased from 12.3 as of December 31, 2023 to 9.7 as of December 31, 2024, and our quick ratio decreased from 11.3 as of December 31, 2023 to 9.1 as of December 31, 2024. These decreases were primarily because the increase in our current liabilities outpaced the increase in our current assets or current assets less inventories (as the case may be).

Return on Equity

Our return on equity increased from 10.3% in 2022 to 10.8% in 2023, and further to 14.5% in 2024. These increases were primarily due to increases in our profit for the year.

Return on Assets

Our return on assets increased from 9.3% in 2022 to 9.9% in 2023, and further to 13.5% in 2024. These increases were primarily due to increases in our profit for the year.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet transactions. Neither have we entered into any financial guarantees or other relevant commitments. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging with us.

RISK DISCLOSURES

Our principal financial instruments comprise interest-bearing borrowings, financial assets at FVTPL and cash and bank balances. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities which arise directly from our operations. The main risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. For more details, see Note 37 to the Accountants' Report in Appendix I to this prospectus.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. If the RMB had weakened (strengthened) against the U.S. dollars by 5%, our profit before tax and equity would have increased (decreased) by RMB43.5 million, RMB55.7 million, and RMB142.0 million in 2022, 2023 and 2024, respectively.

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Credit Risk

We trade only with recognized and creditworthy parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. The credit risk of our other financial assets, which comprise cash and bank balance, pledged deposits, financial assets included in prepayments, other receivables and other assets, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in other non-current assets and prepayments, other receivables and other assets, our management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and lease liabilities.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may issue new shares, make borrowings or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND POLICY

After the completion of the Listing, we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory restrictions on our declaration and payment of dividends and other factors that our

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Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends.

According to applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; and allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by a Shareholders' meeting.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. Pursuant to our dividend policy under our Articles of Association, the amount of the dividends distributed in every three years should be at least 30% of our profits for these three years that are available for distribution, subject to certain specified conditions.

In 2022, 2023 and 2024, we declared dividends of RMB1,020.5 million, RMB1,019.9 million and RMB1,273.8 million in respect of the years ended December 31, 2021, 2022 and 2023, respectively. As of the Latest Practicable Date, we had paid these dividends in full. In April 2025, our shareholders approved a proposal of our Board and Supervisory Committee to declare a cash dividend of RMB1,275.5 million to holders of our A Shares on the relevant record date in respect of the year ended December 31, 2024. For the avoidance of doubt, holders of our H Shares will not be entitled to receive this cash dividend. We had not paid this dividend as of the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had retained profits of RMB33,865.5 million, which were available for distribution to Shareholders.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors, the Reporting Accountants and other professional advisors for their services rendered in relation to the Listing and the Global Offering.

Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price range stated in this prospectus and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) for the Global Offering are approximately HK\$140.4 million, representing 1.5% of the gross proceeds of the Global Offering. The estimated total listing expenses consist of: (i) underwriting-related expenses of HK\$76.8 million, and (ii) non-underwriting related expenses

FINANCIAL INFORMATION

of HK\$63.6 million, comprising (a) fees and expenses of legal advisors and Reporting Accountants of HK\$42.5 million and (b) other fees and expenses of HK\$21.1 million. We do not believe that any of these fees or expenses are material to our Group, taken as a whole, or are unusually high.

During the Track Record Period, we incurred listing expenses of HK\$28.9 million, of which HK\$0.1 million was charged to our consolidated statements of profit or loss and HK\$28.8 million was directly attributable to the issue of our Offer Shares and will be deducted from equity upon the Listing. We expect to incur additional listing expenses of approximately HK\$111.5 million after the Track Record Period, of which approximately HK\$3.2 million will be recognized as expenses and approximately HK\$108.3 million will be deducted from equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of the parent as of December 31, 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the parent had the Global Offering been completed as of December 31, 2024 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to owners of the parent as of December 31, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as of December 31, 2024	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of December 31, 2024	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$41.45 per H Share	41,013,600	8,600,897	49,614,497	7.51	8.01
Based on an Offer Price of HK\$44.05 per H Share	41,013,600	9,144,087	50,157,687	7.60	8.10

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Notes:

- (1) The consolidated net tangible assets of our Group attributable to owners of the parent as of December 31, 2024 is equal to the audited net assets attributable to owners of the parent as of December 31, 2024 of RMB45,519,862,000 after deduction of intangible assets of RMB4,506,262,000 as of December 31, 2024 set out in the Accountants' Report in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$41.45 and HK\$44.05 per H Share, being the low end and high end of the Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and/or the Over-Allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis of 6,603,522,074 Shares in issue, assuming that the Global Offering had been completed on December 31, 2024, but does not take into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.0660.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2024. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account a cash dividend of RMB1,275.5 million to holders of our A shares on the relevant record date proposed by the Board in March 2025 and approved by our shareholders in April 2025. The unaudited pro forma net tangible assets would have been HK\$7.80 and HK\$7.89 per H Share based on the Offer Price of HK\$41.45 and HK\$44.05 respectively if the dividend had been accounted for as at December 31, 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial, operational or prospects since December 31, 2024, being the latest balance sheet date of our combined financial statements in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Upon Listing, our Board will consist of 11 Directors, comprising six executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are appointed for a term of not more than three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The Company has established a board of supervisors under the PRC Company Law that is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Sun Piaoyang (孫飄揚先生)	66	Executive Director and Chairman of the Board	August 1982	April 28, 1997	Responsible for the overall strategic planning, business development and management of our Group
Mr. Dai Hongbin (戴洪斌先生)	48	Executive Director and Deputy Chairman of the Board	July 2000	January 16, 2020	Responsible for assisting the Chairman of the Board with strategic planning, strategic investments and management of the Board
Ms. Feng Ji (馮借女士)	54	Executive Director, General Manager (President) and Chief Operating Officer	April 2025	April 28, 2025, with effect from the Listing Date	Responsible for the overall business operations of our Group
Mr. Zhang Lianshan (張連山先生)	64	Executive Director and Executive Vice President	May 2010	April 11, 2012	Responsible for R&D of our Group

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Jiang Frank Ningjun (江寧軍先生)	64	Executive Director, Executive Vice President and Chief Strategy Officer	January 2023	February 2, 2023	Responsible for clinical development and business development of our Group
Mr. Sun Jieping (孫杰平先生)	54	Executive Director and Senior Vice President	September 1998	January 16, 2020	Responsible for the overall financial management of our Group
Ms. Guo Congzhao (郭叢照女士)	52	Non-executive Director	January 2020	January 16, 2020	Responsible for providing recommendations on the strategic development of our Group
Mr. Dong Jiahong (董家鴻先生)	65	Independent non-executive Director	May 2021	May 11, 2021	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Zeng Qingsheng (曾慶生先生)	50	Independent non-executive Director	February 2023	February 2, 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Sun Jinyun (孫金雲先生)	52	Independent non-executive Director	February 2023	February 2, 2023	Responsible for supervising and providing independent opinion and judgment to the Board
Mr. Chow Kyan Mervyn (周紀恩先生)	53	Independent non-executive Director	Listing Date	December 26, 2024, with effect from the Listing Date	Responsible for supervising and providing independent opinion and judgment to the Board

Executive Directors

Mr. Sun Piaoyang (孫飄揚先生), aged 66, is the Chairman of the Board and has been our Director since April 1997. Mr. Sun is primarily responsible for the overall strategic planning, business development and management of our Group. He also serves as the chairperson of the Strategy Committee and a member of the Nomination Committee.

Mr. Sun is an industry veteran with over 42 years of experience in the pharmaceutical industry. He joined our Group in August 1982 and held several positions over the years, including as the factory director of Lianyungang Pharmaceutical Factory (連雲港製藥廠), the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

predecessor of our Company. Mr. Sun was a Director since April 1997 and he served as the Chairman of the Board from April 1997 to January 2020 and was re-appointed subsequently in August 2021. Mr. Sun has also been serving as an independent non-executive director of Abbisko Cayman Limited (HKEX: 2256) since September 2021.

Mr. Sun served as a representative of the 11th, 12th and 13th National People's Congress of the PRC (全國人民代表大會), and currently serves as a representative of the 14th National People's Congress of the PRC (全國人民代表大會). He is currently an executive member of the China Pharmacopoeia Commission (國家藥典委員會) and a vice chairperson of the Chinese Pharmaceutical Association (中國藥學會). He is also a recipient of the State Council Special Allowance (國務院特殊津貼).

Mr. Sun received his bachelor's degree in Science (Pharmaceutical Chemistry) from China Pharmaceutical University (中國藥科大學) in the PRC in July 1982. He received his doctoral degree in Organic Chemistry from Nanjing University (南京大學) in the PRC in December 2004.

Mr. Dai Hongbin (戴洪斌先生), aged 48, is the Deputy Chairman of the Board since April 2025. Mr. Dai has been our Director since January 2020 and was our General Manager (President) from May 2022 to April 2025. Mr. Dai is primarily responsible for assisting the Chairman of the Board with strategic planning, strategic investments and management of the Board. He also serves as a member of the Remuneration and Evaluation Committee and a member of the Strategy Committee.

Mr. Dai has over 24 years of industry experience. Mr. Dai joined our Group in July 2000, and successively served as our director of general office from July 2000 to April 2003 and our board secretary from April 2003 to May 2016. He was also our Deputy General Manager from April 2013 to May 2022.

Mr. Dai received his bachelor's degrees in Law and Economics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2000 and his master's degree in Business Management from Wuhan University (武漢大學) in the PRC in June 2011. He received his doctoral degree in Pharmacy (Social and Administrative Pharmacy) from China Pharmaceutical University (中國藥科大學) in the PRC in June 2024.

Ms. Feng Ji (馮佶女士), aged 54, has been appointed as our Director, with effect from the Listing Date, and has been our General Manager (President) and our Chief Operating Officer since April 2025. Ms. Feng is primarily responsible for the overall business operations of our Group.

Ms. Feng has over 30 years of experience in the healthcare and pharmaceutical industry. Prior to joining the Group, Ms. Feng has worked at different multinational pharmaceutical companies and healthcare institutions, including serving as a neurologist at the Renji Hospital Affiliated to Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬仁濟醫院) from July 1994 to February 1998, after which she worked at Beijing Novartis Pharma

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Co., Ltd. (北京諾華製藥有限公司) until September 2000. In September 2003, Ms. Feng joined AstraZeneca (LSE/STO/NASDAQ: AZN). Throughout her tenure of more than 20 years there, she served in various positions including, among others, the general manager of China from May 2017 to December 2018, and the senior vice president of Asia from January 2019 to October 2022. Ms. Feng was eventually appointed as the senior vice president of global insights and business excellence (全球洞察與卓越業務資深副總裁) in November 2022, where she was responsible for advising on the commercialization development of pre-launch products and providing overall market intelligence and industry insights for products.

Ms. Feng obtained her bachelor's degree in clinical medicine from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai Second Medical University (上海第二醫學院)) in the PRC in July 1994 and her master's degree in business administration from the Olin Business School, Washington University in Saint Louis in the U.S. in December 2011.

Mr. Zhang Lianshan (張連山先生), aged 64, has been our Director since April 2012 and our Deputy General Manager from August 2010 to December 2024. Mr. Zhang has been appointed as our Executive Vice President since December 2024. Mr. Zhang is primarily responsible for R&D of our Group. He also serves as a member of the Strategy Committee.

Mr. Zhang has over 42 years of experience in the biomedical research and pharmaceutical industry. Before joining our Group, Mr. Zhang worked as a research assistant at the Institute of Organic Chemistry in Eberhard Karls University of Tübingen in Germany from 1992 until he subsequently joined the Department of Microbiology and Immunology at Vanderbilt University in the U.S., working as a postdoctoral researcher from 1994 to 1998. From March 1998 to July 2008, he served as senior chemist, chief research scientist, and research advisor at Eli Lilly and Company (NYSE: LLY). Mr. Zhang subsequently served as the senior director of chemistry at Marcadia Biotech Inc. in the U.S. from August 2008 to April 2010.

Mr. Zhang received his bachelor's degree in Science (Pharmaceutical Chemistry) from China Pharmaceutical University (中國藥科大學) in the PRC in 1982. He received his doctoral degree in Organic Chemistry from Eberhard Karls University of Tübingen in Germany in 1992.

Mr. Jiang Frank Ningjun (江寧軍先生), aged 64, has been our Director since February 2023, and was our Deputy General Manager from February 2023 to December 2024. Mr. Jiang has been appointed as our Executive Vice President since December 2024. Mr. Jiang is also the Chief Strategy Officer and is primarily responsible for clinical development and business development of our Group. He serves as a member of the Strategy Committee.

Mr. Jiang has over 40 years of experience in the medical/pharmaceutical industry, including over 35 years of experience and expertise in medical and clinical research in the U.S., Canada, and China. He served as a team leader in the clinical research of cardiovascular disease at Eli Lilly and Company (NYSE: LLY). Mr. Jiang served several key roles at Sanofi (NASDAQ: SNY, EPA: SAN), including the global clinical research director from July 2002 to June 2006, the Global VP (Clinical Operations) from July 2008 to November 2010 and the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Global VP and Head of Asia Pacific R&D from November 2010 to June 2016. Subsequently, he served as the founding chief executive officer, executive director and chairman of the board of directors of CStone Pharmaceuticals (HKEX: 2616) from July 2016 to August 2022.

Mr. Jiang was certified as a physician in the U.S. by the Educational Commission for Foreign Medical Graduates in May 1995.

Mr. Jiang received his M.D. in Medicine from Nanjing Medical University (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) in the PRC in 1982. He received his doctoral degree in Immunology from the University of British Columbia in Canada in 1992. He completed a postdoctoral fellowship in clinical chemistry in 1994, an internship in internal medicine in June 1997, and a clinical residency in internal medicine in June 1999 at Washington University School of Medicine in the U.S.

Mr. Sun Jieping (孫杰平先生), aged 54, has been our Director since January 2020 and our Deputy General Manager from April 2013 to December 2024. Mr. Sun has been appointed as our Senior Vice President since December 2024. Mr. Sun is primarily responsible for the overall financial management of our Group.

Mr. Sun joined our Group in September 1998 and served as our Finance Director. Prior to that, he worked at Lianyungang Pharmaceutical Procurement and Supply Station (連雲港市醫藥採購供應站) (the predecessor of Jiangsu Kangyuan Pharmaceutical Commercial Co., Ltd. (江蘇康緣醫藥商業有限公司)) from July 1992 to September 1998, serving as accountant, accountant in charge, deputy finance manager, and audit manager successively.

Mr. Sun received his bachelor's degree in Accounting from Tianjin College of Commerce (天津商學院) in the PRC in 1992 and his master's degree in Professional Accountancy from The Chinese University of Hong Kong in December 2004.

Non-Executive Director

Ms. Guo Congzhao (郭叢照女士), aged 52, has been our Director since January 2020. Ms. Guo is primarily responsible for providing recommendations on the strategic development of our Group. She also serves as a member of the Strategy Committee.

Ms. Guo joined our Group in January 2020 and has been serving as our Director since then. Prior to joining our Group, from August 1996 to September 2017, she served in various roles at the Ministry of Finance of PRC. From September 2017 to December 2019, Ms. Guo served several roles in China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司), including the general manager of the equity investment division, the general manager of industrial development division and investment director. Since December 2019, Ms. Guo has been serving as the investment director in China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司). Since April 2023, Ms. Guo has also been serving as a deputy general manager in charge of daily operations and the finance director of Sinopharm Private Equity Fund Management (Beijing) Co., Ltd. (國藥集團私募基金管理(北京)有限公司).

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Ms. Guo received her bachelor's degree and master's degree in Economics from Zhongnan University of Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in July 1993 and June 1996 respectively.

Independent Non-Executive Directors

Mr. Dong Jiahong (董家鴻先生), aged 65, has been our independent non-executive Director since May 2021. Mr. Dong is primarily responsible for supervising and providing independent opinion and judgment to the Board. He also serves as the chairperson of the Nomination Committee, a member of the Audit Committee and a member of the Strategy Committee.

Mr. Dong served in the hepatobiliary surgery department of The Southwestern Hospital of the Third Military Medical University (第三軍醫大學西南醫院) (currently known as The Southwest Hospital of Army Medical University (陸軍軍醫大學西南醫院)) from January 1986 to December 2007 and the Chinese PLA General Hospital (中國人民解放軍總醫院) from January 2007 to March 2015. Further, Mr. Dong has been serving various roles at Tsinghua University (清華大學), including the Dean of the School of Clinical Medical and the president of Beijing Tsinghua Changgung Hospital (北京清華長庚醫院).

Mr. Dong received his bachelor's degree in medicine from Xuzhou Medical School (徐州醫學院) (currently known as Xuzhou Medical University (徐州醫科大學)) in the PRC in December 1982. He received his doctoral degree in General Surgery from the Third Military Medical University of the People's Liberation Army (解放軍第三軍醫大學) in the PRC in 1993.

Mr. Zeng Qingsheng (曾慶生先生), aged 50, has been our independent non-executive Director since February 2023. Mr. Zeng is primarily responsible for supervising and providing independent opinion and judgment to the Board. He also serves as the chairperson of the Audit Committee and a member of the Remuneration and Evaluation Committee.

He has also been serving as an independent non-executive director of Haitong UniTrust International Leasing Co., Ltd. (海通恆信國際租賃股份有限公司) (HKEX: 1905) since May 2017. Mr. Zeng is a professor, doctoral supervisor and Vice Dean of the School of Accounting of Shanghai University of Finance and Economics (上海財經大學) in the PRC since March 2010. He was also a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰經濟與管理學院) in the PRC from August 2005 to December 2009.

Mr. Zeng received his bachelor's degree in Accounting from China Textile University (currently known as Donghua University (東華大學)) in the PRC in July 1998. He further received his master's degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in February 2001 and a PhD degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in March 2005. Mr.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zeng obtained the qualification of non-practicing member issued by The Chinese Institute of Certified Public Accountants in December 2009. Mr. Zeng was a visiting scholar at Rensselaer Polytechnic Institute in the U.S. from August 2010 to August 2011.

Mr. Sun Jinyun (孫金雲先生), aged 52, has been our independent non-executive Director since February 2023. Mr. Sun is primarily responsible for supervising and providing independent opinion and judgment to the Board. He serves as the chairperson of the Remuneration and Evaluation Committee, a member of the Audit Committee and a member of the Strategy Committee.

Mr. Sun has been an associate professor in the School of Management of Fudan University (復旦大學) in the PRC since June 2012. Mr. Sun served as an independent director of Paslin Digital Technology Co., Ltd. (派斯林數字科技股份有限公司) (SHA: 600215) from July 2018 to November 2024 and has been serving as an independent director of Kennede Electronics Mfg. Co., Ltd. (廣東小崧科技股份有限公司) (SHE:002723) since June 2023.

Mr. Sun received his bachelor's degree in Silicate Engineering from Zhejiang University (浙江大學) in the PRC in June 1994 and master's and doctoral degree in Business Administration from Fudan University (復旦大學) in the PRC in July 2002 and June 2011 respectively.

Mr. Chow Kyan Mervyn (周紀恩先生), aged 53, has been appointed as our independent non-executive Director, with effect from the Listing Date. Mr. Chow is primarily responsible for supervising and providing independent opinion and judgment to the Board. Mr. Chow is a member of the Advisory Board of Carret Private Wealth Management since March 2023 and a member of the Listing Committee of the Stock Exchange since July 2024. He was a member of the Chairman Pool for the Listing Review Committee of the Stock Exchange from 2021 to 2024.

Mr. Chow was a partner of Hillhouse Capital Management Limited from 2018 to 2021. Mr. Chow has over 20 years of experience in Asia Pacific investment banking. Prior to joining Hillhouse Capital Management Limited, he was the Chief Executive Officer for Greater China and Co-Head of Investment Banking and Capital Markets Asia Pacific for Credit Suisse (Hong Kong) Limited. He was responsible for the bank's sector and country corporate coverage groups, mergers & acquisitions and capital markets in Asia as well as the overall strategy for the bank in Greater China. Mr. Chow served as a non-executive director of Topsports International Holdings Limited (滔搏國際控股有限公司) (HKEX: 6110) from June 2019 to October 2020.

Mr. Chow received his bachelor of Arts in Economics from the University of California at Berkeley in May 1994 and his master of Arts in International Policy Studies from Stanford University in June 1995.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities
Mr. Yuan Kaihong (袁開紅先生)	60	Chairperson of the Supervisory Committee	August 1987	February 2, 2023	Responsible for exercise of supervision over the Directors and senior management
Mr. Xiong Guoqiang (熊國強先生)	49	Supervisor	July 1998	March 23, 2010	Responsible for exercise of supervision over the Directors and senior management
Ms. Xu Yu (徐煜女士)	33	Employee Supervisor	June 2021	July 8, 2022	Responsible for exercise of supervision over the Directors and senior management

Mr. Yuan Kaihong (袁開紅先生), aged 60, is the Chairperson of our Supervisory Committee. He was appointed as a Supervisor in February 2023 and is primarily responsible for exercise of supervision over the directors and senior management.

Mr. Yuan joined our Group in August 1987 and held various positions since then. Mr. Yuan served as deputy director of factory workshop from August 1987 to December 1989, deputy director of the research institute from January 1990 to December 1992, deputy director of the development department from January 1993 to December 1994, sales manager from January 1995 to June 2001, deputy chief engineer from July 2001 to April 2010 and deputy general manager from April 2010 to January 2023, primarily responsible for drug registration, intellectual property management and clinical research management.

Mr. Yuan received his bachelor's degree in Pharmacy from China Pharmaceutical University (中國藥科大學) in the PRC in July 1987 and has been qualified as a licensed pharmacist in the PRC by the State Pharmaceutical Administration (國家醫藥管理局) in September 1995.

Mr. Xiong Guoqiang (熊國強先生), aged 49, is our Supervisor. He was appointed as a Supervisor in March 2010 and is primarily responsible for exercise of supervision over the directors and senior management.

Mr. Xiong joined our Group in July 1998 and held various positions since then. He served as a sales accountant from July 1998 to August 2001, the finance manager of various subsidiaries of our Group, including Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司), from September 2001 to November 2005, the head of audit department of our

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Group from November 2005 to February 2017 and the deputy director of our Group's policy affairs department from February 2017 to July 2021. He has served as our deputy director for internal control and audit since March 2024.

Mr. Xiong received his bachelor's degree in Auditing from Lanzhou Business College (蘭州商學院) in the PRC in June 1998.

Ms. Xu Yu (徐煜女士), aged 33, is our Employee Supervisor. She was appointed as the Employee Supervisor in July 2022 and is primarily responsible for exercise of supervision over the directors and senior management.

Ms. Xu joined our Group in June 2021 as the compliance manager of the compliance management office. Prior to her joining, she served several roles at People's Court of Luyang District, Hefei City, Anhui Province (安徽省合肥市廬陽區人民法院) from December 2014 to May 2021, serving as a law clerk, the secretary of the Youth League branch and the assistant to the president.

Ms. Xu received her bachelor's degree in Law from Southwest University of Political Science and Law (西南政法大學) in the PRC in 2013, and her master's degree in Public Administration from the University of Science and Technology of China (中國科學技術大學) in the PRC in 2020. She obtained the legal professional qualification certificate (國家法律職業資格證) issued by the Bureau of Legal Professional Qualifications Administration (法律職業資格管理局) in the PRC in August 2013.

SENIOR MANAGEMENT

The senior management team of our Group (other than our executive Directors whose details have been set out in the preceding section) and their details of experience are as follows:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Lau Kin Chun (劉健俊先生)	47	Financial Controller	June 2021	November 19, 2021	Responsible for the overall implementation of financial strategy of our Group
Ms. Liu Xiaohan (劉笑含女士)	39	Board Secretary	August 2011	May 9, 2016	Responsible for Board related matters, capital markets and corporate governance of our Group

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lau Kin Chun (劉健俊先生), aged 47, is our Financial Controller. He was appointed as the Financial Controller of our Company in November 2021, and is primarily responsible for the overall implementation of financial strategy of our Group. He joined our Group in June 2021 and served as the deputy general manager in one of our subsidiaries. Prior to that, he held various positions in KPMG Huazhen LLP, from March 2008 to September 2019 and he was an audit partner of KPMG Huazhen LLP from October 2019 to May 2021.

Mr. Lau received both his bachelor's degree of Arts in Accountancy and master of Professional Accounting from Hong Kong Polytechnic University in Hong Kong in December 1999 and December 2005 respectively. He received his doctoral degree in Finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012. He has been a member of the Association of Chartered Certified Accountants (ACCA) since July 2003, a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since February 2004 and a member of The Chinese Institute of Certified Public Accountants (CICPA) since May 2015. He is also a Chartered Financial Analyst of the CFA Institute since September 2013.

Ms. Liu Xiaohan (劉笑含女士), aged 39, is our Board Secretary. She was appointed as the Board Secretary in May 2016 and is responsible for Board related matters, capital markets and corporate governance of our Group. Ms. Liu joined our Group in August 2011. She served as a deputy director in the securities legal department and the representative for securities affairs in our Group from April 2013 to May 2016.

Ms. Liu received her bachelor's degree and master's degree in Law from East China University of Political Science and Law (華東政法大學) in the PRC in July 2008 and June 2011 respectively. She obtained the legal professional qualification certificate (國家法律職業資格證) issued by the Bureau of Legal Professional Qualifications Administration (法律職業資格管理局) in the PRC in March 2010 and the qualification certificate of board secretary (董事會秘書資格證) issued by the Shanghai Stock Exchange (上海證券交易所) in September 2012.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of our Directors, Supervisors or senior management members held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; and (ii) to the best knowledge, information and belief of the Directors and Supervisors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors and Supervisors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Liu Xiaohan (劉笑含女士) is currently our Board Secretary and has been appointed as a joint company secretary in December 2024, with effect from the Listing Date. For the biography of Ms. Liu, see “—Senior Management” in this section.

Ms. Leung Wing Han Sharon (梁穎嫻女士) has been appointed as a joint company secretary of our Company in December 2024, with effect from the Listing Date. Ms. Leung possesses more than 15 years of experience in the company secretary profession. She is familiar with the Listing Rules, the Companies Ordinance as well as compliance work for offshore companies. Ms. Leung is currently a director of Company Secretarial Services of Tricor Services Limited and has been providing corporate secretarial and compliance services to a portfolio of clients including multinational corporations.

Ms. Leung is a Chartered Secretary, a Chartered Governance Professional and a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Leung received a bachelor’s degree in Business Administration and a master’s degree in Law.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2024 (for all the Directors except Ms. Feng Ji) and April 2025 (for Ms. Feng Ji), and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete (either directly or indirectly) with our business and would require disclosure under Rule 8.10(2) of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

THE ASSOCIATE'S CONTROLLED GROUP

The spouse of Mr. Sun Piaoyang, Ms. Zhong Huijuan (“Ms. Zhong”), is a controlling shareholder and the chairlady of the board of Hansoh Pharmaceutical Group Company Limited (the “Associate’s Controlled Company”, and together with its subsidiaries, the “Associate’s Controlled Group”), the shares of which are listed on the Hong Kong Stock Exchange. The Associate’s Controlled Group is mainly engaged in the R&D, manufacturing and sales of pharmaceuticals in the PRC. In particular, based on publicly available information, the product portfolio of the Associate’s Controlled Group focuses on oncology, anti-infectives, central nervous system diseases, and metabolic and other diseases.

Our Group has developed an extensive drug portfolio that strategically covers a wide spectrum of therapeutic areas with significant unmet medical needs and growth potential. As of the Latest Practicable Date, we had over 110 commercialized drugs. Our total revenue for each of the years ended December 31, 2022, 2023 and 2024 amounted to RMB21.3 billion, RMB22.8 billion and RMB28.0 billion, respectively, and the Overlapping Products (as defined below) in aggregate accounted for less than 2.2% of our total revenue during each year of the Track Record Period.

Considering the scale and breadth of our product portfolio and the factors set out below, our Directors are satisfied that any potential competition between our Group and the Associate’s Controlled Group would be limited and insignificant. Having conducted their due diligence steps, including but not limited to (i) the review of the regulatory disclosure of the Associate’s Controlled Group (including its prospectus and its annual reports) to understand the Associate’s Controlled Group’s product portfolio and comparing against the Group’s product portfolio; (ii) the review of the financial contribution of the Overlapping Products and the Relevant Products (as defined below) during the Track Record Period; (iii) discussion with Frost & Sullivan to understand the market size, major players and competitive landscape of the Group’s and the Associate’s Controlled Group’s relevant products; and (iv) the review of internal control related documentation to understand the Company’s various corporate governance measures, nothing has come to the Joint Sponsors’ attention to contradict the Directors’ view that any potential competition between the Group and the Associate’s Controlled Group is insignificant.

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Insignificant competition with respect to limited Overlapping Products

Both our Group and the Associate's Controlled Group are listed pharmaceutical companies with diversified product portfolios. Based on information publicly available and from Frost & Sullivan in respect of the current product portfolios of our Group and the Associate's Controlled Group as of the Latest Practicable Date, the following products and product candidates of our Group (the "Overlapping Products") overlap or substantially overlap with products or product candidates of the Associate's Controlled Group, in terms of type of disease, severity of disease and patient characteristics addressed, as well as MOA:

- **Type 2 diabetes:** Our Group's henagliflozin (RuiQin®, a SGLT-2 inhibitor), retagliptin (RuiZeTang®, a DPP-4 inhibitor), HRS-7535 (a GLP-1R agonist) and HRS9531 (a GLP-1 and GIP receptor dual agonist), each of which is approved or being developed for the treatment of type 2 diabetes, and for which the Associate's Controlled Group also has similar products or product candidates.
- **Anti-infectives:** Our Group's levofloxacin hydrochloride (LeLang®, a fluoroquinolone antibiotic) and ambroxol hydrochloride (BeiLai®, an antibiotic adjuvant), which are indicated for the treatment of various diseases including certain types of respiratory diseases, skin and soft tissue infection and genital infection (as applicable), and for which the Associate's Controlled Group also has similar products.

Nevertheless, any potential competition between our Group and the Associate's Controlled Group in respect of the above Overlapping Products would be insignificant, considering the following:

- i. **Highly fragmented and sizeable market.** There is significant demand for type 2 diabetes treatments in the PRC. According to Frost & Sullivan, the number of diabetes patients in the PRC has been steadily increasing, rising from 125.7 million in 2018 to 143.4 million in 2023, with the majority being type 2 diabetes patients. Further, there is an extensive range of type 2 diabetes treatments available for lowering a patient's blood sugar levels, and over 300 manufacturers in the type 2 diabetes pharmaceutical market, including certain established first-to-market players. In the context of this competitive landscape, neither our Group nor the Associate's Controlled Group currently occupies a notable share in such market that would constitute actual competition. In addition to the foregoing, considering that there are over 100 pharmaceutical companies developing GLP-1 and GIP/GLP-1 receptor agonist product candidates according to Frost & Sullivan, it is expected that none of our GLP-1 and GIP/GLP-1 receptor agonist product candidates set out above would, once commercialized, occupy a market share significant enough to generate any actual competition with the Associate's Controlled Group in the foreseeable future. Further, the key market players with respect to the Overlapping Products for the treatment of type 2 diabetes in China's pharmaceutical market at present constitute of certain multinational pharmaceutical companies. Our Group

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primarily seeks to compete with such manufacturers to capture a greater portion of market share, including through the development and sale of innovative combination drugs, rather than with the Associate's Controlled Group.

According to Frost & Sullivan, there is also a very large market for the manufacturing of anti-infective products in the PRC, with over 400 pharmaceutical companies engaging in the manufacturing of the same type of products as the two overlapping anti-infective products set out above. As such, neither our Group nor the Associate's Controlled Group occupies a notable portion of the market share in such market to materialize any actual competition.

- ii. **Multiple indications and diverse usages.** The product and product candidates of our Group may also be indicated for a range of different therapeutic areas. For instance, in addition to being indicated for the treatment of type 2 diabetes, our henagliflozin is being developed for the treatment of chronic kidney disease, for which there is a significant addressable patient population, and which is not catered for by the corresponding products of the Associate's Controlled Group. As for the GLP-1R agonist and GLP-1 and GIP receptor dual agonist product candidates of our Group, these are also being developed for indications other than type 2 diabetes, such as diabetic kidney disease, and the treatment of other obesity related indications including obstructive sleep apnea (OSA), polycystic ovary syndrome (PCOS), and heart failure with preserved ejection fraction (HFpEF), for which there is significant market demand and are not catered for by the corresponding product and product candidates of the Associate's Controlled Group.

In addition, our henagliflozin and retagliptin are in-house developed proprietary products, whereas the corresponding SGLT-2 inhibitors and DPP-4 inhibitors of the Associate's Controlled Group are generic drugs. Proprietary drugs are distinct from generic drugs in terms of the complexity of R&D involved, and in terms of being patent-protected and generally offering a more innovative solution.

Well-differentiated product portfolio in a highly fragmented market

Other than the Overlapping Products, our pharmaceutical products being sold or in our pipeline are well-delineated from those of the Associate's Controlled Group. Even where the products (such as certain breast cancer and NSCLC products) may serve a common therapeutic area, they are differentiated and do not compete, on the basis of (i) differing mechanisms of action, and/or (ii) distinctions among type of disease, severity of disease and/or patient characteristics addressed which result in different clinical usages, and having considered other factors including availability of other applicable indications or adjunctive therapy options.

For instance, based on information publicly available and from Frost & Sullivan in respect of the current product portfolios of our Group and the Associate's Controlled Group as of the Latest Practicable Date, our Group's capecitabine (a S-phase cycle chemotherapy drug for breast cancer), dalpiciclib (a CDK4/6 inhibitor for breast cancer) and HRS5580 (a novel

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NK-1 receptor antagonist for suppression of nausea and vomiting) (collectively, the “Relevant Products”) are under the same therapeutic area and share the same MOA as certain products of the Associate’s Controlled Group. However, there are clear distinctions in their clinical usages which arise from differences in type of disease, severity of disease and/or patient characteristics addressed. Certain of the Relevant Products and/or the corresponding products of the Associate’s Controlled Group may also be indicated for a range of other indications. Further, certain of the Relevant Products may be used in adjunctive therapy to serve distinctive patient populations than those targeted by the corresponding products of the Associate’s Controlled Group.

In addition, the pharmaceutical industry in the PRC is highly fragmented and sizeable, with more than 10,000 pharmaceutical companies in the market. There is significant demand for pharmaceutical products and a vast number of market players in the PRC, such that we believe neither our Group nor the Associate’s Controlled Group can occupy a notable portion of the market share in respect of the relevant common therapeutic areas, being well-established pharmaceutical markets, to materialize any actual competition. In such a highly fragmented market, the aggregate revenue generated from the Relevant Products accounted for less than 4% of our total revenue during each year of the Track Record Period.

Separate listed companies with robust internal controls and systems

Our Company and the Associate’s Controlled Company have been listed companies on the Shanghai Stock Exchange and Hong Kong Stock Exchange since 2000 and 2019, respectively, each with its separate and independent management, operations and finance functions. Our Group and the Associate’s Controlled Group do not rely on each other for products, suppliers, customers, production facilities and equipment, R&D, intellectual property, staffing or marketing. We have our own operational capacity to operate our business independently from the Associate’s Controlled Group. For instance, we have independent access to suppliers and customers, and an in-house sales and marketing team of approximately 9,000 employees across over 30 provincial-level regions in China as of December 31, 2024. We have our own 12 manufacturing facilities across China. We have robust in-house R&D capabilities with the support of our 14 R&D centers strategically located around the world. Our highly experienced R&D team consisted of over 5,500 employees as of December 31, 2024, none of whom held any position in the Associate’s Controlled Group. We are the owner of all patents and trademarks which are material to our business. We submit applications for approval of new drug registration and obtain drug registration certificates for our products independently of the Associate’s Controlled Group. We have obtained all material licenses, permits, approvals, and certificates required for our operations in the PRC as of the Latest Practicable Date.

To the extent that we have entered into transactions with the Associate’s Controlled Group that are expected to continue after the Listing, they are of insignificant value to our Group and will therefore constitute fully exempt continuing connected transactions of our Company under the Listing Rules. Please see the section headed “Connected Transactions” in this prospectus for more details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In addition, we have adopted corporate governance measures to manage potential conflicts of interest, if any, between our Group and the Associate's Controlled Group. For example:

- our Articles of Association provide that where a Director has any connected relationship with the enterprise involved in the matter to be approved at a Board meeting, he/she shall promptly report to the Board in writing and shall not exercise his/her voting rights on the resolution. In addition, if any Shareholder is required to abstain from voting on any particular matter under applicable laws and regulations and the Listing Rules, any votes cast by or on behalf of such Shareholder in contravention of such requirement shall not be counted;
- we have internal control mechanisms and policies for identifying related party and connected transactions, to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions. Any transaction between or proposed to be made between our Group and our connected persons (including the Associate's Controlled Group) will be subject to requirements under the Listing Rules;
- all non-fully exempt continuing connected transactions between our Group and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- we will disclose decisions on matters reviewed by the independent non-executive Directors (including matters relating to connected transactions) either in our annual reports or by way of announcements as required by the Listing Rules;
- our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control;
- pursuant to the Corporate Governance Code set out in Appendix C1 of the Listing Rules, our Directors will be entitled to, upon reasonable request, seek independent professional advice in appropriate circumstances at our Company's expense; and
- we have also established robust internal controls and adopted risk management policies across various aspects of our business operations. Please see the section headed "Business—Risk Management and Internal Control" in this prospectus for further details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committee

We have established four Board Committees in accordance with the relevant laws and regulations in mainland China, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee. The functions of the four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and supervise the work of internal and external auditors and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Zeng Qingsheng, Mr. Dong Jiahong and Mr. Sun Jinyun, with Mr. Zeng Qingsheng as the chairperson of the Audit Committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises three members, Mr. Sun Jinyun, Mr. Dai Hongbin and Mr. Zeng Qingsheng, with Mr. Sun Jinyun as the chairperson of the Remuneration and Evaluation Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises three members, namely Mr. Dong Jiahong, Mr. Sun Piaoyang and Mr. Sun Jinyun, with Mr. Dong Jiahong as the chairperson of the Nomination Committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategy Committee

We have established the Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises six members, namely Mr. Sun Piaoyang, Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun, Ms. Guo Congzhao and Mr. Dong Jiahong, with Mr. Sun Piaoyang as the chairperson of the Strategy Committee.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the Listing.

Board Diversity Policy

Our Company has adopted a board diversity policy (the “Board Diversity Policy”) which sets out the approach to achieving diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will take into account the Board Diversity Policy. In considering a nomination, the Company will consider a number of factors, including but not limited to skills, regional and industry experience, professional experience, cultural and educational background, gender and age. In particular, our Company currently has one female Director on the Board.

Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Our Directors are diverse in terms of age, gender and background. Taking into account our existing business model and specific needs as well as the different backgrounds of our Directors, the composition of our Board satisfies our Board Diversity Policy. The Board will review the Board Diversity Policy periodically to evaluate its effectiveness.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. For further details, see “Waivers from Strict Compliance with the Listing Rules—Management Presence in Hong Kong.”

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic payments and/or performance-related payments, including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions. For details of the service contracts that we have entered into with our Directors and Supervisors, see the section headed “C. Further Information About Our Directors, Supervisors and Substantial Shareholders—2. Particulars of Service Contracts” in Appendix VI to this prospectus.

Further information on the remuneration of our Directors, Supervisors and/or the five highest paid individuals during the Track Record Period is set out in the Accountants’ Report in Appendix I to this prospectus, and in the section headed “C. Further Information About Our Directors, Supervisors and Substantial Shareholders—3. Directors’ and Supervisors’ Remuneration” in Appendix VI to this prospectus. Save as disclosed, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following Listing, will receive recommendations from the Remuneration and Evaluation Committee which will take into account applicable laws, rules and regulations.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the “Compliance Advisor”) upon the Listing in compliance with Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased for an aggregate amount of US\$533 million (or approximately HK\$4,131 million, calculated based on an exchange rate of US\$1.00 to HK\$7.7500) (assuming an Offer Price of HK\$42.75 per Offer Share (being the mid-point of the Offer Price range) and exclusive of brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$44.05 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 93,773,400. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
41.77%	1.42%	36.32%	1.41%	36.32%	1.41%	31.58%	1.40%

Based on the Offer Price of HK\$42.75 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 96,624,800. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
43.04%	1.46%	37.42%	1.46%	37.42%	1.46%	32.54%	1.45%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$41.45 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 99,655,400. The table below reflects the shareholding percentage immediately after the completion of the Global Offering.

Assuming the Offer Size Adjustment Option is not exercised				Assuming the Offer Size Adjustment Option is exercised in full			
Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
44.39%	1.51%	38.60%	1.50%	38.60%	1.50%	33.56%	1.49%

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors' confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Overall Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of the Company, among the Cornerstone Investors, GIC, UBS AM Singapore and Cordial Solar (each as defined below) are existing minority Shareholders of the Company or their close associates. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed

CORNERSTONE INVESTORS

to certain existing minority Shareholders. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules — Allocation of H Shares to Existing Minority Shareholders and Their Close Associates”. Save for certain Cornerstone Investors who are existing Shareholders or their close associates, to the best knowledge of our Company, each of the Cornerstone Investors is (i) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; (ii) not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

To the best knowledge of the Overall Coordinators and based on the indicative interest of investment of the Cornerstone Investors and/or their close associates as of the date of this prospectus, certain Cornerstone Investors and/or their close associates may participate in the International Offering as placees and subscribe for further Offer Shares in the Global Offering. The Company will seek the Stock Exchange’s consent and/or waiver to allow the Cornerstone Investors and/or their close associates to participate in the International Offering as placees pursuant to Chapter 4.15 of the Guide for New Listing Applicants. Whether such Cornerstone Investors and/or their associates will place orders in the International Offering and the allocation to such investors as placees in the International Offering are uncertain and will be subject to the final investment decisions of such investors and the terms and conditions of the Global Offering.

As confirmed by each of the Cornerstone Investors, its subscription under the Cornerstone Placing would be financed by its own internal financial resources, financial resources of its shareholders or the assets managed for its investors (in the case of Cornerstone Investors which are funds or investment managers) and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

The Cornerstone Investors have agreed to fully pay for the relevant Offer Shares that they have subscribed before dealings in the Company’s H Shares commence on the Stock Exchange. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless fully pay for the relevant Offer Shares before the Listing.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Assuming an Offer Price of HK\$44.05 per Offer Share (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares
		<i>(USD in millions)</i>									
GIC Private Limited ("GIC")	268.00	47,150,800	21.00%	0.71%	18.26%	0.71%	18.26%	0.71%	15.88%	0.71%	
Invesco Advisers, Inc. ("Invesco Advisers")	75.00	13,195,200	5.88%	0.20%	5.11%	0.20%	5.11%	0.20%	4.44%	0.20%	
UBS Asset Management (Singapore) Ltd. ("UBS AM Singapore")	60.00	10,556,000	4.70%	0.16%	4.09%	0.16%	4.09%	0.16%	3.56%	0.16%	
Cordial Solar Limited ("Cordial Solar")	40.00	7,037,400	3.13%	0.11%	2.73%	0.11%	2.73%	0.11%	2.37%	0.11%	
HHLR CF, L.P. ("Hillhouse")	40.00	7,037,400	3.13%	0.11%	2.73%	0.11%	2.73%	0.11%	2.37%	0.11%	
Integrated Core Strategies (Asia) Pte. Ltd. ("Millennium ICSA")	30.00	5,278,000	2.35%	0.08%	2.04%	0.08%	2.04%	0.08%	1.78%	0.08%	
Oaktree Capital Management, L.P. ("Oaktree")	20.00	3,518,600	1.57%	0.05%	1.36%	0.05%	1.36%	0.05%	1.19%	0.05%	
Total	533.00	93,773,400	41.77%	1.42%	36.32%	1.41%	36.32%	1.41%	31.58%	1.40%	

Assuming an Offer Price of HK\$42.75 per Offer Share (being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares
		<i>(USD in millions)</i>									
GIC	268.00	48,584,600	21.64%	0.74%	18.82%	0.73%	18.82%	0.73%	16.36%	0.73%	
Invesco Advisers	75.00	13,596,400	6.06%	0.21%	5.27%	0.20%	5.27%	0.20%	4.58%	0.20%	
UBS AM Singapore	60.00	10,877,000	4.84%	0.16%	4.21%	0.16%	4.21%	0.16%	3.66%	0.16%	
Cordial Solar	40.00	7,251,400	3.23%	0.11%	2.81%	0.11%	2.81%	0.11%	2.44%	0.11%	
Hillhouse	40.00	7,251,400	3.23%	0.11%	2.81%	0.11%	2.81%	0.11%	2.44%	0.11%	
Millennium ICSA	30.00	5,438,400	2.42%	0.08%	2.11%	0.08%	2.11%	0.08%	1.83%	0.08%	
Oaktree	20.00	3,625,600	1.61%	0.05%	1.40%	0.05%	1.40%	0.05%	1.22%	0.05%	
Total	533.00	96,624,800	43.04%	1.46%	37.42%	1.46%	37.42%	1.46%	32.54%	1.45%	

CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$41.45 per Offer Share (being the low-end of the indicative Offer Price range)

Cornerstone Investor	Subscription amount	Number of Offer Shares ⁽¹⁾	Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full		Assuming the Offer Size Adjustment Option is not exercised		Assuming the Offer Size Adjustment Option is exercised in full	
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
			Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital	Approximate % of the Offer Shares	Approximate % of the total issued share capital
	<i>(USD in millions)</i>									
GIC	268.00	50,108,400	22.32%	0.76%	19.41%	0.75%	19.41%	0.75%	16.88%	0.75%
Invesco Advisers	75.00	14,022,800	6.25%	0.21%	5.43%	0.21%	5.43%	0.21%	4.72%	0.21%
UBS AM Singapore	60.00	11,218,200	5.00%	0.17%	4.34%	0.17%	4.34%	0.17%	3.78%	0.17%
Cordial Solar.	40.00	7,478,800	3.33%	0.11%	2.90%	0.11%	2.90%	0.11%	2.52%	0.11%
Hillhouse	40.00	7,478,800	3.33%	0.11%	2.90%	0.11%	2.90%	0.11%	2.52%	0.11%
Millennium ICSA	30.00	5,609,000	2.50%	0.08%	2.17%	0.08%	2.17%	0.08%	1.89%	0.08%
Oaktree.	20.00	3,739,400	1.67%	0.06%	1.45%	0.06%	1.45%	0.06%	1.26%	0.06%
Total	533.00	99,655,400	44.39%	1.51%	38.60%	1.50%	38.60%	1.50%	33.56%	1.49%

Note:

- (1) Subject to rounding down to the nearest whole board lot of 200 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion”.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

GIC

GIC is a leading global investment firm established in 1981 to secure Singapore’s financial future. As the manager of Singapore’s foreign reserves, GIC takes a long-term, disciplined approach to investing, and are uniquely positioned across a wide range of asset classes and active strategies globally. These include equities, fixed income, real estate, private equity, venture capital, and infrastructure. GIC’s long-term approach, multi-asset capabilities, and global connectivity enable us to be an investor of choice. GIC seeks to add meaningful value to our investments. Headquartered in Singapore, GIC has a global talent force of over 2,300 people in 11 key financial cities and has investments in over 40 countries.

Invesco Advisers

Invesco Ltd. (“**Invesco**”), a Bermuda-incorporated company, is a leading independent investment management firm with approximately US\$1,844.8 billion in assets under management as of March 31, 2025. Invesco is a global company focused on investment management, and its services are provided through a number of affiliated investment advisers to a wide range of clients throughout the world, including open-end mutual funds, closed-end

CORNERSTONE INVESTORS

funds, exchange-traded funds, collective trust funds, UCITS, real estate investment trusts, unit investment trusts and other pooled investment vehicles, as well as pensions, endowments, insurance companies and sovereign wealth funds. Invesco is a public company and is listed on the New York Stock Exchange (Stock Code: IVZ.NY). Invesco's shareholders' and New York Stock Exchange's approval are not required for the subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

Invesco Advisers, Inc. is the principal U.S. investment advisory subsidiary of Invesco and is registered with the U.S. Securities and Exchange Commission as an investment adviser under the U.S. Investment Advisers Act of 1940. Invesco Advisers, acting as discretionary investment adviser for and on behalf of Invesco Developing Markets Fund (“**Invesco Developing Markets Fund**”), has agreed to participate in the Global Offering and for Invesco Developing Markets Fund to invest in our Shares as a cornerstone investor.

Invesco Developing Markets Fund is an open-end management investment company registered under the U.S. Investment Company Act of 1940 and has multiple shareholders (who are, to the best of the knowledge, information and belief of the Company, Independent Third Parties).

UBS AM Singapore

UBS AM Singapore, a company incorporated in Singapore in December 1993, has entered into a cornerstone investment agreement with the Company and the Overall Coordinators, in its capacity as the delegate of the investment manager for and on behalf of the following fund(s): (i) UBS (Lux) Equity Fund — Greater China (USD); (ii) UBS (Lux) Equity Fund — China Opportunity (USD); (iii) UBS (HK) Fund Series — China Opportunity Equity (USD); (iv) UBS (Lux) Equity SICAV — All China (USD); (v) UBS (Lux) Investment SICAV — China A Opportunity (USD); (vi) UBS (CAY) China A Opportunity; (vii) UBS (Lux) Key Selection SICAV — China Allocation Opportunity (USD); and (viii) certain other segregated accounts and mandates. No single ultimate beneficial owner holds 30% or more interests in those funds.

UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management AG (“**UBS Asset Management**”), an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organized under Swiss law as a corporation that has issued shares of common stock to investors. UBS Group AG's shares are listed on the SIX Swiss Exchange (stock code: UBSG) and the New York Stock Exchange (stock code: UBS). UBS AM Singapore's shareholders' and New York Stock Exchange's approval are not required for UBS AM Singapore's subscription for the Offer Shares pursuant to the relevant cornerstone investment agreement.

Cordial Solar

Cordial Solar is a company incorporated under the laws of the Cayman Islands and a controlled subsidiary of Boyu Capital Opportunities Master Fund. Boyu Capital Opportunities Master Fund is an exempted company incorporated under the laws of the Cayman Island and an investment fund managed by Boyu Capital Management (Singapore) Pte. Ltd. (“**Boyu**”).

CORNERSTONE INVESTORS

Boyu holds a capital markets services license and is regulated by the Monetary Authority of Singapore. Boyu provides growth and transformational capital for leading businesses and entrepreneurs in areas that include technology, healthcare, consumer and business services. Boyu is 100% indirectly owned by Boyu Group, LLC, which is in turn ultimately controlled by Mr. Xiaomeng Tong, an Independent Third Party. There is no single investor holding 30% or more interest in Cordial Solar through Boyu Capital Opportunities Master Fund.

Hillhouse

Hillhouse is a limited partnership formed under the laws of the Cayman Islands and is managed by HHLR Advisors, Ltd. (“**HHLRA**”), which is part of the Hillhouse Group. There is no individual limited partner investor who holds an economic interest of 30% or more in Hillhouse.

HHLRA collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across healthcare, industrial, consumer and business services sectors. HHLRA manages capital for global institutions, including non-profit foundations, endowments, and pensions.

Millennium

Millennium Capital Management (Singapore) Pte. Ltd. (“**Millennium Capital**”) is the principal investment manager of Millennium ICSA, the cornerstone investor. Millennium Capital is one of the investment management entities in the Millennium Group (Millennium Capital, together with its affiliated entities, are collectively referred to herein as “**Millennium**”). Millennium is a global, diversified alternative investment management firm and seeks to pursue a diverse range of investment strategies across industry sectors, asset classes and geographies. Millennium ICSA is incorporated in Singapore and Millennium Capital is licensed by the Monetary Authority of Singapore. No ultimate beneficial owner holds more than 30% interests in Millennium ICSA.

Oaktree

Oaktree is the investment manager of Oaktree Emerging Markets Equity Fund, L.P. and certain other managed funds and accounts within its Emerging Markets Equity strategy (severally and not jointly) (each, an “**Oaktree Fund**”, and collectively the “**Oaktree Funds**”). Oaktree Emerging Markets Equity Fund, L.P. had more than 50 limited partners as of April 30, 2025, and no limited partner of Oaktree Emerging Markets Equity Fund, L.P. holds 30% or more interests in Oaktree Emerging Markets Equity Fund, L.P. as of April 30, 2025, while the other Oaktree Funds are separately managed accounts of Oaktree. Oaktree is a Delaware limited partnership and is registered as an investment adviser with the United States Securities and Exchange Commission. Oaktree is a global alternative investment management firm. Its expertise in investing across capital structures has allowed it to cultivate a diversified mix of global investment strategies in three categories: credit, real estate, and equity. Oaktree’s investor base includes institutional investors such as pension plans, insurance companies, endowments, foundations and sovereign wealth funds.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement among the parties thereto in connection with the Global Offering;
- (c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective acknowledgements, representations, warranties, undertakings and confirmations of relevant Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the “**Lock-up Period**”), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries, entities under the same management or control (as the case maybe) who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

CONNECTED TRANSACTIONS

Upon Listing, certain transactions between us and our connected persons will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons as defined under the Listing Rules upon Listing:

<u>Name of our Connected Persons</u>	<u>Connected Relationship</u>
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司) (“Jiangsu Hansoh”) (together with its subsidiaries, “Jiangsu Hansoh Group”)	Jiangsu Hansoh is controlled by the spouse of Mr. Sun Piaoyang.
Suzhou Hengrui Medical Devices Co., Ltd. (蘇州恒瑞醫療器械有限公司) (“Suzhou Medical Devices”, together with its subsidiaries, “Suzhou Medical Devices Group”) and Suzhou Hengrui Health Technology Co., Ltd. (蘇州恒瑞健康科技有限公司) (“Suzhou Health Technology”)	Each of Suzhou Medical Devices and Suzhou Health Technology is controlled by a family member of Mr. Sun Piaoyang.
Jiangsu Alvin Medical Management Co., Ltd. (江蘇阿爾文醫療管理有限公司) (“Alvin Medical”)	Alvin Medical is a subsidiary of Hengrui Group, a substantial shareholder of our Company.
Shanghai Shashuo New Materials Co., Ltd. (上海沙燦新材料有限公司) (“Shanghai Shashuo”)	Shanghai Shashuo is controlled by Mr. Sun Piaoyang.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following types of transactions with our connected persons at the issuer level, which were entered into on normal commercial terms or better and are expected to continue after the Listing. Our Directors currently expect that the highest applicable percentage ratio in respect of the aggregate transaction amount of transactions within each such category as set out below, calculated for the purpose of Chapter 14A of the Listing Rules, will be less than 0.1% on an annual basis. Under Rule 14A.76(1) of the Listing Rules, these transactions will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements.

1. Provision of materials and technical research services

We have entered into, and will continue to enter into post-Listing, certain agreements with Jiangsu Hansoh Group, pursuant to which we (i) supply raw materials such as pharmaceutical excipients, as well as medical accessories such as syringe parts; and (ii) provide technical research services such as preclinical animal studies.

CONNECTED TRANSACTIONS

The pricing of the aforementioned materials and services supplied by us shall be determined based on arm's length negotiations between us and the relevant member of Jiangsu Hansoh Group. In particular, prices for raw materials and medical accessories shall be calculated with reference to costs, quantities and specifications of the relevant product and the prevailing market rates. Fees for the technical research services shall be determined with reference to the nature, duration and complexity of the services, type of research output required, costs incurred by our Group in rendering such services, as well as prevailing market rates for similar services.

2. Provision of medical accessories, and procurement of medical device development services and medical products and other goods

We have entered into, and will continue to enter into post-Listing, certain agreements with Suzhou Medical Devices Group and Suzhou Health Technology, pursuant to which we (i) supply medical accessories such as syringe parts to Suzhou Medical Devices Group; (ii) procure medical device development services from Suzhou Medical Devices Group for our in-house clinical development purposes; and (iii) purchase medical products, such as pharmaceutical solvents and medical accessories, from Suzhou Medical Devices Group as well as health foods for our clinical research from Suzhou Health Technology.

The pricing of the aforementioned products and services supplied and/or procured by us shall be determined based on arm's length negotiations between us and Suzhou Health Technology or the relevant member of Suzhou Medical Devices Group (as the case may be). In particular, prices for medical accessories sold by our Group shall be calculated with reference to costs, quantities and specifications of the relevant product and the prevailing market rates. With respect to the fees payable for medical device development services, such fees shall be determined with reference to the specifications for the relevant devices, resources required by Suzhou Medical Devices Group in rendering such services including personnel and materials needed, as well as the fee rates for similar services chargeable by Independent Third Parties. Prices for the medical products and other goods purchased from Suzhou Medical Devices Group and Suzhou Health Technology shall be determined with reference to costs, quantities and specifications of the relevant product and the prices of comparable products offered by Independent Third Parties.

3. Provision of construction management services

We have entered into a construction management service agreement with each of Shanghai Shashuo and Alvin Medical. Pursuant to these agreements, we provided comprehensive management services, such as construction preparation and implementation, overall budgeting and project management, for Shanghai Shashuo and Alvin Medical's respective building construction project. The fees payable by Shanghai Shashuo and Alvin Medical were determined based on arm's length negotiations, having taken into account the costs incurred by our Group in providing such services with respect to various aspects or stages of the construction and prevailing market rates. Given our experience in the establishment of our various R&D centers, we leverage on our existing expertise and resources to provide such construction management services to Shanghai Shashuo and Alvin Medical and generate revenue.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company before and immediately following completion of the Global Offering.

As of the Latest Practicable Date

As of the Latest Practicable Date, the registered and issued share capital of our Company was RMB6,379,002,274, comprising 6,379,002,274 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange. This includes 4,030,310 A Shares repurchased by our Company pursuant to repurchase mandates approved by our Board and held in our Company's stock repurchase account as treasury shares.

Immediately after Completion of the Global Offering

Immediately after the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the share capital of our Company will be as follows.

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the enlarged issued share capital after the Global Offering</u>
A Shares in issue*	6,379,002,274	96.6%
H Shares to be issued under the Global Offering	<u>224,519,800</u>	<u>3.4%</u>
Total	<u><u>6,603,522,074</u></u>	<u><u>100%</u></u>

Note:

- * Including 4,030,310 A Shares repurchased and held in our Company's stock repurchase account as treasury shares (assuming no changes are made to the number of repurchased shares held in our Company's stock repurchase account between the Latest Practicable Date and Listing), pursuant to repurchase mandates approved by our Board.

SHARES OF OUR COMPANY

Upon the completion of the Global Offering, our H Shares in issue and our A Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by, or traded between, legal or natural persons in mainland China.

SHARE CAPITAL

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by investors in mainland China, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by investors in mainland China in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Except for the differences set out in “—Shares of our Company” above, H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the Global Offering. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that holders of A Shares may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ meeting of our Company held on December 26, 2024 and is subject to, among other things, the following conditions:

- (i) *Size of the offer.* The proposed number of H Shares to be offered shall not exceed 10% of the total issued share capital enlarged by the H Shares to be issued pursuant to the Global Offering (before the exercise of the Over-allotment Option). The number of H Shares to be issued pursuant to the full exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially under the Global Offering.

SHARE CAPITAL

- (ii) *Method of offering.* The method of offering shall be by way of an international offering to institutional investors and a public offer for subscription in Hong Kong.
- (iii) *Target investors.* The H Shares shall be issued to public investors in Hong Kong under the Hong Kong Public Offering, and international investors, qualified domestic institutional investors in mainland China and other investors who are approved by mainland Chinese regulatory bodies to invest abroad in the International Offering.
- (iv) *Price determination basis.* The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, the domestic and overseas capital market conditions and market subscription levels through the book building process.
- (v) *Validity period.* The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the shareholders' meeting was held on December 26, 2024. If the Company has obtained approval or filing from relevant regulatory bodies for the issuance and listing of the H Shares within such validity period, the validity period of the resolution will automatically be extended to the completion of the issuance and listing of the H Shares.

SHAREHOLDERS' MEETINGS

For details of circumstances under which our Shareholders' meeting are required, please see the section headed "Summary of the Articles of Association—General Provisions for Shareholders' Meetings" in Appendix V to this prospectus.

A SHARE EMPLOYEE STOCK OWNERSHIP SCHEMES

Our Company has adopted the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and the 2024 Employee Stock Ownership Scheme, pursuant to which our Company will repurchase A Shares from the open market, and such A Shares will be transferred to the respective stock ownership scheme to which relevant participants, being certain employees of our Group, are entitled to a corresponding portion of. For details, please refer to the section headed "Statutory and General Information—D. A Share Employee Stock Ownership Schemes" in Appendix VI to this prospectus.

As of the Latest Practicable Date, 4,030,310 A Shares were held in our Company's stock repurchase account as treasury shares. Such 4,030,310 A Shares may be transferred out of treasury for the purpose of and pursuant to the employee stock ownership schemes of our Company. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be canceled.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the following persons will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Description of Shares	Number of Shares held	As of the Latest Practicable Date	Immediately following completion of the Global Offering	
				Approximate percentage of shareholding in our total Share capital	Approximate percentage of shareholding in our A Shares	Approximate percentage of shareholding in our total Share capital
Hengrui Group ⁽¹⁾	Beneficial owner	A Shares	1,538,184,187	24.11%	24.11%	23.29%
Tibet Dayuan ⁽²⁾	Beneficial owner	A Shares	952,752,304	14.94%	14.94%	14.43%

Notes:

- (1) As of the Latest Practicable Date, Mr. Sun Piaoyang, our chairman of the Board and one of our executive Directors, held an approximate 89.2% equity interest in Hengrui Group. Therefore by virtue of the SFO, Mr. Sun is deemed to be interested in the A Shares held by Hengrui Group. Mr. Sun is also the director and general manager of Hengrui Group as of the Latest Practicable Date. Further, as of the Latest Practicable Date, (i) the remaining equity interest in Hengrui Group was held by Wuxi Hongda; (ii) Wuxi Hongda was held as to approximately 25.4% by Mr. Sun and 74.6% by Wuxi Hairun; and (iii) Wuxi Hairun was held as to 10% by Mr. Sun and 90% by an entity wholly-owned by Mr. Sun's spouse.
- (2) As of the Latest Practicable Date, (i) Tibet Dayuan was directly held as to approximately 79% by Shanghai Qianying, approximately 17% by Mr. Cen and approximately 4% by Shenzhen Yingtai; (ii) the general partner of Shanghai Qianying was Shenzhen Yingtai, which was wholly-owned by Mr. Cen; and (iii) the sole limited partner of Shanghai Qianying was Shanghai Yaoye, which was ultimately wholly-owned by Mr. Cen. Therefore by virtue of the SFO, each of Mr. Cen Junda, Shenzhen Yingtai and Shanghai Qianying are deemed to be interested in the A Shares held by Tibet Dayuan.

Save as disclosed above, as of the Latest Practicable Date our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering that we will receive after deduction of underwriting fees and other estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
<i>(in millions of HK\$)</i>		
Assuming an Offer Price of HK\$41.45 per H Share (being the low end of the Offer Price range stated in this prospectus)	9,168.3	10,553.0
Assuming an Offer Price of HK\$42.75 per H Share (being the mid-point of the Offer Price range stated in this prospectus)	9,457.8	10,885.9
Assuming an Offer Price of HK\$44.05 per H Share (being the high end of the Offer Price range stated in this prospectus)	9,747.3	11,218.9

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$9,457.8 million (after deducting the underwriting fees and other estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$42.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus, and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised or HK\$12,528.2 million, if the Offer Size Adjustment Option and the Over-allotment Option are exercised in full. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 75%, or HK\$7,093.4 million, will be allocated to our R&D initiatives:
 - Approximately 45%, or HK\$4,256.0 million, will be allocated to clinical studies for our innovative drugs and drug candidates, including (i) advancing clinical trials for our innovative drug candidates, including carrying out overseas clinical studies for our innovative drugs for the global market; and (ii) advancing clinical trials to expand the indication coverage of our commercialized innovative drugs.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 20%, or HK\$1,891.6 million, will be allocated to developing new innovative drugs, including (i) enhancing our discovery of potentially first-in-class or best-in-class molecules, validating molecule candidates through translational research, and advancing innovative drug candidates from preclinical studies to the clinical stage; (ii) developing effective monotherapies and combination therapies that offer better safety and efficacy to satisfy unmet medical needs; and (iii) bolstering our global R&D capabilities through technology platform upgrade and strengthening our scientific research, clinical development, CMC teams, particularly to recruit top-notch R&D talent with international exposure.
- Approximately 10%, or HK\$945.8 million, will be allocated to potential acquisitions and collaborations globally to strengthen our product pipeline and innovation capabilities. We will focus on opportunities to address significant unmet medical needs for innovative drugs, particularly in our major therapeutic areas. Specifically, we will explore in-licensing and co-development opportunities for drug candidates that feature innovative modalities or MOAs with great market potential, by collaborating with leading global pharmaceutical companies, universities, and research institutes. Additionally, we plan to selectively acquire or invest in pharmaceutical or biotechnology companies with attractive drug assets or strong R&D capabilities. As of the Latest Practicable Date, we had not identified any specific targets for acquisitions or investments, or entered into any investment agreement, to which we will apply these proceeds.
- Approximately 15%, or HK\$1,418.7 million, will be allocated to fund the construction of new production and R&D facilities in China and overseas markets. We also intend to expand or upgrade our existing production and R&D facilities to support our production and the ongoing commercialization of our innovative products and meet the growing demand for these products. However, as of the Latest Practicable Date, we had not formed any specific construction or expansion plan in the overseas markets, to which we will apply these proceeds.
- The remaining amount of approximately 10%, or HK\$945.8 million, will be used to provide funding for our working capital and other general corporate purposes.

If the Offer Price is fixed at the high end (low end) of the Offer Price range stated in this prospectus and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, our net proceeds will increase (decrease) by approximately HK\$289.5 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

FUTURE PLANS AND USE OF PROCEEDS

The additional net proceeds that we would receive if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full would be (i) HK\$3,163.8 million (assuming an Offer Price of HK\$44.05 per H Share, being the high end of the Offer Price range stated in this prospectus), (ii) HK\$3,070.4 million (assuming an Offer Price of HK\$42.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus) and (iii) HK\$2,977.0 million (assuming an Offer Price of HK\$41.45 per H Share, being the low end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Offer Size Adjustment Option or Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Offer Size Adjustment Option and the Over-allotment Option are exercised.

We will only place the net proceeds of the Global Offering that are not immediately required for the above purposes into short-term interest-bearing accounts at licensed commercial banks and/or relevant authorized financial institutions as defined under the Securities and Futures Ordinance or applicable laws and regulations in relevant jurisdictions. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Citigroup Global Markets Asia Limited
Huatai Financial Holdings (Hong Kong) Limited
UBS AG Hong Kong Branch
(Below in alphabetical order)
BOCI Asia Limited
CLSA Limited
GF Securities (Hong Kong) Brokerage Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 12,348,600 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event or a series of local, national, regional or international event(s) or circumstance(s) in the nature of force majeure (including any acts of government, declaration of a national, regional or international emergency or

UNDERWRITING

war, calamity, crisis, epidemic and pandemic (including Severe Acute Respiratory Syndrome (SARS), Coronavirus Disease 2019 (COVID-19), H1N1, H5N1 and such related/mutated forms and the outbreak, escalation, mutation or aggravation of such diseases), or interruption or delay in transportation, outbreak, escalation, mutation or aggravation of disease, economic sanctions, labour disputes, other industrial actions, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, paralysis in government operations, acts of war, accident or interruption or delay in transportation, local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or directly or indirectly affecting Hong Kong, the PRC, the United States, the United Kingdom, Australia, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to our Group or the Global Offering (collectively, the “Relevant Jurisdictions”); or

- (ii) any change, or any development involving a prospective change, or any event or series of events or circumstance resulting or likely to result in or representing any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions or sentiments, equity securities or exchange rate or control or any monetary or trading settlement system or foreign investment regulations or other financial markets (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or directly or indirectly affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on
 - (i) trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Singapore Stock Exchange, the Tokyo Stock Exchange or the London Stock Exchange; or
 - (ii) the trading in any securities of our Company listed or quoted on a stock exchange or an over-the-counter market; or

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- (iv) any general moratorium on banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), the PRC, New York (imposed at U.S. Federal or New York State level or other competent Authority), London, Singapore, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or
- (v) any new Law (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change or any event or circumstance likely to result in a change in (or in the interpretation or application by any court or other competent Authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction Laws or regulations by or on Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting Taxes (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies and a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation, dispute, legal action or claim, regulatory or administrative investigation or action of any third party being threatened or instigated or announced against any member of our Group or any Director, Supervisor or any member of the senior management of our Company as named in this prospectus; or
- (ix) a contravention by any member of our Group or any Director, any Supervisor or any member of the senior management of our Company as named in this prospectus of the Listing Rules or applicable Laws; or
- (x) non-compliance of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated offer and sale of the Offer Shares), the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

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- (xi) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus or the CSRC Filings (or to any other documents issued or used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules, the CSRC Rules or any requirement or request of the Stock Exchange, SFC and/or the CSRC; or
- (xii) any change or development which has the effect of materialization of any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (xiii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity or any loss or damage sustained by that member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiv) any order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xv) any Director or any member of the senior management of our Company as named in this prospectus vacating his or her office; or
- (xvi) any Director, any Supervisor, or a member of our Company’s senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of Law or otherwise disqualified from taking part in the management or taking directorship of a company, or the commencement by any government, political, regulatory body of any action against any Director or any Supervisor in his or her capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will have or may have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or our Group as a whole; or (2) has or will have or may have a material adverse effect on

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the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for any part of the Hong Kong Underwriting Agreement, or any part of the Hong Kong Public Offering or the Global Offering, or the delivery of the Offer Shares, to be performed or implemented or to proceed with the Global Offering in the manner contemplated by this prospectus; or (4) has, will have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting of the Hong Kong Public Offering and/or the Global Offering) impracticable or incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Sponsors and the Overall Coordinators:
 - (i) that any statement contained in any of the Offering Documents, the Operative Documents (as defined in the Hong Kong Underwriting Agreement), OC Announcement (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement), the CSRC Filings, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the “Offer Related Documents”) was, when it was issued, or has become, untrue, inaccurate or incorrect in any material respect or misleading, unless such untrue or misleading statement has been properly rectified by our Company in a timely manner, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (as defined in the Hong Kong Underwriting Agreement) is not fair, true and honest made on reasonable grounds or, where appropriate, and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations or undertakings imposed upon our Company to the Hong Kong Underwriting Agreement, the International Underwriting Agreement or the Cornerstone Agreements (as defined in the Hong Kong Underwriting Agreement); or

UNDERWRITING

- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement; or
- (v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as whole; or
- (vi) any breach of, or circumstance rendering untrue, inaccurate, incorrect, incomplete or misleading in any respect, any of the representations and warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (vii) a prohibition applicable to our Company, any of the Hong Kong Underwriters and the International Underwriters and/or any of the foregoing's respective affiliates for whatever reason from offering, allotting, issuing or selling any of the H Shares (including any additional H Shares to be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (viii) that approval by the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) the notice of acceptance of the CSRC Filings issued by the CSRC and/or the results of the CSRC Filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or
- (x) our Company withdraws any of the Offer Related Documents or the Global Offering; or
- (xi) any person whose consent is required for the issue of this prospectus (other than the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Hong Kong Public Offering Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be).

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UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except for (a) the Offer Shares to be issued pursuant to the Global Offering (including any exercise of the Offer Size Adjustment Option and the Over-allotment Option), or (b) under the circumstances permitted under Rule 10.08 of the Listing Rules.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option) or otherwise in compliance with the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company hereby undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares or other securities of our Company), or deposit any H Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or other securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares or other securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period). For the avoidance of doubt, the foregoing shall not apply to any issue of debt securities by our Company which are not convertible into equity securities of our Company or any member of our Group.

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree severally to purchase, or procure subscribers or purchasers for, the International Offer Shares being offered pursuant to the International Offering. Please see the paragraph headed “Structure of the Global Offering—The International Offering” in this prospectus.

UNDERWRITING

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), on or before Thursday, June 19, 2025, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 33,677,800 additional Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering, assuming the Offer Size Adjustment Option is not exercised) or 38,729,600 additional Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering, assuming the Offer Size Adjustment Option is fully exercised), at the Offer Price to cover over-allocations, if any, in the International Offering. Please see the paragraph headed “Structure of the Global Offering—Over-allotment Option” in this prospectus.

COMMISSIONS AND EXPENSES

Our Company will pay an underwriting commission of 0.6% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option (the “Fixed Fees”). Our Company may, at our sole and absolute discretion, pay an additional incentive fee of up to 0.2% of the Offer Price in respect of all the Offer Shares (including Offer Shares to be issued pursuant to the Offer Size Adjustment Option and the Over-allotment Option) (the “Discretionary Fees”). Assuming full payment of the Discretionary Fees, the Fixed Fees and the Discretionary Fees payable to the Underwriters represent approximately 37.875% and 62.125%, respectively, of the aggregate fees payable to the Capital Market Intermediaries in total in connection with the Global Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Each of the Joint Sponsors is entitled to a sponsor fee in the amount of HK\$2,000,000. The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB131.7 million (approximately HK\$140.4 million) in total (based on the Offer Price of HK\$42.75 per Offer Share which is the mid-point of the Offer Price range and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

HONG KONG UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interest in any member of our Group or any right or option (whether legally enforceable or not) to purchase or subscribe for or to nominate persons to purchase or subscribe for securities in any member of our Group.

UNDERWRITING

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Hong Kong Underwriters and the International Underwriters (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. Activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option):

- (i) The Hong Kong Public Offering of initially 12,348,600 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Offering of initially 212,171,200 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and Over-allotment Option as mentioned below) in the U.S. to QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the U.S. in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 3.4% of the total issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Offer Size Adjustment Option and the Over-allotment Option. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 4.45% of the total issued share capital immediately after completion of the Global Offering and the exercise of the Offer Size Adjustment Option and the Over-allotment Option as set out in the paragraphs headed “The International Offering—Offer Size Adjustment Option” and “The International Offering—Over-allotment Option” in this section.

Investors may either:

- (i) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering,

but may not do both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares in the U.S. to QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the U.S.

STRUCTURE OF THE GLOBAL OFFERING

Securities Act, as well as to institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the U.S. in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering—Reallocation and Clawback" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Subject to reallocation as mentioned below, our Company is initially offering 12,348,600 H Shares at the Offer Price under the Hong Kong Public Offering for subscription by the public in Hong Kong, representing approximately 5.5% of the 224,519,800 H Shares initially available under the Global Offering. Subject to reallocation as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 0.19% of our total issued share capital immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" in this section.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

For allocation purposes only, the 12,348,600 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally (with any odd lots being allocated to pool A) into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with an aggregate subscription amount (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with an aggregate subscription amount (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

We have applied for, and the Stock Exchange has granted us, a waiver from stock compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules to the effect as further described below.

12,348,600 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5.5% of the Offer Shares initially available for subscription under the Global Offering. In the event that the International Offer Shares are fully subscribed or

STRUCTURE OF THE GLOBAL OFFERING

oversubscribed, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 14 times or more but less than 48 times, (b) 48 times or more but less than 97 times and (c) 97 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 19,084,200 Offer Shares (in the case of (a)), 24,697,200 Offer Shares (in the case of (b)) and 48,271,800 Offer Shares (in the case of (c)), representing approximately 8.5%, approximately 11.0% and approximately 21.5% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

The Overall Coordinators may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 14 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Chapter 4.14 of the Guide, the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 12,348,600 Shares, representing the number of the Offer Shares initially available under the Hong Kong Public Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 24,697,200 Shares, representing twice the number of the Offer Shares initially available under the Hong Kong Public Offering and the final Offer Price shall be fixed at the bottom end of the indicative price range (i.e. HK\$41.45 per Offer Share).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deems appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers to subscribe for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

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Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 12,348,600 H Shares initially comprised in the Hong Kong Public Offering (that is 6,174,200 Hong Kong Offer Shares) will be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$44.05 per H Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum Offer Price of HK\$44.05 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applications (subject to application channels), without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 212,171,200 Offer Shares, representing approximately 94.5% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 3.21% of our total issued share capital immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

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Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares in the U.S. to QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizable demand for the H Shares in Hong Kong and other jurisdictions outside the U.S. in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation and Clawback

The total number of International Offer Shares to be issued and sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “—The Hong Kong Public Offering—Reallocation and Clawback” in this section, exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Offer Size Adjustment Option

In order to provide flexibility for the Overall Coordinators to increase the number of Offer Shares available for purchase under the International Offering to cover additional market demand, the Company is expected to grant to the International Underwriters the Offer Size Adjustment Option, exercisable by the Overall Coordinators at their absolute discretion (on behalf of the International Underwriters) on or before the second business day prior to the Listing Date and will lapse immediately thereafter, to require the Company to allot and issue

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up to an aggregate of 33,677,800 additional H Shares, representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover any excess demand in the International Offering.

If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.51% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the full exercise of the Offer Size Adjustment Option.

In considering whether to exercise the Offer Size Adjustment Option, the Overall Coordinators will take into account a number of factors, including, among other things:

- (i) whether the level of interest expressed by prospective professional and institutional investors during the book-building process under the International Offering is sufficient to cover:
 - (a) the total number of Offer Shares, which represents the aggregate of the Offer Shares initially available under the Global Offering and the additional Offer Shares upon any exercise of the Offer Size Adjustment Option; and
 - (b) the corresponding number of Shares under the Over-allotment Option;
- (ii) the prices at which prospective professional and institutional investors have indicated they would be prepared to acquire the Offer Shares in the course of the book-building process;
- (iii) the quality of investors, with a view to establishing a solid professional institutional and investor shareholder base to the benefit of the Company and its Shareholders as a whole; and
- (iv) general market conditions.

The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (“Original Subscribers”)	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
224,519,800	3.40	258,197,600	3.38

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The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro rata basis.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Overall Coordinators will have the right to require our Company to allot and issue up to an aggregate of additional 33,677,800 H Shares (representing not more than 15% of the Offer Shares initially available under the Global Offering, assuming the Offer Size Adjustment Option is not exercised) or 38,729,600 additional Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering, assuming the Offer Size Adjustment Option is fully exercised), at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 1.08% of the issued share capital of our Company immediately after the completion of the Global Offering.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, an activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 33,677,800 H Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering, assuming the Offer Size Adjustment Option is not exercised) or 38,729,600 additional Shares (representing not more than 15% of the Offer Shares being offered under the Global Offering, assuming the Offer Size Adjustment Option is fully exercised).

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

STRUCTURE OF THE GLOBAL OFFERING

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Wednesday, May 21, 2025 and in no event later than 12:00 noon on Wednesday, May 21, 2025.

The Offer Price will be not more than HK\$44.05 per Offer Share and is currently expected not to be less than HK\$41.45 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$44.05 for each Hong Kong Offer Share together with brokerage of 1%, a Stock Exchange trading fee of 0.00565%, a SFC transaction levy of 0.0027% and an AFRC transaction levy of 0.00015%.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriter) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered under the Global Offering and/or the Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at www.hengrui.com and www.hkexnews.hk, respectively, an announcement to cancel and relaunch the Global Offering at the revised number of Offer Shares and/or the revised Offer Price range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)). Upon issue of such announcement or supplemental prospectus (as appropriate), the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive, and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement or supplemental prospectus or new prospectus (as appropriate) of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement or cancellation and relaunch of offer, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Overall Coordinators and the Joint Sponsors.

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Thursday, May 22, 2025 through a variety of channels described in the paragraph headed “How to Apply for Hong Kong Offer Shares—B. Publication of Results” in this prospectus.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will, on or about Tuesday, May 20, 2025, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, *inter alia*:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) as mentioned in this prospectus on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- our Company having submitted to HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by 12:00 noon on Wednesday, May 21, 2025 between us and the Overall Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the websites of our Company at www.hengrui.com, and the Stock Exchange at www.hkexnews.hk, respectively on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with our Company’s receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Thursday, May 22, 2025 but will only become valid evidence of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Friday, May 23, 2025, provided that (i) the Global Offering has become unconditional in all respects at or before that time and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid evidence of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, May 23, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence on Friday, May 23, 2025. The H Shares will be traded in board lots of 200 each and the stock code will be 1276.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARE

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application. We will not provide any printed copies of this prospectus for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.hengrui.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- are outside the U.S.; and
- have a Hong Kong address (*for the HK eIPO White Form service only*).

Unless permitted by the Listing Rules and the Guide for New Listing Applicants issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director, Supervisor or any of his/her close associates.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, May 15 2025 and end at 12:00 noon on Tuesday, May 20, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Applicant who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, May 15, 2025 to 11:30 a.m. on Tuesday, May 20, 2025. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, May 20, 2025.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instruction	Applicant who would <u>not</u> like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian .

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual or Joint Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. HKID card; orii. National identification document; oriii. Passport; and• Identity document number	<ul style="list-style-type: none">• Full name(s)² as shown on your identity document• Identity document's issuing country or jurisdiction• Identity document type, with order of priority:<ul style="list-style-type: none">i. LEI registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and• Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice. Such is subject to change, if the Company's Articles of Association and applicable company law prescribe for a lower cap.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 200 Offer Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$44.05 per Offer Share.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC eIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
200	8,898.85	5,000	222,471.22	80,000	3,559,539.55	2,000,000	88,988,488.50
400	17,797.71	6,000	266,965.47	90,000	4,004,481.98	3,000,000	133,482,732.76
600	26,696.54	7,000	311,459.71	100,000	4,449,424.43	4,000,000	177,976,977.00
800	35,595.39	8,000	355,953.95	200,000	8,898,848.86	5,000,000	222,471,221.26
1,000	44,494.25	9,000	400,448.19	300,000	13,348,273.28	6,174,200 ⁽¹⁾	274,716,362.84
1,200	53,393.10	10,000	444,942.44	400,000	17,797,697.70		
1,400	62,291.94	20,000	889,884.89	500,000	22,247,122.13		
1,600	71,190.79	30,000	1,334,827.32	600,000	26,696,546.56		
1,800	80,089.64	40,000	1,779,769.76	700,000	31,145,970.98		
2,000	88,988.49	50,000	2,224,712.21	800,000	35,595,395.40		
3,000	133,482.74	60,000	2,669,654.65	900,000	40,044,819.83		
4,000	177,976.98	70,000	3,114,597.10	1,000,000	44,494,244.26		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “—A. Application for Hong Kong Offer Shares—3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“Best Practice Note”) issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) **undertake** to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) **confirm** that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iii) (if you are applying through the **HKSCC EIPO** channel) **agree** to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) **confirm** that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) **confirm** that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) **agree** that the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or the Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "Relevant Persons"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) **agree** to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "—G. Personal Data—3. Purposes and 4. Transfer of personal data" in this section;
- (viii) **agree** (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) **agree** that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "—B. Publication of Results" in this section;
- (x) **confirm** that you are aware of the situations specified in the paragraph headed "—C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xi) **agree** that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) **confirm** that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;
- (xiv) **warrant** that the information you have provided is true and accurate;
- (xv) **confirm** that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) **agree** to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
Applying through the HK eIPO White Form service or HKSCC EIPO channel:	
Website From the “Allotment Results” page at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function.	24 hours, from 11:00 p.m. on Thursday, May 22, 2025 to 12:00 midnight on Wednesday, May 28, 2025 (Hong Kong time)
The full list of (i) wholly or partially successful applicants using the HK eIPO White Form service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result	
The Stock Exchange’s website at www.hkexnews.hk and our website at www.hengrui.com which will provide links to the above mentioned websites of the H Share Registrar	No later than 11:00 p.m. on Thursday, May 22, 2025 (Hong Kong time)
Telephone +852 3691 8488—the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Friday, May 23, 2025 to Wednesday, May 28, 2025 on a Business Day (Hong Kong time)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Wednesday, May 21, 2025 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, May 21, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.hengrui.com by no later than 11:00 p.m. on Thursday, May 22, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “—A. Application for Hong Kong Offer Shares—5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your **application instruction** is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted H shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

HOW TO APPLY FOR HONG KONG OFFER SHARES

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Friday, May 23, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of H Share certificate¹		
For application of 1,000,000 or more Hong Kong Offer Shares	<p>Collection in person from the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong</p> <p>Time: from 9:00 a.m. to 1:00 p.m. on Friday, May 23, 2025 (Hong Kong time)</p> <p>If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.</p> <p>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.</p> <p>Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.</p>	<p>H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account</p> <p>No action by you is required</p>

HOW TO APPLY FOR HONG KONG OFFER SHARES

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post on Thursday, May 22, 2025 at your own risk.	
Refund mechanism for surplus application monies paid by you		
Date	Friday, May 23, 2025	Subject to the arrangement between you and your broker or custodian.
Responsible party . .	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

-
1. Except in the event of any Severe Weather Signals (defined below) in force in Hong Kong in the morning on Thursday, May 22, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may see “—E. Severe Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, May 20, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

(collectively, “Severe Weather Signals”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, May 20, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next Business Day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.hengrui.com of the revised timetable.

If a **Severe** Weather Signal is hoisted on Thursday, May 22, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository’s service counter so that they would be available for trading on Friday, May 23, 2025.

If a **Severe** Weather Signal is hoisted on Thursday, May 22, 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Thursday, May 22, 2025 or on Friday, May 23, 2025).

If a **Severe** Weather Signal is hoisted on Friday, May 23, 2025, for application of 1,000,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar’s office after the Severe Weather Signal is lowered or canceled (e.g. in the afternoon of Friday, May 23, 2025 or on Monday, May 26, 2025).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU HENGRUI PHARMACEUTICALS CO., LTD., MORGAN STANLEY ASIA LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-76, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2022, 2023 and 2024 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-76 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated May 15, 2025 (the "Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2022, 2023 and 2024 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young*Certified Public Accountants*

Hong Kong

May 15, 2025

I HISTORICAL FINANCIAL INFORMATION**PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	5	21,275,271	22,819,785	27,984,605
Cost of sales		<u>(3,486,639)</u>	<u>(3,525,248)</u>	<u>(3,848,177)</u>
Gross profit		17,788,632	19,294,537	24,136,428
Other income and gains	5	1,371,215	1,033,784	1,174,630
Selling and distribution expenses		(7,347,894)	(7,577,176)	(8,336,069)
Research and development expenses		(4,886,553)	(4,953,887)	(6,582,916)
Administrative expenses		(2,498,159)	(2,644,551)	(2,815,094)
Other expenses	6	(389,262)	(406,996)	(380,149)
Finance costs	8	(6,491)	(5,905)	(5,559)
Share of losses of associates		<u>(62,996)</u>	<u>(72,696)</u>	<u>(21,581)</u>
PROFIT BEFORE TAX	7	3,968,492	4,667,110	7,169,690
Income tax expenses	11	<u>(153,351)</u>	<u>(389,289)</u>	<u>(832,695)</u>
PROFIT FOR THE YEAR		<u>3,815,141</u>	<u>4,277,821</u>	<u>6,336,995</u>
Attributable to:				
Owners of the parent		3,906,374	4,302,436	6,336,527
Non-controlling interests		<u>(91,233)</u>	<u>(24,615)</u>	<u>468</u>
		<u>3,815,141</u>	<u>4,277,821</u>	<u>6,336,995</u>
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY				
EQUITY HOLDERS OF THE				
PARENT				
Basic (RMB)	13	<u>0.61</u>	<u>0.68</u>	<u>1.00</u>
Diluted (RMB)	13	<u>0.61</u>	<u>0.68</u>	<u>1.00</u>

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes</i>			
PROFIT FOR THE YEAR	<u>3,815,141</u>	<u>4,277,821</u>	<u>6,336,995</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(expense)			
that may be reclassified to profit or			
loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of			
foreign operations	<u>15,869</u>	<u>17,841</u>	<u>(624)</u>
OTHER COMPREHENSIVE			
INCOME/(EXPENSE) FOR THE			
YEAR, NET OF TAX	<u>15,869</u>	<u>17,841</u>	<u>(624)</u>
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR	<u>3,831,010</u>	<u>4,295,662</u>	<u>6,336,371</u>
Attributable to:			
Owners of the parent	3,921,145	4,318,530	6,334,175
Non-controlling interests	<u>(90,135)</u>	<u>(22,868)</u>	<u>2,196</u>
	<u>3,831,010</u>	<u>4,295,662</u>	<u>6,336,371</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	December 31,		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	14	6,947,491	6,888,464	7,094,142
Intangible assets	15	1,730,679	2,917,808	4,556,283
Right-of-use assets	16	569,631	535,527	582,246
Investments in associates	17	767,862	694,991	666,354
Other non-current assets	18	442,550	383,298	479,107
Financial assets at fair value through profit or loss ("FVTPL")	22	739,711	756,391	1,065,411
Deferred tax assets	27	238,897	320,556	377,174
Total non-current assets		<u>11,436,821</u>	<u>12,497,035</u>	<u>14,820,717</u>
CURRENT ASSETS				
Inventories	19	2,450,575	2,314,026	2,417,119
Trade and bills receivables	20	8,341,471	6,134,907	6,159,470
Prepayments, other receivables and other assets	21	2,270,834	1,993,384	1,649,088
Financial assets at FVTPL	22	2,760,494	99,050	273,345
Pledged deposits and restricted cash . .	23	250	–	13,430
Cash and bank balances	23	15,110,430	20,746,105	24,802,475
Total current assets		<u>30,934,054</u>	<u>31,287,472</u>	<u>35,314,927</u>
CURRENT LIABILITIES				
Trade and other payables	24	2,187,171	2,296,285	3,230,864
Interest-bearing borrowings	26	1,260,943	–	–
Income tax payables		4,030	59,284	242,938
Contract liabilities	25	187,075	198,091	159,793
Total current liabilities		<u>3,639,219</u>	<u>2,553,660</u>	<u>3,633,595</u>
NET CURRENT ASSETS		<u>27,294,835</u>	<u>28,733,812</u>	<u>31,681,332</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>38,731,656</u>	<u>41,230,847</u>	<u>46,502,049</u>

	<i>Notes</i>	December 31,		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES				
Lease liabilities	<i>16</i>	98,861	75,176	69,036
Deferred income		119,440	38,950	225,650
Deferred tax liabilities	<i>27</i>	100,447	83,635	117,112
Total non-current liabilities		<u>318,748</u>	<u>197,761</u>	<u>411,798</u>
Net assets		<u><u>38,412,908</u></u>	<u><u>41,033,086</u></u>	<u><u>46,090,251</u></u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	<i>28</i>	6,379,002	6,379,002	6,379,002
Treasury shares	<i>28</i>	(398,028)	(1,091,851)	(1,228,624)
Reserves	<i>29</i>	31,842,586	35,178,644	40,369,484
		37,823,560	40,465,795	45,519,862
Non-controlling interests		<u>589,348</u>	<u>567,291</u>	<u>570,389</u>
Total equity		<u><u>38,412,908</u></u>	<u><u>41,033,086</u></u>	<u><u>46,090,251</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2022

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	
At January 1, 2022	6,396,012	(664,935)	3,217,434	126,592	3,054,743	22,872,798	35,002,644	568,847	35,571,491
Profit for the year	-	-	-	-	-	3,906,374	3,906,374	(91,233)	3,815,141
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	14,771	-	-	14,771	1,098	15,869
Total comprehensive income for the year	-	-	-	14,771	-	3,906,374	3,921,145	(90,135)	3,831,010
Final 2021 dividend declared and paid	-	-	-	-	-	(1,020,466)	(1,020,466)	-	(1,020,466)
Appropriation to statutory surplus reserve	-	-	-	-	244,169	(244,169)	-	-	-
Capital injections from non-controlling shareholders of subsidiaries	-	-	-	274,902	-	-	274,902	103,961	378,863
Repurchase and cancellation of restricted A shares	(17,010)	664,935	(650,760)	-	-	5,670	2,835	-	2,835
Repurchase of shares under A share stock ownership schemes	-	(398,028)	-	-	-	-	(398,028)	-	(398,028)
Recognition of equity-settled share-based payments (note 30)	-	-	-	32,061	-	-	32,061	-	32,061
Others**	-	-	-	8,467	-	-	8,467	6,675	15,142
At December 31, 2022	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560	589,348	38,412,908

Year ended December 31, 2023

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total		
	RMB'000 (note 28)	RMB'000 (note 28)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000 (note 29)	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	6,379,002	(398,028)	2,566,674	456,793	3,298,912	25,520,207	37,823,560	589,348	38,412,908
Profit for the year	-	-	-	-	-	4,302,436	4,302,436	(24,615)	4,277,821
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	16,094	-	-	16,094	1,747	17,841
Total comprehensive income for the year	-	-	-	16,094	-	4,302,436	4,318,530	(22,868)	4,295,662
Final 2022 dividend declared and paid	-	-	-	-	-	(1,019,873)	(1,019,873)	-	(1,019,873)
Shares under A share stock ownership schemes vested (note 30)	-	133,442	72,087	(185,534)	-	-	19,995	-	19,995
Repurchase of shares under A share stock ownership schemes	-	(827,265)	-	-	-	-	(827,265)	-	(827,265)
Recognition of equity-settled share-based payments (note 30)	-	-	-	165,848	-	-	165,848	811	166,659
Others**	-	-	-	(15,000)	-	-	(15,000)	-	(15,000)
At December 31, 2023	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795	567,291	41,033,086

Year ended December 31, 2024

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Share premium*	Other reserves*	Surplus reserve*	Retained profits*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2024	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795	567,291	41,033,086
Profit for the year	-	-	-	-	-	6,336,527	6,336,527	468	6,336,995
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	(2,352)	-	-	(2,352)	1,728	(624)
Total comprehensive income for the year	-	-	-	(2,352)	-	6,336,527	6,334,175	2,196	6,336,371
Final 2023 dividend declared and paid	-	-	-	-	-	(1,273,768)	(1,273,768)	-	(1,273,768)
Shares under A share stock ownership schemes vested	-	-	-	-	-	-	-	-	-
(note 30)	-	91,653	(12,013)	(65,907)	-	-	13,733	-	13,733
Repurchase of shares under A share stock ownership schemes	-	(228,426)	-	-	-	-	(228,426)	-	(228,426)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-
(note 30)	-	-	-	208,353	-	-	208,353	902	209,255
At 31 December 2024	6,379,002	(1,228,624)	2,626,748	578,295	3,298,912	33,865,529	45,519,862	570,389	46,090,251

* These reserve accounts comprised the consolidated other reserves of RMB31,842,586,000, RMB35,178,644,000, and RMB40,369,484,000 in the consolidated statement of financial position at the end of each of the Relevant Periods, respectively.

** Others mainly represented the impact on equity resulted from the disposal and deemed disposal of subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		3,968,492	4,667,110	7,169,690
Adjustments for:				
Finance costs	8	6,491	5,905	5,559
Share of losses of associates		62,996	72,696	21,581
Dividends received from financial assets at FVTPL	5	(9,028)	(8,813)	(37,017)
Loss on disposal of property, plant and equipment	7	2,203	12,430	7,113
Depreciation of property, plant and equipment	7	579,258	717,721	749,811
Amortization of intangible assets	7	10,919	26,354	55,237
Equity-settled share-based payment expense	30	32,061	166,659	209,255
Impairment loss recognized on non-financial assets	6/7	146,684	107,217	32,538
Depreciation of right-of-use assets	7	50,334	49,862	65,771
Gain on termination of lease contracts		(6,435)	(9,378)	(7,566)
Gain on financial assets at FVTPL	5	(230,903)	(28,262)	(117,062)
Gain on disposal of subsidiaries	5	(30,916)	–	–
Gain on deemed disposal of subsidiaries	5	(325,986)	–	–
Impairment losses under expected credit loss model, net of reversal	6/7	26,284	(17,254)	(28,997)
Revenue from non-cash consideration	32(a)	–	–	(354,116)
Net foreign exchange (gain)/loss		(68,170)	2,321	(10,449)
		<u>4,214,284</u>	<u>5,764,568</u>	<u>7,761,348</u>

	<i>Notes</i>	Year ended December 31,		
		2022	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Increase)/decrease in other non-current assets		(49,057)	13,518	49,057
Increase in trade and bills receivables		(4,339,116)	(436,411)	(3,208,010)
Decrease/(increase) in pledged deposits		23,457	250	(3,852)
(Increase)/decrease in prepayments, other receivables and other assets		(184,349)	362,349	255,834
(Increase)/decrease in inventories		(52,677)	129,106	(135,631)
Increase in trade and other payables		1,875,579	2,342,965	3,227,787
(Decrease)/increase in contract liabilities		(32,479)	11,016	(38,298)
Increase/(decrease) in deferred income		2,920	(111,190)	186,700
Cash generated from operations		1,458,562	8,076,171	8,094,935
Income tax paid		(193,297)	(432,506)	(672,182)
Net cash flows from operating activities		1,265,265	7,643,665	7,422,753
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received from financial assets at FVTPL		9,028	8,813	37,017
Dividends received from an associate		162	175	7,056
Proceeds from disposal of items of property, plant and equipment		20,211	20,183	21,902
Proceeds from disposal of subsidiaries	31	36,045	–	–
Purchases of items of property, plant and equipment		(379,582)	(270,308)	(196,288)
Purchase of land use right		(53,045)	–	(27,102)
Additions to other intangible assets		(1,559,547)	(1,213,483)	(1,745,808)
Capital injection in an associate		(303,000)	–	–
Purchases of financial assets at FVTPL		(7,589,647)	(17,086)	(622,680)
Proceeds from disposal of financial assets at FVTPL		10,209,666	2,694,020	613,917
Net cash flows from/(used in) investing activities		390,291	1,222,314	(1,911,986)

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
New borrowings		1,260,000	21,100	799,909
Proceeds from borrowings from third parties	24	159,992	–	–
Capital injections from non-controlling shareholders of subsidiaries		378,863	–	–
Payments for repurchase of shares for A share incentive scheme		(398,028)	(827,265)	(228,426)
Payments for repurchase of restricted A shares		(667,770)	–	–
Interest paid to borrowings		–	(2,955)	(1,020)
Repayment of lease liabilities	16	(36,285)	(34,335)	(47,375)
Dividends paid		(1,015,543)	(1,019,873)	(1,273,768)
Repayment of borrowings		–	(1,281,100)	(799,909)
Net cash flows used in financing activities		<u>(318,771)</u>	<u>(3,144,428)</u>	<u>(1,550,589)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		13,120,156	14,537,437	20,271,524
Effect of foreign exchange rate changes, net		80,496	12,536	7,400
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>14,537,437</u>	<u>20,271,524</u>	<u>24,239,102</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents		14,537,437	20,271,524	24,239,102
Interest receivable		572,993	474,581	563,373
Cash and bank balances as stated in the consolidated statements of financial position		<u>15,110,430</u>	<u>20,746,105</u>	<u>24,802,475</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	2,345,616	2,128,529	2,079,374
Intangible assets	15	1,381,850	2,334,458	3,665,564
Right-of-use assets	16	54,291	52,705	51,104
Investments in associates	17	661,117	614,746	586,362
Investments in subsidiaries	1	4,323,703	4,714,340	5,016,222
Other non-current assets	18	132,983	61,313	38,938
Financial assets at FVTPL	22	590,676	607,652	922,525
Deferred tax assets	27	41,590	43,353	39,501
Total non-current assets		<u>9,531,826</u>	<u>10,557,096</u>	<u>12,399,590</u>
CURRENT ASSETS				
Inventories	19	1,585,151	1,499,146	1,564,983
Trade and bills receivables	20	5,361,802	4,255,046	4,090,097
Prepayments, other receivables and other assets	21	1,680,247	1,234,897	753,114
Financial assets at FVTPL	22	2,681,199	14,124	191,358
Amounts due from subsidiaries	34	5,060,159	3,804,791	5,021,382
Cash and bank balances	23	13,329,563	19,728,155	23,202,185
Total current assets		<u>29,698,121</u>	<u>30,536,159</u>	<u>34,823,119</u>
CURRENT LIABILITIES				
Trade and other payables	24	1,346,591	1,529,397	2,143,877
Interest-bearing borrowings	26	1,260,943	–	–
Income tax payables		–	–	81,738
Amounts due to subsidiaries	34	3,058,652	3,548,237	3,989,192
Contract liabilities	25	28,951	8,796	40,040
Total current liabilities		<u>5,695,137</u>	<u>5,086,430</u>	<u>6,254,847</u>
NET CURRENT ASSETS		<u>24,002,984</u>	<u>25,449,729</u>	<u>28,568,272</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,534,810</u>	<u>36,006,825</u>	<u>40,967,862</u>
NON-CURRENT LIABILITIES				
Deferred income		49,970	5,000	25,998
Deferred tax liabilities	27	45,347	39,493	71,664
Total non-current liabilities		<u>95,317</u>	<u>44,493</u>	<u>97,662</u>
Net assets		<u>33,439,493</u>	<u>35,962,332</u>	<u>40,870,200</u>
EQUITY				
Share capital	28	6,379,002	6,379,002	6,379,002
Treasury shares	28	(398,028)	(1,091,851)	(1,228,624)
Reserves	29	27,458,519	30,675,181	35,719,822
Total equity		<u>33,439,493</u>	<u>35,962,332</u>	<u>40,870,200</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Jiangsu Hengrui Pharmaceutical Co., Ltd. (the “Company”) is a joint stock company with limited liability established in Lianyungang, Jiangsu, People’s Republic of China (the “PRC”) on April 28, 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) on October 18, 2000. The registered office address of the Company is No. 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang, Jiangsu, the Mainland China.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) was principally engaged in the research and development, manufacture and sale of pharmaceutical products.

As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries as below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangsu Kexin Pharmaceutical Sales Co., Ltd. 江蘇科信醫藥銷售有限公司 (note (a))* (Jiangsu Kexin) . . .	Mainland China September 13, 2004	RMB10,000,000	–	100%	Sale of pharmaceutical products
Shanghai Hengrui Pharmaceuticals Co., Ltd. 上海恒瑞醫藥有限公司 (note (a))* (Shanghai Hengrui) .	Mainland China December 4, 2001	RMB72,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Shanghai Shengdi Pharmaceutical Co., Ltd. 上海盛迪醫藥有限公司 (note (a))* (Shanghai Shengdi) .	Mainland China April 28, 2014	RMB250,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Suzhou Suncadia Biopharmaceuticals Biomedicine Co., Ltd. 蘇州盛迪亞生物醫藥有限公司 (note (a))* (Suzhou Suncadia) . .	Mainland China September 1, 2015	RMB100,000,000	100%	–	Research and development, manufacturing and sale of pharmaceutical products
Chengdu Suncadia Medicine Co., Ltd. 成都盛迪醫藥有限公司 (note (a))* (Chengdu Suncadia) .	Mainland China March 23, 2011	RMB822,664,900	95.93%	–	Research and development, manufacturing and sale of pharmaceutical products

Notes:

- (a) The statutory financial statements of these entities for the years ended December 31, 2022 and 2023 prepared in accordance with the Generally Accepted Accounting Principles in PRC (“PRC GAAP”) were audited by Suya Jincheng Certified Public Accountants LLP (蘇亞金誠會計師事務所(特殊普通合夥)), certified public accountants registered in the Mainland China.

- * The English names of these companies registered in the Mainland China represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

The Company

The carrying amounts of the Company's investments in subsidiaries are as follows:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment, at cost	4,323,703	4,558,120	4,694,269
Deemed investment arising from share-based payments	–	156,220	321,953
Total	<u>4,323,703</u>	<u>4,714,340</u>	<u>5,016,222</u>

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations as issued by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual/reporting periods beginning on or after January 1, 2027

⁴ No mandatory effective date yet determined but available for adoption

The application of IFRS 18 will have no impact on the consolidated statements of financial position of the Group, but will have impact on the presentation of the consolidated statements of profit or loss and other comprehensive income. Except for IFRS 18, the directors of the Company anticipate that the application of these new and revised IFRS Accounting Standards will have no material impact on the Group's financial performance and financial position in the foreseeable future.

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of an associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's investment in the associate, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, contract costs, deferred tax assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis or sum-of-the-years basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	Shorter of the remaining lease terms and estimated useful lives
Buildings	20 years
Electronic devices and others	3 to 5 years
Machinery	10 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets with indefinite useful lives or intangible assets not yet available for use are tested for impairment annually or more frequently if indicators of impairment exist. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Acquired software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These software licenses are stated at cost less any impairment losses and amortized over their estimated useful lives of 3 to 5 years.

Research and development expenditure

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Capitalized development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant, offices and laboratories	2 to 10 years
Leasehold land	42 to 50 years

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are generally recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes wealth management products and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at FVOCI, the Group applies the low credit risk simplification. At the end of each of the Relevant Periods, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group’s policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the end of each of the Relevant Periods (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Drug sales

Revenue from the drug sales is recognized at the point in time when the Group transfer the controls of goods at a point in time and has rights to payment from the customers upon acceptance by the customers or delivery of the products.

(b) Licensing revenue

The Group's licensing revenue may contain more than one performance obligation, including grants of licenses to the intellectual property rights, agreement to provide research and development services and other deliverables. As part of the accounting for these arrangements, the Group must develop assumptions that require judgement to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Licenses of intellectual property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is reasonably able to use and benefit from the licensee.

Options to license intellectual property: Upfront non-refundable payments for options to license the Group's intellectual property are evaluated to determine if the option represents a material right and is distinct from the other performance obligations identified in the arrangement. For options determined to be a material right and distinct, the Group defers the non-refundable up-front fees allocated to the option and recognized revenues at a point in time, at the earlier of when the option is exercised and when those future goods or services are transferred or when the option period expires.

Milestone payments: At the inception of each arrangement that includes development milestone payments, the Group evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Group will assess whether the variable consideration is fully constrained in each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to the constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty of the approval process. Regulatory milestones are included in the transaction price in the period in which regulatory approval is obtained.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant. Further details are included in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

The dilutive effect of outstanding restricted shares is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Company and the subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Research and development expenses

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 20 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Indefinite life intangible assets or intangible assets not yet available for use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Assessment of useful lives of capitalized development costs

In assessing the estimated useful lives of capitalized development costs when the products are put into commercial production, the Group takes into account factors such as expected life span of the underlying pharmaceutical products based on past experience or from a change in the market demand for the products. The estimation of the useful lives is based on the experience of management.

Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation and amortization charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

Fair value measurement for unlisted investments

The Group made unlisted investments in a wide variety of companies and those investments are accounted for as financial assets at fair value through profit or loss. The fair values of those investments are determined using valuation techniques and the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods. Further details are included in note 36. Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair values of these financial assets.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is research and development, manufacture and sale of pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China	20,485,862	21,911,462	24,517,344
Other countries/regions	789,409	908,323	3,467,261
Total revenue	<u>21,275,271</u>	<u>22,819,785</u>	<u>27,984,605</u>

(b) Non-current assets

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mainland China	10,385,880	11,398,661	13,366,915
Other countries/regions	72,333	21,427	11,217
Total non-current assets	<u>10,458,213</u>	<u>11,420,088</u>	<u>13,378,132</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from each major customer, including revenue from a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Customer A	6,126,479	6,784,475	7,494,799
Customer B	2,659,723	3,150,785	3,444,493
Customer C	2,335,017	2,498,094	2,927,688

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	<u>21,275,271</u>	<u>22,819,785</u>	<u>27,984,605</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Drug sales	21,213,026	22,377,188	25,009,582
Licensing revenue	6,442	268,371	2,700,433
Others	55,803	174,226	274,590
Total	<u>21,275,271</u>	<u>22,819,785</u>	<u>27,984,605</u>
Geographical markets			
Mainland China	20,485,862	21,911,462	24,517,344
Other countries/regions	789,409	908,323	3,467,261
Total	<u>21,275,271</u>	<u>22,819,785</u>	<u>27,984,605</u>
Timing of revenue recognition			
At a point in time	21,254,161	22,803,807	27,955,567
Over time	21,110	15,978	29,038
Total	<u>21,275,271</u>	<u>22,819,785</u>	<u>27,984,605</u>

The following table shows the amounts of revenue recognized in the current Relevant Periods, that were included in the contract liabilities at the beginning of the Relevant Periods and recognized from performance obligations satisfied in previous periods:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at the beginning of the year:			
Drug sales	219,554	187,075	198,091
Total	<u>219,554</u>	<u>187,075</u>	<u>198,091</u>

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Drug sales

The performance obligation is satisfied upon acceptance by the customers or delivery of the products. Payment is generally due within 30 to 90 days from the invoice date.

Licensing revenue

During the Relevant Periods, the Group entered into multiple license agreements with third parties (the "Licensees"), pursuant to which the Licensees shall obtain exclusive licenses for developing, manufacture, and commercializing certain innovative therapies developed by the Group in certain territories. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied on acceptance of a good or a service. The Group usually receives non-refundable upfront payments in accordance with license agreements and is eligible to receive milestone payments and tiered royalty payments based on net sales in the territories.

The management of the Group expects the transaction price (not include variable consideration) allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each of the Relevant Periods will be recognised within one year from the end of the respective periods.

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other income			
Bank interest income	385,275	477,143	603,277
Government grants income*	287,401	498,486	394,266
Dividend income from equity investments at FVTPL	9,028	8,813	37,017
Total other income	681,704	984,442	1,034,560
Gains			
Gain on financial assets at FVTPL	230,903	28,262	117,062
Foreign exchange gains, net	93,188	7,902	–
Gain on disposal of subsidiaries (<i>note 31</i>)	30,916	–	–
Gain on deemed disposal of subsidiaries (<i>note 31</i>)	325,986	–	–
Others	8,518	13,178	23,008
Total gains	689,511	49,342	140,070
Total other income and Gains	1,371,215	1,033,784	1,174,630

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Donations	142,268	231,743	323,216
Foreign exchange losses, net	–	–	24,045
Impairment losses under expected credit loss model, net of reversal	26,284	(17,254)	(28,997)
Discount on derecognition of bills receivables . .	69,971	71,793	19,589
Loss on disposal of items of property, plant and equipment	2,203	12,430	7,113
Impairment loss recognized on non-financial assets	146,684	107,217	32,538
Others	1,852	1,067	2,645
Total other expenses	389,262	406,996	380,149

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,		
		2022	2023	2024
		RMB'000	RMB'000	RMB'000
Cost of inventories sold*		3,459,725	3,461,716	3,736,881
Depreciation of property, plant and equipment	14	579,258	717,721	749,811
Amortization of intangible assets	15	10,919	26,354	55,237
Depreciation of right-of-use assets	16	50,334	49,862	65,771
Loss on disposal of items of property, plant and equipment	6	2,203	12,430	7,113
Donations	6	142,268	231,743	323,216
Lease payments not included in the measurement of lease liabilities	16(c)	4,388	30,838	107,814
Gain on financial assets at FVTPL	5	(230,903)	(28,262)	(117,062)
Bank interest income	5	(385,275)	(477,143)	(603,277)
Government grants income	5	(287,401)	(498,486)	(394,266)
Foreign exchange (gains)/losses, net	5/6	(93,188)	(7,902)	24,045
Dividend income from equity investments at FVTPL	5	(9,028)	(8,813)	(37,017)
Gain on deemed disposal of subsidiaries	5	(325,986)	–	–
Gain on disposal of subsidiaries	5	(30,916)	–	–
Discount on derecognition of bills receivables	6	69,971	71,793	19,589
Impairment losses recognized on non-financial assets	6	146,684	107,217	32,538
Impairment losses under expected credit model, net of reversal	6	26,284	(17,254)	(28,997)
Listing expenses		–	–	104
Auditor's remuneration		1,585	1,566	1,585
Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration (note 9))				
– Salaries, bonuses, allowances and benefits in kind		5,495,410	5,183,067	5,546,298
– Pension scheme contributions		592,118	544,154	596,691
– Equity-settled Share-based payments expenses		31,247	159,175	199,790
Total employee benefits expenses		6,118,775	5,886,396	6,342,779

* The "Cost of inventories sold" amount includes the following expenses which are also included in the respective total amounts of the items disclosed above.

Amortization of intangible assets
 Depreciation of property, plant and equipment
 Depreciation of right-of-use assets
 Employee benefit expenses (excluding directors', supervisors' and chief executive's remuneration)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on borrowings	943	1,633	1,020
Interest on lease liabilities (note 16)	5,548	4,272	4,539
Total	6,491	5,905	5,559

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration as recorded during the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fees	300	200	200
Other emoluments:			
Salaries, bonuses, allowances and benefits in kind	10,003	15,630	19,669
Pension scheme contributions	84	112	148
Equity-settled share-based payment expenses	814	7,484	9,465
Subtotal	10,901	23,226	29,282
Total	11,201	23,426	29,482

During the Relevant Periods, certain shares under A share stock ownership schemes were granted to Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun, Mr. Sun Jieping, Mr. Yuan Kaihong, and Ms. Xu Yu, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Mr. Dong Jiahong	100	–	–
Mr. Zeng Qingsheng	–	100	100
Mr. Sun Jinyun	–	100	100
Mr. Wang Qian	100	–	–
Ms. Xue Shuang	100	–	–
Total	300	200	200

Mr. Dong Jiahong was appointed as the independent non-executive director of the Company since May 2021. Mr. Wang Qian and Ms. Xue Shuang were appointed as the independent non-executive directors of the Company since May 2016, and resigned as the independent non-executive directors of the Company with effect from February 2023. Mr. Zeng Qingsheng and Mr. Sun Jinyun were appointed as the independent non-executive directors of the Company from February 2023.

(b) Directors, supervisors and the chief executives

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2022					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	–	1,624	–	–	1,624
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	–	2,338	20	344	2,702
Mr. Zhang Lianshan (<i>note (iii)</i>)	–	3,097	–	287	3,384
Mr. Sun Jieping (<i>note (v)</i>)	–	2,324	31	172	2,527
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>)	–	–	–	–	–
Supervisors:					
Mr. Xiong Guoqiang (<i>note (viii)</i>)	–	–	–	–	–
Ms. Xu Yu (<i>note (ix)</i>)	–	302	23	11	336
Mr. Dong Wei (<i>note (x)</i>)	–	–	–	–	–
Mr. Li Peichen (<i>note (xi)</i>)	–	318	10	–	328
Total	–	10,003	84	814	10,901

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2023					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	–	1,623	–	–	1,623
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	–	3,795	26	2,018	5,839
Mr. Zhang Lianshan (<i>note (iii)</i>)	–	3,335	–	1,682	5,017
Mr. Jiang Frank Ningjun (<i>note (iv)</i>)	–	2,339	–	2,035	4,374
Mr. Sun Jieping (<i>note (v)</i>)	–	2,325	30	1,010	3,365
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>)	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong (<i>note (vii)</i>)	–	1,867	31	672	2,570
Mr. Xiong Guoqiang (<i>note (viii)</i>)	–	–	–	–	–
Ms. Xu Yu (<i>note (ix)</i>)	–	346	25	67	438
Mr. Dong Wei (<i>note (x)</i>)	–	–	–	–	–
Total	–	15,630	112	7,484	23,226

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended December 31, 2024					
Director and chairman of the Board:					
Mr. Sun Piaoyang (<i>note (i)</i>)	–	1,653	–	–	1,653
Directors and executives:					
Mr. Dai Hongbin (<i>note (ii)</i>)	–	4,842	35	2,556	7,433
Mr. Zhang Lianshan (<i>note (iii)</i>)	–	3,900	–	2,151	6,051
Mr. Jiang Frank Ningjun (<i>note (iv)</i>)	–	4,253	–	2,531	6,784
Mr. Sun Jieping (<i>note (v)</i>)	–	2,450	30	1,344	3,824
Director:					
Ms. Guo Congzhao (<i>note (vi)</i>)	–	–	–	–	–
Supervisors:					
Mr. Yuan Kaihong (<i>note (vii)</i>)	–	1,892	34	803	2,729
Mr. Xiong Guoqiang (<i>note (viii)</i>)	–	325	20	–	345
Ms. Xu Yu (<i>note (ix)</i>)	–	354	29	80	463
Total	–	19,669	148	9,465	29,282

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods, except that the director's fee of Dong Jiahong for 2023 and 2024 were waived with his authorisation.

Notes:

- (i) Mr. Sun Piaoyang was appointed as the director of the Company since April 1997 and the chairman of the Board with effect from August 2021.
- (ii) Mr. Dai Hongbin was appointed as the director of the Company with effect from January 2020 and the general manager (president) from May 2022 to April 2025.
- (iii) Mr. Zhang Lianshan was appointed as the director of the Company with effect from April 2012.
- (iv) Mr. Jiang Frank Ningjun was appointed as the director of the Company with effect from February 2023.
- (v) Mr. Sun Jieping was appointed as the director of the Company with effect from January 2020.
- (vi) Ms. Guo Congzhao was appointed as the director of the Company with effect from January 2020.
- (vii) Mr. Yuan Kaihong was appointed as the supervisor of the Company with effect from February 2023.
- (viii) Mr. Xiong Guoqiang was appointed as the supervisor of the Company with effect from April 2010.
- (ix) Ms. Xu Yu was appointed as the supervisor of the Company with effect from July 2022.
- (x) Mr. Dong Wei was appointed as the supervisor of the Company with effect from December 2003 and resigned as the supervisor with effective from February 2023.
- (xi) Mr. Li Peichen was appointed as the supervisor of the Company with effect from April 2013 and resigned as the supervisor with effective from July 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 1, 3, and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 4, 2 and 2 highest paid employees who were neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	11,544	4,767	6,031
Pension scheme contributions	37	–	–
Equity-settled share-based payment expenses	230	2,692	3,494
Total	11,811	7,459	9,525

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2022	2023	2024
HK\$3,000,001 to HK\$3,500,000	3	–	–
HK\$3,500,001 to HK\$4,000,000	1	–	–
HK\$4,000,001 to HK\$4,500,000	–	2	–
HK\$4,500,001 to HK\$5,000,000	–	–	2
Total	4	2	2

During the Relevant Periods, certain shares under A share stock ownership schemes were granted to 1, 2 and 2 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 30 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

The Company, Chengdu Suncadia, Shanghai Senhui Pharmaceutical Co., Ltd. (“上海森輝醫藥有限公司”), Fujian Shengdi Pharmaceutical Co., Ltd. (“福建盛迪醫藥有限公司”), Shanghai Hengrui, Shanghai Shengdi, Tianjin Hengrui Pharmaceutical Co., Ltd. (“天津恒瑞醫藥有限公司”), Chengdu Xinyue Pharmaceutical Co., Ltd. (“成都新越醫藥有限公司”) and Suzhou Suncadia were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate from 2022 to 2024.

Shandong Suncadia Medicine Co., Ltd. (“山東盛迪醫藥有限公司”) and Jiangsu Original Drug Research and Development Co., Ltd. (“江蘇原創藥物研發有限公司”) were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2023 to 2025.

In addition, pursuant to Caishui [2020] No. 31 “Notice of Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port (關於海南自由貿易港企業所得稅優惠政策的通知), as for the subsidiary of the Company, Hainan Hengrui Pharmaceutical Co., Ltd. (“海南恒瑞醫藥有限公司”), which is incorporated in Hainan Free Trade Port and engaged in stipulated encouraged business, are permitted to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification requirements until December 31, 2024.

United States

The subsidiaries incorporated in United States are subject to statutory federal corporate income tax at a rate of 21%. They are also subject to the state income tax which generally ranges from 1% to 10%.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at December 31, 2024 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the year ended December 31, 2024. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group should benefit from the transitional safe harbour for most of the jurisdictions in which the Group operates. As such, the Group does not expect to have any material Pillar Two exposure (including current tax) arising in these jurisdictions during the year ended December 31, 2024.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current income tax	175,596	487,760	855,836
Deferred income tax	(22,245)	(98,471)	(23,141)
Total	<u>153,351</u>	<u>389,289</u>	<u>832,695</u>

A reconciliation of the tax expense applicable to profit before tax at the preferential tax rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before tax	3,968,492	4,667,110	7,169,690
Tax at the preferential tax rate of 15%	595,274	700,066	1,075,453
Different tax rates enacted by local authorities	35,121	(90,173)	(51,755)
Adjustments in respect of current income tax of previous periods	1,631	60,912	29,205
Expenses not deductible for tax	6,391	212,192	452,247
Additional deductible allowance for qualified research and development costs	(548,070)	(601,220)	(828,163)
Tax losses not recognized	75,087	107,512	155,708
Tax losses utilized from previous periods	(12,083)	–	–
Tax charge at the Group's effective rate	<u>153,351</u>	<u>389,289</u>	<u>832,695</u>

12. DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Final dividends in respect of the previous year, declared or paid during the year (tax inclusive)	1,020,466	1,019,873	1,273,768

The final dividends of RMB1.6, RMB1.6 and RMB2.0 (inclusive of tax) for every 10 ordinary shares to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the years ended December 31, 2021, 2022 and 2023 were approved by the Annual General Meeting of the Company.

In March 2025, the Board proposed the cash dividend of RMB1,275,450,000 to holders of the Company's A shares on the relevant record date, which was approved by shareholders of the Company on April 28, 2025.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the expected vested shares under A share stock ownership schemes, and the weighted average number of ordinary shares outstanding (excluding treasury shares) during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares arising from A share stock ownership schemes into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,906,374	4,302,436	6,336,527
Less: Cash dividends distributed to the expected vested shares under A share stock ownership schemes.	(1,742)	(3,416)	(5,078)
Adjusted profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	3,904,632	4,299,020	6,331,449
Cash dividends distributed to the expected vested shares under A share stock ownership schemes.	1,742	3,416	5,078
Adjusted profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	3,906,374	4,302,436	6,336,527

	Year ended December 31,		
	2022	2023	2024
Shares			
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	6,375,564,484	6,357,765,527	6,350,096,645
Effect of dilution – potential ordinary shares arising from A share stock ownership schemes	187,581	5,042,440	7,035,954
Total	<u>6,375,752,065</u>	<u>6,362,807,967</u>	<u>6,357,132,599</u>

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2022							
At 1 January 2022							
Cost	2,699,607	186,684	4,788,745	144,808	326,552	1,659,022	9,805,418
Accumulated depreciation	(638,557)	(130,972)	(2,467,331)	(120,113)	(17,159)	–	(3,374,132)
Net carrying amount	<u>2,061,050</u>	<u>55,712</u>	<u>2,321,414</u>	<u>24,695</u>	<u>309,393</u>	<u>1,659,022</u>	<u>6,431,286</u>
At January 1, 2022, net of accumulated depreciation and impairment							
	2,061,050	55,712	2,321,414	24,695	309,393	1,659,022	6,431,286
Additions	41,677	16,073	498,943	534	127,449	535,260	1,219,936
Transfers	841,595	11,802	147,300	387	–	(1,001,084)	–
Depreciation provided during the year	(136,000)	(21,197)	(352,744)	(7,481)	(61,836)	–	(579,258)
Disposals	–	(323)	(34,315)	(509)	–	–	(35,147)
Disposals of subsidiaries	(41,341)	(3,241)	(40,873)	–	(3,871)	–	(89,326)
At December 31, 2022, net of accumulated depreciation							
	<u>2,766,981</u>	<u>58,826</u>	<u>2,539,725</u>	<u>17,626</u>	<u>371,135</u>	<u>1,193,198</u>	<u>6,947,491</u>
At 31 December 2022							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	(773,723)	(149,828)	(2,802,742)	(115,264)	(78,994)	–	(3,920,551)
Net carrying amount	<u>2,766,981</u>	<u>58,826</u>	<u>2,539,725</u>	<u>17,626</u>	<u>371,135</u>	<u>1,193,198</u>	<u>6,947,491</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2023							
At January 1, 2023							
Cost	3,540,704	208,654	5,342,467	132,890	450,129	1,193,198	10,868,042
Accumulated depreciation	<u>(773,723)</u>	<u>(149,828)</u>	<u>(2,802,742)</u>	<u>(115,264)</u>	<u>(78,994)</u>	<u>–</u>	<u>(3,920,551)</u>
Net carrying amount	<u>2,766,981</u>	<u>58,826</u>	<u>2,539,725</u>	<u>17,626</u>	<u>371,135</u>	<u>1,193,198</u>	<u>6,947,491</u>
At January 1, 2023, net of accumulated depreciation and impairment							
	2,766,981	58,826	2,539,725	17,626	371,135	1,193,198	6,947,491
Additions	–	26,272	194,966	6,782	54,183	423,255	705,458
Transfers	339,866	1,401	173,342	849	–	(515,458)	–
Depreciation provided during the year	(203,811)	(27,838)	(390,315)	(6,455)	(89,302)	–	(717,721)
Disposals	<u>(21,863)</u>	<u>(259)</u>	<u>(23,151)</u>	<u>(1,491)</u>	<u>–</u>	<u>–</u>	<u>(46,764)</u>
At December 31, 2023, net of accumulated depreciation							
	<u>2,881,173</u>	<u>58,402</u>	<u>2,494,567</u>	<u>17,311</u>	<u>336,016</u>	<u>1,100,995</u>	<u>6,888,464</u>
At December 31, 2023							
Cost	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	<u>(972,600)</u>	<u>(173,491)</u>	<u>(3,125,702)</u>	<u>(99,547)</u>	<u>(168,296)</u>	<u>–</u>	<u>(4,539,636)</u>
Net carrying amount	<u>2,881,173</u>	<u>58,402</u>	<u>2,494,567</u>	<u>17,311</u>	<u>336,016</u>	<u>1,100,995</u>	<u>6,888,464</u>
December 31, 2024							
At 1 January 2024							
Cost	3,853,773	231,893	5,620,269	116,858	504,312	1,100,995	11,428,100
Accumulated depreciation	<u>(972,600)</u>	<u>(173,491)</u>	<u>(3,125,702)</u>	<u>(99,547)</u>	<u>(168,296)</u>	<u>–</u>	<u>(4,539,636)</u>
Net carrying amount	<u>2,881,173</u>	<u>58,402</u>	<u>2,494,567</u>	<u>17,311</u>	<u>336,016</u>	<u>1,100,995</u>	<u>6,888,464</u>
At 1 January 2024, net of accumulated depreciation and impairment							
	2,881,173	58,402	2,494,567	17,311	336,016	1,100,995	6,888,464
Additions	11,417	18,880	59,475	9,519	26,826	859,325	985,442
Transfers	111,656	5,322	148,648	577	6,591	(272,794)	–
Depreciation provided during the year	(179,323)	(19,610)	(449,158)	(6,930)	(94,790)	–	(749,811)
Disposals	(17)	(552)	(26,145)	(2,300)	–	–	(29,014)
Exchange realignment	<u>–</u>	<u>19</u>	<u>(958)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(939)</u>
At December 31, 2024, net of accumulated depreciation							
	<u>2,824,906</u>	<u>62,461</u>	<u>2,226,429</u>	<u>18,177</u>	<u>274,643</u>	<u>1,687,526</u>	<u>7,094,142</u>
At 31 December 2024							
Cost	3,974,560	251,012	5,744,341	108,412	537,729	1,687,526	12,303,580
Accumulated depreciation	<u>(1,149,654)</u>	<u>(188,551)</u>	<u>(3,517,912)</u>	<u>(90,235)</u>	<u>(263,086)</u>	<u>–</u>	<u>(5,209,438)</u>
Net carrying amount	<u>2,824,906</u>	<u>62,461</u>	<u>2,226,429</u>	<u>18,177</u>	<u>274,643</u>	<u>1,687,526</u>	<u>7,094,142</u>

As at December 31, 2024, the Group has not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB1,024,689,000. The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at December 31, 2024.

The Company

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2022						
At 1 January 2022						
Cost	1,334,850	60,631	2,796,979	91,985	314,545	4,598,990
Accumulated depreciation	(427,083)	(42,785)	(1,613,962)	(85,406)	–	(2,169,236)
Net carrying amount	<u>907,767</u>	<u>17,846</u>	<u>1,183,017</u>	<u>6,579</u>	<u>314,545</u>	<u>2,429,754</u>
At January 1, 2022, net of accumulated depreciation						
	907,767	17,846	1,183,017	6,579	314,545	2,429,754
Additions	–	14,021	119,505	174	37,816	171,516
Transfers	241,409	–	5,607	–	(247,016)	–
Depreciation provided during the year	(60,267)	(7,726)	(184,189)	(977)	–	(253,159)
Disposals	–	(34)	(1,968)	(493)	–	(2,495)
At December 31, 2022, net of accumulated depreciation	<u>1,088,909</u>	<u>24,107</u>	<u>1,121,972</u>	<u>5,283</u>	<u>105,345</u>	<u>2,345,616</u>
At 31 December 2022						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount	<u>1,088,909</u>	<u>24,107</u>	<u>1,121,972</u>	<u>5,283</u>	<u>105,345</u>	<u>2,345,616</u>
	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2023						
At 1 January 2023						
Cost	1,576,259	73,185	2,901,019	80,601	105,345	4,736,409
Accumulated depreciation	(487,350)	(49,078)	(1,779,047)	(75,318)	–	(2,390,793)
Net carrying amount	<u>1,088,909</u>	<u>24,107</u>	<u>1,121,972</u>	<u>5,283</u>	<u>105,345</u>	<u>2,345,616</u>
At January 1, 2023, net of accumulated depreciation						
	1,088,909	24,107	1,121,972	5,283	105,345	2,345,616
Additions	–	12,551	23,964	1,237	52,933	90,685
Transfers	102,602	–	51,869	–	(154,471)	–
Depreciation provided during the year	(71,260)	(14,858)	(212,782)	(1,059)	–	(299,959)
Disposals	–	(137)	(6,799)	(877)	–	(7,813)
At December 31, 2023, net of accumulated depreciation	<u>1,120,251</u>	<u>21,663</u>	<u>978,224</u>	<u>4,584</u>	<u>3,807</u>	<u>2,128,529</u>
At 31 December 2023						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount	<u>1,120,251</u>	<u>21,663</u>	<u>978,224</u>	<u>4,584</u>	<u>3,807</u>	<u>2,128,529</u>

	Buildings	Electronic devices and others	Machinery	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2024						
At 1 January 2024						
Cost	1,678,861	85,599	2,970,053	80,961	3,807	4,819,281
Accumulated depreciation	(558,610)	(63,936)	(1,991,829)	(76,377)	–	(2,690,752)
Net carrying amount	<u>1,120,251</u>	<u>21,663</u>	<u>978,224</u>	<u>4,584</u>	<u>3,807</u>	<u>2,128,529</u>
At January 1, 2024, net of accumulated depreciation						
	1,120,251	21,663	978,224	4,584	3,807	2,128,529
Additions	–	10,436	20,246	2,187	196,170	229,039
Transfers	47,486	–	32,789	–	(80,275)	–
Depreciation provided during the year	(76,053)	(9,191)	(186,098)	(1,008)	–	(272,350)
Disposals	(17)	(358)	(3,652)	(1,817)	–	(5,844)
At December 31, 2024, net of accumulated depreciation	<u>1,091,667</u>	<u>22,550</u>	<u>841,509</u>	<u>3,946</u>	<u>119,702</u>	<u>2,079,374</u>
At 31 December 2024						
Cost	1,726,306	91,858	2,942,365	48,796	119,702	4,929,027
Accumulated depreciation	(634,639)	(69,308)	(2,100,856)	(44,850)	–	(2,849,653)
Net carrying amount	<u>1,091,667</u>	<u>22,550</u>	<u>841,509</u>	<u>3,946</u>	<u>119,702</u>	<u>2,079,374</u>

15. INTANGIBLE ASSETS

The Group

	Software	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2022			
At January 1, 2022			
Cost	13,477	262,895	276,372
Accumulated amortization and impairment	(2,508)	(194)	(2,702)
Net carrying amount	<u>10,969</u>	<u>262,701</u>	<u>273,670</u>
At January 1, 2022, net of accumulated amortization and impairment			
	10,969	262,701	273,670
Additions	11,422	1,490,107	1,501,529
Decreases	–	(32,816)	(32,816)
Disposals of subsidiaries	(785)	–	(785)
Amortization provided during the year	(8,628)	(2,291)	(10,919)
At December 31, 2022, net of accumulated amortization and impairment	<u>12,978</u>	<u>1,717,701</u>	<u>1,730,679</u>
At December 31, 2022			
Cost	23,668	1,720,186	1,743,854
Accumulated amortization and impairment	(10,690)	(2,485)	(13,175)
Net carrying amount	<u>12,978</u>	<u>1,717,701</u>	<u>1,730,679</u>

	Software	Exclusive distribution rights	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2023				
At January 1, 2023				
Cost	23,668	–	1,720,186	1,743,854
Accumulated amortization and impairment	(10,690)	–	(2,485)	(13,175)
Net carrying amount	<u>12,978</u>	<u>–</u>	<u>1,717,701</u>	<u>1,730,679</u>
At January 1, 2023, net of accumulated amortization and impairment				
	12,978	–	1,717,701	1,730,679
Additions	7,929	9,434	1,313,635	1,330,998
Decreases	–	–	(117,515)	(117,515)
Amortization provided during the year	(5,285)	(157)	(20,912)	(26,354)
At December 31, 2023, net of accumulated amortization and impairment	<u>15,622</u>	<u>9,277</u>	<u>2,892,909</u>	<u>2,917,808</u>
At December 31, 2023				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	<u>15,622</u>	<u>9,277</u>	<u>2,892,909</u>	<u>2,917,808</u>
	Software	Exclusive distribution rights	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2024				
At January 1, 2024				
Cost	31,597	9,434	2,916,306	2,957,337
Accumulated amortization and impairment	(15,975)	(157)	(23,397)	(39,529)
Net carrying amount	<u>15,622</u>	<u>9,277</u>	<u>2,892,909</u>	<u>2,917,808</u>
At January 1, 2024, net of accumulated amortization and impairment				
	15,622	9,277	2,892,909	2,917,808
Additions	13,140	35,000	1,732,707	1,780,847
Decreases	–	–	(87,124)	(87,124)
Exchange realignment	(11)	–	–	(11)
Amortization provided during the year	(3,829)	(2,110)	(49,298)	(55,237)
At December 31, 2024, net of accumulated amortization and impairment	<u>24,922</u>	<u>42,167</u>	<u>4,489,194</u>	<u>4,556,283</u>
At December 31, 2024				
Cost	44,715	44,434	4,561,889	4,651,038
Accumulated amortization and impairment	(19,793)	(2,267)	(72,695)	(94,755)
Net carrying amount	<u>24,922</u>	<u>42,167</u>	<u>4,489,194</u>	<u>4,556,283</u>

The Company

	Software	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2022			
At January 1, 2022			
Cost	6,136	157,053	163,189
Accumulated amortization and impairment . . .	(630)	(194)	(824)
Net carrying amount	<u>5,506</u>	<u>156,859</u>	<u>162,365</u>
At January 1, 2022, net of accumulated amortization and impairment			
	5,506	156,859	162,365
Additions	10,717	1,250,024	1,260,741
Decreases	–	(32,816)	(32,816)
Amortization provided during the year	(6,149)	(2,291)	(8,440)
At December 31, 2022, net of accumulated amortization and impairment	<u>10,074</u>	<u>1,371,776</u>	<u>1,381,850</u>
At December 31, 2022			
Cost	16,853	1,374,261	1,391,114
Accumulated amortization and impairment . . .	(6,779)	(2,485)	(9,264)
Net carrying amount	<u>10,074</u>	<u>1,371,776</u>	<u>1,381,850</u>

	Software	Exclusive distribution rights	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2023				
At January 1, 2023				
Cost	16,853	–	1,374,261	1,391,114
Accumulated amortization and impairment	(6,779)	–	(2,485)	(9,264)
Net carrying amount	<u>10,074</u>	<u>–</u>	<u>1,371,776</u>	<u>1,381,850</u>
At January 1, 2023, net of accumulated amortization and impairment				
	10,074	–	1,371,776	1,381,850
Additions	1,865	9,434	1,082,279	1,093,578
Decreases	–	–	(117,515)	(117,515)
Amortization provided during the year	(2,386)	(157)	(20,912)	(23,455)
At December 31, 2023, net of accumulated amortization and impairment	<u>9,553</u>	<u>9,277</u>	<u>2,315,628</u>	<u>2,334,458</u>
At December 31, 2023				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	<u>9,553</u>	<u>9,277</u>	<u>2,315,628</u>	<u>2,334,458</u>

	Software	Exclusive distribution rights	Capitalized development costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2024				
At January 1, 2024				
Cost	18,719	9,434	2,340,439	2,368,592
Accumulated amortization and impairment	(9,166)	(157)	(24,811)	(34,134)
Net carrying amount	<u>9,553</u>	<u>9,277</u>	<u>2,315,628</u>	<u>2,334,458</u>
At January 1, 2024, net of accumulated amortization and impairment				
	9,553	9,277	2,315,628	2,334,458
Additions	6,017	35,000	1,420,391	1,461,408
Disposals	–	–	(87,124)	(87,124)
Amortization provided during the year	(752)	(2,110)	(40,316)	(43,178)
At December 31, 2024, net of accumulated amortization and impairment	<u>14,818</u>	<u>42,167</u>	<u>3,608,579</u>	<u>3,665,564</u>
At December 31, 2024				
Cost	24,735	44,434	3,673,706	3,742,875
Accumulated amortization and impairment	(9,917)	(2,267)	(65,127)	(77,311)
Net carrying amount	<u>14,818</u>	<u>42,167</u>	<u>3,608,579</u>	<u>3,665,564</u>

Included in intangible assets, capitalized development costs not yet available for use and not subject to amortization were RMB1,681,034,000, RMB2,492,549,000, and RMB3,837,559,000 as at December 31, 2022, December 31, 2023 and December 31, 2024, respectively.

Intangible assets not available for use are tested annually for impairment, with the key assumptions including the discount rate and the estimated revenue to be generated by the in-development drug, or more frequently if events or changes in circumstances indicate that they might be impaired. Based on the result of annual impairment test, the recoverable amount of capitalized development costs would have exceeded their carrying amount (headroom) by more than 200% as at December 31, 2022, December 31, 2023 and December 31, 2024.

The table below sets forth the key assumptions used in the intangible assets' impairment test, including the discount rate and expected annualized compound revenue growth rate of drug candidates in Phase III clinical trials, as of December 31, 2022, 2023 and 2024:

	December 31,		
	2022	2023	2024
Pre-tax discount rate	11.10%	11.13%	10.11%
Average revenue growth rate	29.95%	34.88%	37.46%

The Group have performed a sensitivity test with key assumptions of discount rate and expected revenue. Should the discount rate increase by 1% or expected revenue decrease by 10%, the headroom would decrease no more than 20% as at December 31, 2022, December 31, 2023 and December 31, 2024.

The management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances that could cause the carrying amount of capitalized development costs to exceed the recoverable amount as at December 31, 2022, December 31, 2023 and December 31, 2024.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant, offices and laboratories, and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant, offices and laboratory generally have lease term between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The Company has leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Plant, offices and laboratories	Leasehold land	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	153,710	428,767	582,477
New leases	30,064	53,045	83,109
Disposals of subsidiaries	(44,323)	–	(44,323)
Termination	(1,298)	–	(1,298)
Depreciation charge	(38,772)	(11,562)	(50,334)
At December 31, 2022	<u>99,381</u>	<u>470,250</u>	<u>569,631</u>
As at January 1, 2023	99,381	470,250	569,631
New leases	22,692	–	22,692
Termination	(6,934)	–	(6,934)
Depreciation charge	(38,120)	(11,742)	(49,862)
At December 31, 2023	<u>77,019</u>	<u>458,508</u>	<u>535,527</u>
At January 1, 2024	77,019	458,508	535,527
New leases	86,674	27,102	113,776
Termination/modification	(1,286)	–	(1,286)
Depreciation charge	(53,744)	(12,027)	(65,771)
As at 31 December 2024	<u>108,663</u>	<u>473,583</u>	<u>582,246</u>

The Company

	Leasehold land
	<i>RMB'000</i>
At January 1, 2022	55,964
Depreciation charge	(1,673)
At December 31, 2022	<u>54,291</u>
As at 1 January 2023	54,291
Depreciation charge	(1,586)
At December 31, 2023	<u>52,705</u>
At January 1, 2024	52,705
Depreciation charge	(1,601)
As at 31 December 2024	<u>51,104</u>

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at 1 January	151,589	98,861	75,176
New leases	30,064	22,692	86,674
Disposals of subsidiaries	(44,323)	–	–
Termination/modification	(7,732)	(16,314)	(8,852)
Accretion of interest recognized during the year	5,548	4,272	4,539
Lease payments	(36,285)	(34,335)	(47,375)
Carrying amount at 31 December	<u>98,861</u>	<u>75,176</u>	<u>110,162</u>
Analysed into:			
Current portion	–	–	41,126
Non-current portion	<u>98,861</u>	<u>75,176</u>	<u>69,036</u>
Total	<u>98,861</u>	<u>75,176</u>	<u>110,162</u>

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) The amounts recognized in profit or loss of the Group in relation to leases are as follows:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	4,388	30,838	107,814
Interest on lease liabilities	5,548	4,272	4,539
Depreciation charge of right-of-use assets	50,334	49,862	65,771
Total	<u>60,270</u>	<u>84,972</u>	<u>178,124</u>

(d) The total cash outflow for leases is disclosed in notes 32(c) to the Historical Financial Information.**17. INVESTMENT IN ASSOCIATES****The Group**

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>767,862</u>	<u>694,991</u>	<u>666,354</u>

The Group's trade receivable and payable balances with the associates are disclosed in note 34 to the Historical Financial Information.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of the associates' loss and total comprehensive loss for the year	(62,996)	(72,696)	(21,581)
Aggregate carrying amount of the Group's investments in the associates	<u>767,862</u>	<u>694,991</u>	<u>666,354</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	<u>661,117</u>	<u>614,746</u>	<u>586,362</u>

The following table illustrates the aggregate financial information of the Company's associates that are not individually material:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of the associates' loss and total comprehensive loss for the year	(38,169)	(46,196)	(21,328)
Aggregate carrying amount of the Company's investments in the associates	<u>661,117</u>	<u>614,746</u>	<u>586,362</u>

18. OTHER NON-CURRENT ASSETS

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for land use rights	220,186	206,668	206,262
Prepayments for property, plant and equipment . .	103,307	127,573	272,845
Prepayments for in-licenses*	119,057	49,057	–
Total	<u>442,550</u>	<u>383,298</u>	<u>479,107</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for property, plant and equipment . .	13,926	12,256	38,938
Prepayments for in-licenses*	119,057	49,057	–
Total	<u>132,983</u>	<u>61,313</u>	<u>38,938</u>

* Included in the prepayments for in-licenses, in August 2021, the Company entered into an exclusive commercialization and co-development agreement with Dalian Wanchunbulin Pharmaceuticals Ltd. (“Dalian Wanchun”), pursuant to which, the Company was granted exclusive rights to commercialize and co-develop certain products in Mainland China, Hong Kong, Macau and Taiwan. In September 2021, the Company paid the first instalment of RMB200,000,000 to Dalian Wanchun. As at the end of each of the Relevant Periods, considering that Dalian Wanchun failed to obtain the new drug application approval in March 2023 and the progress of subsequent negotiations between the two parties, impairment of RMB130,000,000, RMB200,000,000 and Nil, respectively, were recognized on such upfront payment.

19. INVENTORIES

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	871,513	753,759	711,539
Work in progress	402,613	405,842	435,842
Finished goods	1,149,527	1,146,124	1,260,530
Contract costs	26,922	8,301	9,208
Total	<u>2,450,575</u>	<u>2,314,026</u>	<u>2,417,119</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	438,851	421,064	396,306
Work in progress	239,808	229,754	204,355
Finished goods	906,492	848,328	964,322
Total	<u>1,585,151</u>	<u>1,499,146</u>	<u>1,564,983</u>

20. TRADE AND BILLS RECEIVABLES

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	5,989,439	5,276,769	4,968,479
Bills receivables	2,450,074	940,413	1,244,598
Impairment	(98,042)	(82,275)	(53,607)
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	3,894,270	3,671,524	3,382,438
Bills receivables	1,532,626	638,567	745,957
Impairment	(65,094)	(55,045)	(38,298)
Total	<u>5,361,802</u>	<u>4,255,046</u>	<u>4,090,097</u>

The Group's trade terms with its partly customers are on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to diversified customers, the analysis of concentrations of credit risk is set out in note 37. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. As at the end of each of the Relevant Periods, bills receivable of RMB295,201,000, RMB273,302,000 and nil, respectively, were pledged as collateral for the Group's bills payable. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of nil, RMB24,193,000 and RMB65,255,000, respectively, at the end of each of the Relevant Periods, which are repayable on credit terms similar to those offered to other customers of the Group.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	7,786,353	5,529,352	5,558,730
Past due within 1 year	544,862	604,080	599,744
Past due 1 year to 2 years	6,133	212	908
Past due 2 years to 3 years	4,123	1,263	88
Total	<u>8,341,471</u>	<u>6,134,907</u>	<u>6,159,470</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	5,083,413	3,914,319	3,642,642
Past due within 1 year	268,245	339,312	446,995
Past due 1 year to 2 years	6,128	154	372
Past due 2 years to 3 years	4,016	1,261	88
Total	<u>5,361,802</u>	<u>4,255,046</u>	<u>4,090,097</u>

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	72,029	98,042	82,275
Impairment losses recognized/(reversed), net . . .	26,013	(15,767)	(28,668)
At end of year	<u>98,042</u>	<u>82,275</u>	<u>53,607</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	55,335	65,094	55,045
Impairment losses recognized/(reversed), net . . .	9,759	(10,049)	(16,747)
At end of year	<u>65,094</u>	<u>55,045</u>	<u>38,298</u>

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

At December 31, 2022

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.64%
Gross carrying amount (RMB'000).	5,390,180	573,539	8,762	13,742	3,216	5,989,439
Expected credit losses (RMB'000).	53,901	28,677	2,629	9,619	3,216	98,042

At December 31, 2023

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.56%
Gross carrying amount (RMB'000).	4,635,292	635,873	303	4,212	1,089	5,276,769
Expected credit losses (RMB'000).	46,353	31,793	91	2,949	1,089	82,275

At December 31, 2024

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	0.55%	4.58%	20.00%	60.00%	100.00%	1.08%
Gross carrying amount (RMB'000).	4,337,947	628,550	1,135	220	627	4,968,479
Expected credit losses (RMB'000).	23,815	28,806	227	132	627	53,607

The Company

At December 31, 2022

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.67%
Gross carrying amount (RMB'000).	3,586,654	282,363	8,754	13,387	3,112	3,894,270
Expected credit losses (RMB'000).	35,867	14,118	2,626	9,371	3,112	65,094

At December 31, 2023

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	1.00%	5.00%	30.00%	70.00%	100.00%	1.50%
Gross carrying amount (RMB'000).	3,308,840	357,171	220	4,204	1,089	3,671,524
Expected credit losses (RMB'000).	33,088	17,859	66	2,943	1,089	55,045

At December 31, 2024

	Current	Past due				Total
		Less than 1 year	1-2 years	2-3 years	Over 3 years	
Expected credit loss rate	0.55%	4.58%	20.00%	60.00%	100.00%	1.13%
Gross carrying amount (RMB'000).	2,912,661	468,465	465	220	627	3,382,438
Expected credit losses (RMB'000).	15,976	21,470	93	132	627	38,298

Financial assets that are derecognized in their entirety**The Group**

As at the end of each of the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers or discounted certain bills receivable (the "Derecognized Bills") with carrying amounts in aggregate of approximately RMB5,714,578,000, RMB5,370,484,000 and RMB4,237,265,000, respectively. The Derecognized Bills had maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the Mainland China, the holders of the Derecognized Bills shall have recourse against the Group if the banks in Mainland China default (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted bank, and the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, the Group has recognized loss of RMB69,971,000, RMB71,793,000 and RMB19,589,000, respectively, on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

The Company

At the end of each of the Relevant Periods, the Company endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers or discounted certain bills receivable with carrying amounts in aggregate of approximately RMB2,358,455,000, RMB3,183,507,000 and RMB3,584,127,000, respectively.

During the Relevant Periods, the Company has recognized loss of RMB69,971,000, RMB71,793,000 and RMB19,589,000, respectively, on the date of transfer of the Derecognized Bills.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**The Group**

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and prepaid expenses.	1,601,567	1,643,676	1,188,416
Income tax recoverable.	507,196	226,071	239,543
Value-added tax recoverable.	146,668	107,979	195,893
Deposit	15,403	15,658	25,236
Total	<u>2,270,834</u>	<u>1,993,384</u>	<u>1,649,088</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and prepaid expenses.	1,169,135	1,027,134	513,852
Income tax recoverable.	456,148	207,763	239,262
Value-added tax recoverable.	54,964	–	–
Total	<u>1,680,247</u>	<u>1,234,897</u>	<u>753,114</u>

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Group's other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

Other receivables had no historical defaults. The financial assets included in the above balances relating to receivables were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables is minimal.

22. FINANCIAL ASSETS AT FVTPL

The Group

Current portion

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity investments, at fair value	9,687	–	15,274
Other unlisted investments, at fair value	102,533	99,050	93,161
Wealth management products	2,648,274	–	164,910
Total	<u>2,760,494</u>	<u>99,050</u>	<u>273,345</u>

Non-current portion

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other unlisted investments, at fair value	583,129	596,520	1,065,411
Wealth management products	156,582	159,871	–
Total	<u>739,711</u>	<u>756,391</u>	<u>1,065,411</u>

The Company

Current portion

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity investments, at fair value	9,687	–	15,274
Other unlisted investments, at fair value	23,238	14,124	11,174
Wealth management products	2,648,274	–	164,910
Total	<u>2,681,199</u>	<u>14,124</u>	<u>191,358</u>

Non-current portion

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other unlisted investments, at fair value	434,094	447,781	922,525
Wealth management products	156,582	159,871	–
Total	<u>590,676</u>	<u>607,652</u>	<u>922,525</u>

The above wealth management products are issued by banks in Mainland China. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	15,110,430	20,746,105	24,802,475
Pledged deposits and restricted cash.	250	–	13,430
Total	<u>15,110,680</u>	<u>20,746,105</u>	<u>24,815,905</u>
Denominated in			
RMB	13,696,249	19,271,728	21,094,427
USD	1,373,051	1,401,967	2,760,626
Others	41,380	72,410	960,852
Total	<u>15,110,680</u>	<u>20,746,105</u>	<u>24,815,905</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	13,329,563	19,728,155	23,202,185
Denominated in			
RMB	12,539,271	18,640,073	19,636,108
USD	783,368	1,086,287	2,655,290
Others	6,924	1,795	910,787
Total	<u>13,329,563</u>	<u>19,728,155</u>	<u>23,202,185</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group. The pledged deposits represent amounts required to be placed in banks for securing letters of credit and letters of guarantee of the Group, and are classified as current assets. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND OTHER PAYABLES

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	1,493,467	1,334,012	1,517,333
Payables relating to purchases of items of property, plant and equipment	274,082	176,317	449,926
Borrowings from third parties	159,992	159,992	159,992
Considerations received from employees under A share stock ownership schemes	59,640	313,920	558,827
Other payables	84,839	152,358	316,087
Other tax payables	115,151	159,686	187,573
Lease liabilities (<i>note 16</i>)	–	–	41,126
Total	<u>2,187,171</u>	<u>2,296,285</u>	<u>3,230,864</u>

An ageing analysis of the trade and bills payables of the Group at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,401,710	1,270,701	1,461,317
1 to 2 years	78,159	35,460	38,284
2 to 3 years	10,829	18,093	11,574
Over 3 years	2,769	9,758	6,158
Total	<u>1,493,467</u>	<u>1,334,012</u>	<u>1,517,333</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables	1,163,424	919,184	1,264,005
Payables relating to purchases of items of property, plant and equipment	78,093	60,845	61,153
Considerations received from employees under A share stock ownership schemes	59,640	313,920	558,827
Other payables	36,300	135,988	127,049
Other tax payables	9,134	99,460	132,843
Total	<u>1,346,591</u>	<u>1,529,397</u>	<u>2,143,877</u>

An ageing analysis of the trade and bills payables of the Company at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,136,393	906,517	1,251,909
1 to 2 years	17,140	4,207	3,193
2 to 3 years	1,679	4,984	2,908
Over 3 years	8,212	3,476	5,995
Total	<u>1,163,424</u>	<u>919,184</u>	<u>1,264,005</u>

The trade and bills payables are non-interest-bearing and are normally settled on 3-6 months terms.

Other payables are non-interest-bearing and repayable on demand.

25. CONTRACT LIABILITIES

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts received in advance for delivery of products and services	<u>187,075</u>	<u>198,091</u>	<u>159,793</u>

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts received in advance for delivery of products and services	<u>28,951</u>	<u>8,796</u>	<u>40,040</u>

26. INTEREST-BEARING BORROWINGS

The Group and the Company

December 31, 2022

	Effective interest rate (%)	Maturity	RMB'000
Loans-unsecured	3	2023	<u>1,260,943</u>

The carrying amounts of borrowings are denominated in the following currency:

	December 31, 2022
	<i>RMB'000</i>
RMB	<u>1,260,943</u>

There are no interest-bearing borrowings at the end of December 31, 2023 and 2024.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Impairment provision for assets	Unrealized profits	Tax losses	Deferred Income	Lease liabilities	Fair value losses on financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	17,410	11,049	103,859	9,045	20,475	–	161,838
Deferred tax credited/(charged) to the consolidated statement of profit or loss	25,535	26,964	29,180	(12)	(4,608)	–	77,059
At December 31, 2022	42,945	38,013	133,039	9,033	15,867	–	238,897
At January 1, 2023	42,945	38,013	133,039	9,033	15,867	–	238,897
Deferred tax credited/(charged) to the consolidated statement of profit or loss	8,755	(26,954)	109,072	(6,745)	(3,350)	881	81,659
At December 31, 2023	51,700	11,059	242,111	2,288	12,517	881	320,556
At 1 January 2024	51,700	11,059	242,111	2,288	12,517	881	320,556
Deferred tax credited/(charged) to the consolidated statement of profit or loss	(6,259)	15,837	31,768	10,159	5,994	(881)	56,618
At December 31, 2024	45,441	26,896	273,879	12,447	18,511	–	377,174

The Company

	Impairment provision for assets	Deferred Income	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2022	12,989	7,507	20,496
Deferred tax credited/(charged) to the consolidated statement of profit or loss	21,106	(12)	21,094
At December 31, 2022	34,095	7,495	41,590
At January 1, 2023	34,095	7,495	41,590
Deferred tax credited/(charged) to the consolidated statement of profit or loss	8,508	(6,745)	1,763
At December 31, 2023	42,603	750	43,353
At 1 January 2024	42,603	750	43,353
Deferred tax credited/(charged) to the consolidated statement of profit or loss	(7,002)	3,150	(3,852)
At December 31, 2024	35,601	3,900	39,501

Deferred tax liabilities

The Group

	Fair value gains on financial assets at FVTPL	Fair value gains on other non-current financial assets at FVTPL	Right-of-use assets	Depreciation allowance in excess of related depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	14,252	10,521	20,860	–	–	45,633
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(6,016)	22,748	(4,746)	21,596	21,232	54,814
At December 31, 2022	8,236	33,269	16,114	21,596	21,232	100,447
At January 1, 2023	8,236	33,269	16,114	21,596	21,232	100,447
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(8,236)	496	(116)	(8,956)	–	(16,812)
At December 31, 2023	–	33,765	15,998	12,640	21,232	83,635
At 1 January 2024	–	33,765	15,998	12,640	21,232	83,635
Deferred tax (credited)/charged to the consolidated statement of profit or loss	297	16,923	2,552	13,705	–	33,477
At December 31, 2024	297	50,688	18,550	26,345	21,232	117,112

The Company

	Fair value gains on financial assets at FVTPL	Fair value gains on other non-current financial assets at FVTPL	Depreciation allowance in excess of related depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	14,165	10,521	–	24,686
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(5,929)	22,748	3,842	20,661
At December 31, 2022	8,236	33,269	3,842	45,347
At January 1, 2023	8,236	33,269	3,842	45,347
Deferred tax (credited)/charged to the consolidated statement of profit or loss	(8,236)	478	1,904	(5,854)
At December 31, 2023	–	33,747	5,746	39,493
At 1 January 2024	–	33,747	5,746	39,493
Deferred tax (credited)/charged to the consolidated statement of profit or loss	297	16,941	14,933	32,171
At December 31, 2024	297	50,688	20,679	71,664

The Group also has unused tax losses arising in Mainland China of approximately RMB706,284,000, RMB1,248,887,000 and RMB1,939,258,000 as at the end of each of the Relevant Periods that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of these unused tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

28. SHARE CAPITAL/TREASURY SHARES

Share Capital

	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2024</u>
	<u>Number of shares</u>	<u>Number of shares</u>	<u>Number of shares</u>
Issued and fully paid: 6,379,002,274 ordinary shares of RMB1.00 each	<u>6,379,002,274</u>	<u>6,379,002,274</u>	<u>6,379,002,274</u>

A summary of movements in the share capital is as follows:

	<u>Number of shares in issue</u>	<u>Share capital</u>
		<i>RMB'000</i>
At January 1, 2022	6,396,011,914	6,396,012
Repurchase and cancellation of restricted A shares (<i>note (a)</i>) . .	<u>(17,009,640)</u>	<u>(17,010)</u>
At December 31, 2022, January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	<u>6,379,002,274</u>	<u>6,379,002</u>

Note:

- (a) On December 8, 2021, the proposal on the repurchase and cancellation of part of the restricted A Shares granted but have not yet vested under the restricted A Shares of 2020 of the Company was approved by the extraordinary shareholders' meeting. Pursuant to the above proposal, the Company repurchased a total of 17,009,640 restricted A Shares granted at a price of RMB38.9250 per share. Such repurchased A shares was subsequently cancelled on February 17, 2022.

Treasury Shares

A summary of movements in the Company's treasury shares is as follows:

	<u>Number of shares</u>	<u>Treasury Shares</u>
		<i>RMB'000</i>
At January 1, 2022	17,009,640	664,935
Repurchase of shares under A shares stock ownership schemes .	12,000,031	398,028
Repurchase and cancellation of restricted A shares (<i>note (a)</i>) . .	<u>(17,009,640)</u>	<u>(664,935)</u>
At December 31, 2022 and January 1, 2023.	12,000,031	398,028
Repurchase of shares under A shares stock ownership schemes .	18,906,580	827,265
Vesting of shares under A shares stock ownership schemes (<i>note 30</i>)	<u>(4,023,094)</u>	<u>(133,442)</u>
At December 31, 2023 and January 1, 2024.	26,883,517	1,091,851
Repurchase of shares under A shares stock ownership schemes .	5,420,699	228,426
Vesting of shares under A shares stock ownership schemes (<i>note 30</i>)	<u>(2,763,214)</u>	<u>(91,653)</u>
At December 31, 2024.	<u>29,541,002</u>	<u>1,228,624</u>

Subsequently from January 1, 2025 to March 31, 2025, the Company implemented the A share repurchase through public centralized trading and repurchased 1,672,000 A shares at a total consideration of RMB75,101,000.

29. RESERVES**The Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

*Other reserve**a. Share-based payments reserve*

Share-based payments reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 30 to the Historical Financial Information.

b. Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

*Surplus reserve**a. Statutory surplus reserve*

In accordance with the Company Law of the People's Republic of China, the companies registered in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory surplus reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

b. Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company and its subsidiaries may also appropriate their net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, the discretionary surplus reserve may be used to make good previous years' losses, if any, and may be converted into capital.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

Year ended December 31, 2022

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	2,861,486	123,070	3,035,188	19,487,594	25,507,338
Profit for the year	—	—	—	3,584,676	3,584,676
Total comprehensive income for the year	—	—	—	3,584,676	3,584,676
Final 2021 dividend declared and paid . Appropriation to statutory surplus reserve	—	—	244,169	(244,169)	—
Repurchase and cancellation of shares under A shares	(650,760)	—	—	5,670	(645,090)
Recognition of equity-settled share-based payments (<i>note 30</i>)	—	32,061	—	—	32,061
At December 31, 2022	<u>2,210,726</u>	<u>155,131</u>	<u>3,279,357</u>	<u>21,813,305</u>	<u>27,458,519</u>

Year ended December 31, 2023

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	2,210,726	155,131	3,279,357	21,813,305	27,458,519
Profit for the year	—	—	—	4,183,323	4,183,323
Total comprehensive income for the year	—	—	—	4,183,323	4,183,323
Final 2022 dividend declared and paid .	—	—	—	(1,019,873)	(1,019,873)
Shares under A shares stock ownership schemes vested	72,087	(185,534)	—	—	(113,447)
Recognition of equity-settled share-based payments (<i>note 30</i>)	—	166,659	—	—	166,659
At December 31, 2023	<u>2,282,813</u>	<u>136,256</u>	<u>3,279,357</u>	<u>24,976,755</u>	<u>30,675,181</u>

Year ended December 31, 2024

	Share premium	Share-based payments reserve	Surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024	2,282,813	136,256	3,279,357	24,976,755	30,675,181
Profit for the year	—	—	—	6,187,074	6,187,074
Total comprehensive income for the year	—	—	—	6,187,074	6,187,074
Final 2023 dividend declared and paid .	—	—	—	(1,273,768)	(1,273,768)
Shares under A shares stock ownership schemes vested	(12,013)	(65,907)	—	—	(77,920)
Recognition of equity-settled share- based payments (<i>note 30</i>)	—	209,255	—	—	209,255
At December 31, 2024	<u>2,270,800</u>	<u>279,604</u>	<u>3,279,357</u>	<u>29,890,061</u>	<u>35,719,822</u>

30. SHARE-BASED PAYMENTS**2022 A Share Stock Ownership Scheme**

Pursuant to the A Share incentive scheme for 2022 approved at the extraordinary shareholders' meeting on September 8, 2022 (the "2022 A Share Stock Ownership Scheme"), the Company granted 10,976,000, 191,000, and Nil shares to certain eligible participants during the Relevant Periods. The granted price is RMB4.97 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, 89,000, 931,978, and 394,840 shares were forfeited. During the Relevant Periods, Nil, 4,023,094, and 2,763,214 shares were vested.

2023 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2023 approved at the extraordinary shareholders' meeting on November 24, 2023 (the "2023 A Share Stock Ownership Scheme"), the Company granted Nil, 10,963,367, and 616,000 shares to certain eligible participants during the Relevant Periods. The granted price is RMB23.85 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, Nil, 5,000, and 593,700 shares were forfeited. During the Relevant Periods, no shares were vested.

2024 A Share Stock Ownership Scheme

Pursuant to the A Share incentive scheme for 2024 approved at the extraordinary shareholders' meeting on September 6, 2024 (the "2024 A Share Stock Ownership Scheme"), the Company granted Nil, Nil, and 11,444,900 shares to certain eligible participants during the Relevant Periods. The granted price is RMB21.20 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of shares will be vested respectively. During the Relevant Periods, no shares were forfeited or vested.

The shares under A share stock ownership schemes outstanding are 25,390,441 as at the end of 2024.

The Group determines the fair value of shares under A share stock ownership schemes on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the subscribe price.

The total share-based payment expenses recognized in the statements of profit or loss and other comprehensive income for shares under A share stock ownership schemes are approximately RMB32,061,000, RMB166,659,000, and RMB209,255,000 for the Relevant Periods.

31. DISPOSAL OF SUBSIDIARIES

In September 2022, the Company and Shanghai Regenelead Therapies Co., Ltd. (上海瑞宏迪醫藥有限公司) ("Shanghai Regenelead") entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd. (江蘇恒瑞醫藥集團有限公司), Shanghai Shengdi Biomedical Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥)) ("Shengdi Biomedical Fund"), and Shenzhen Yingtai Asset Management Co., Ltd. (深圳市迎泰資產管理有限公司) ("Shenzhen Yingtai"), pursuant to which, the investors injected RMB497,747,000 into Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38% and Shanghai Regenelead ceased to be a subsidiary of the Group. Since the Group still had the power to appoint one out of five directors of Shanghai Regenelead, afterwards the Group was able to exercise significant influence over Shanghai Regenelead, and the 38% directly-held equity interests in Shanghai Regenelead is accounted for as investment in an associate.

In April 2022, certain subsidiaries of the Group and Suzhou Yiduoyun Health Co., Ltd. (蘇州醫朵雲健康股份有限公司) ("Suzhou Yiduoyun") entered into a capital injection agreement with certain investors, pursuant to which, the investors injected RMB30,000,000 to Suzhou Yiduoyun. Such transaction was completed in August 2022. Accordingly, the Group's equity interest in Suzhou Yiduoyun was diluted from 71.43% to approximately 50%. According to the latest Article of Suzhou Yiduoyun, the controlling shareholder shall represent more than two thirds of the voting rights, thus Suzhou Yiduoyun ceased to be a subsidiary of the Group. Since the Group was still able to exercise significant influence over Suzhou Yiduoyun, its equity interest in Suzhou Yiduoyun is accounted for as investment in an associate.

In May 2022, certain subsidiary of the Group and Shanghai Fuhong Biopharmaceutical Co., Ltd. (上海甫弘生物醫藥有限公司) ("Shanghai Fuhong"), entered into a share transfer agreement with Shenzhen Yingtai, pursuant to which, the Group disposed of the entire equity interest in Shanghai Fuhong for a consideration of RMB52,787,000. Such transaction was completed in June 2022.

Details of the net assets disposed of are as follows:

	<i>Notes</i>	<u>At the date of disposal</u> <i>RMB'000</i>
Net assets disposed of:		
Current assets		56,046
Non-current assets		172,958
Current liabilities		(165,619)
Non-current liabilities		(47,450)
Non-controlling interests		15,142
Subtotal.		<u>31,077</u>
Fair value of the remaining equity interests		(335,192)
Gain on disposal of subsidiaries	5	30,916
Gain on deemed disposal of subsidiaries	5	<u>325,986</u>
Total consideration		<u><u>52,787</u></u>
Satisfied by:		
Cash.		<u><u>52,787</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<u>2022</u> <i>RMB'000</i>
Cash consideration	52,787
Cash and bank balances disposed of.	<u>(16,742)</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>36,045</u></u>

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

- (1) During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB30,064,000, RMB22,692,000 and RMB86,674,000 respectively, in respect of lease arrangements for factory, office and laboratory premises.
- (2) As disclosed in note 31 to the Historical Financial Information, the Group recognized a gain on deemed disposal of subsidiaries of RMB325,986,000 in 2022 due to the dilution of the Group's equity interest in Shanghai Regenelead and Suzhou Yiduoyun.
- (3) During the Relevant Periods, the Group recognized licensing revenue in exchange for equity interests of the customer of nil, nil and RMB354,116,000, respectively.
- (4) During the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts in aggregate of approximately RMB2,977,423,000, RMB2,664,063,000 and RMB3,212,114,000, respectively.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable	Interest-bearing borrowings	Lease liabilities	Other payables and accruals	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2022	–	–	151,589	–	151,589
Changes from financing cash flows	(1,015,543)	1,260,000	(36,285)	159,992	368,164
New lease arrangements	–	–	30,064	–	30,064
Dividends declared	1,015,543	–	–	–	1,015,543
Disposals of subsidiaries	–	–	(44,323)	–	(44,323)
Termination of lease contracts	–	–	(7,732)	–	(7,732)
Accretion of interest	–	943	5,548	–	6,491
At December 31, 2022 and January 1, 2023	<u>–</u>	<u>1,260,943</u>	<u>98,861</u>	<u>159,992</u>	<u>1,519,796</u>
Changes from financing cash flows	(1,019,873)	(1,262,576)	(34,335)	–	(2,316,784)
New lease arrangements	–	–	22,692	–	22,692
Dividends declared	1,019,873	–	–	–	1,019,873
Termination of lease contracts	–	–	(16,314)	–	(16,314)
Accretion of interest	–	1,633	4,272	–	5,905
At December 31, 2023 and January 1, 2024	<u>–</u>	<u>–</u>	<u>75,176</u>	<u>159,992</u>	<u>235,168</u>
Changes from financing cash flows	(1,273,768)	(1,020)	(47,375)	–	(1,322,163)
New lease arrangements	–	–	86,674	–	86,674
Dividends declared	1,273,768	–	–	–	1,273,768
Termination of lease contracts	–	–	(8,852)	–	(8,852)
Accretion of interest	–	1,020	4,539	–	5,559
At 31 December 2024	<u>–</u>	<u>–</u>	<u>110,162</u>	<u>159,992</u>	<u>270,154</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	4,388	30,838	107,814
Within financing activities	36,285	34,335	47,375
Total	<u>40,673</u>	<u>65,173</u>	<u>155,189</u>

33. COMMITMENTS

The Group had contractual commitments for the purchase of items of property, plant and equipment and the interest in an existing subsidiary with an aggregate amount of RMB146,098,000, RMB193,700,000 and RMB372,609,000 at the end of each of the Relevant Periods, respectively.

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationships of the related parties

Name	Relationship
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Hengrui Pharmaceutical Group Co., Ltd.	Controlled by a director
Suzhou Yiduoyun and its subsidiaries (<i>Note 31</i>)	Associates
Shanghai Regenelead (<i>Note 31</i>)	Associate
Shengdi Biomedical Fund	Associate
Suzhou Hengrui Health Technology Co., Ltd.	Controlled by a close family member of a director
Suzhou Hengrui Medical Devices Co., Ltd. and its subsidiaries	Controlled by a close family member of a director
Jiangsu Alvin Medical Management Co., Ltd.	Controlled by a director
Shanghai Shashuo New Materials Co., Ltd.	Controlled by a director

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Sales of products:</i>			
Associates	16,990	79,332	97,044
Controlled by a close family member of a director	–	–	5,900
Total	<u>16,990</u>	<u>79,332</u>	<u>102,944</u>
<i>Rendering of services:</i>			
Associates	4,069	11,604	15,139
Controlled by a close family member of a director	–	10,670	12,633
Controlled by a director	–	5,689	999
Total	<u>4,069</u>	<u>27,963</u>	<u>28,771</u>

	Year ended December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<i>Purchases of products:</i>			
Associates	–	30	–
Controlled by a close family member of a director	–	3,982	21,266
Total	–	4,012	21,266
<i>Purchases of services:</i>			
Controlled by a close family member of a director	–	27,525	10,359
Associates	16,293	29,542	40,259
Total	16,293	57,067	50,618

Other transactions:

In September 2022, the Company and Shanghai Regenelead entered into a capital injection agreement with Jiangsu Hengrui Pharmaceutical Group Co., Ltd., Shengdi Biomedical Fund, and Shenzhen Yingtai, pursuant to which, the investors injected RMB497,747,000 to Shanghai Regenelead. Such transaction was completed in September 2022. Accordingly, the Company's directly-held equity interest in Shanghai Regenelead was diluted from 100% to approximately 38%.

- (c) Outstanding balances with related parties:

The Group

	December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<i>Amounts due from related parties – trade in nature</i>			
Associates	–	24,193	65,255
Controlled by a director	–	663	1,740
Controlled by a close family member of a director	–	247	5,097
Total	–	25,103	72,092
<i>Amounts due to related parties – trade in nature</i>			
Associates	–	137	13
Controlled by a close family member of a director	–	136	3,894
Total	–	273	3,907

The Group has assessed the expected loss rate for amounts due from the related parties by considering the financial position and credit history of the related party and assessed that the expected credit loss is minimal.

The Company

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from subsidiaries	5,060,159	3,804,791	5,021,382
Amounts due from associates	–	11,914	10,132
Total	<u>5,060,159</u>	<u>3,816,705</u>	<u>5,031,514</u>
Amounts due to subsidiaries	3,058,652	3,548,237	3,989,192
Amounts due to associates	–	137	100
Total	<u>3,058,652</u>	<u>3,548,374</u>	<u>3,989,292</u>

Amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

(d) Compensation of key management personnel of the Group

	Year ended December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses, allowances and benefits in kind	41,153	35,394	43,131
Pension scheme contributions	277	245	281
Equity-settled share-based payments	2,279	14,781	19,837
Total	<u>43,709</u>	<u>50,420</u>	<u>63,249</u>

Further details of directors', supervisors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

The Group

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Financial assets</u>			
Financial assets at FVTPL	3,500,205	855,441	1,338,756
Financial assets at FVOCI:			
Bills receivables	1,947,283	614,582	1,094,725
Financial assets at amortized cost:			
Trade and bills receivables	6,394,188	5,520,325	5,064,745
Financial assets included in prepayments, other receivables and other assets	15,403	15,658	25,236
Pledged deposits	250	–	13,430
Cash and bank balances	15,110,430	20,746,105	24,802,475
Total	<u>26,967,759</u>	<u>27,752,111</u>	<u>32,339,367</u>

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities			
Financial liabilities at amortized cost:			
Financial liabilities included in trade and other payables	2,046,457	2,114,929	2,982,240
Interest-bearing borrowings	1,260,943	–	–
Total	3,307,400	2,114,929	2,982,240

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, interest-bearing borrowings, and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments designated at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments which are measured at fair value as at the end of each of the Relevant Periods:

Financial assets	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity of fair value to the input
Investments in unlisted funds at fair value . . .	Level 3	Net asset value of underlying investments value	N/A	N/A
Unlisted equity investments at fair value.	Level 3	Back-solve from recent transaction price	Initial public offering ("IPO") or success probability	5% increase/decrease in probability would result in increase/decrease in fair value by RMB15,171,000, RMB15,407,000 and RMB50,314,000 at the end of each of the Relevant Periods

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 31 December 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at FVTPL	112,220	2,804,856	583,129	3,500,205
Bills receivables	–	1,947,283	–	1,947,283
Total	112,220	4,752,139	583,129	5,447,488

At 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at FVTPL	99,050	159,871	596,520	855,441
Bills receivables	–	614,582	–	614,582
Total	99,050	774,453	596,520	1,470,023

At 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Financial assets at FVTPL	108,435	164,910	1,065,411	1,338,756
Bills receivables	–	1,094,725	–	1,094,725
Total	108,435	1,259,635	1,065,411	2,433,481

Financial instruments in Level 3

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, financial assets at fair value through profit or loss and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in rate of foreign exchange	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	RMB'000	RMB'000
Year ended December 31, 2022			
If RMB weakens against the USD	5	43,545	43,545
If RMB strengthens against the USD	(5)	(43,545)	(43,545)
Year ended December 31, 2023			
If RMB weakens against the USD	5	55,686	55,686
If RMB strengthens against the USD	(5)	(55,686)	(55,686)
Year ended December 31, 2024			
If RMB weakens against the USD	5	141,989	141,989
If RMB strengthens against the USD	(5)	(141,989)	(141,989)

Credit risk

The Group trades only with recognized and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, and financial assets included in other non-current assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For financial assets included in other non-current assets and prepayments, other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

At 31 December 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	8,439,513	8,439,513
Financial assets included in prepayments, other receivables and other assets**	15,403	–	–	–	15,403
Pledged deposits	250	–	–	–	250
Cash and bank balances	15,110,430	–	–	–	15,110,430
Total	15,126,083	–	–	8,439,513	23,565,596

At 31 December 2023

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables*	–	–	–	6,217,182	6,217,182
Financial assets included in prepayments, other receivables and other assets**	15,658	–	–	–	15,658
Cash and bank balances	20,746,105	–	–	–	20,746,105
Total	20,761,763	–	–	6,217,182	26,978,945

At 31 December 2024

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and bills receivables*	–	–	–	6,213,076	6,213,076
Financial assets included in prepayments, other receivables and other assets**	25,236	–	–	–	25,236
Pledged deposits	13,430	–	–	–	13,430
Cash and bank balances	24,802,475	–	–	–	24,802,475
Total	24,841,141	–	–	6,213,076	31,054,217

* For trade receivables at the end of each Relevant Periods, the Group applied the simplified approach for impairment. Information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

At the end of each Relevant Periods, the Group had certain concentrations of credit risk as 56.66%, 61.70% and 56.67% of the Group's trade and bills receivables were due from the Group's five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the Historical Financial Information.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each Relevant Periods, based on the contractual undiscounted payments, is as follows:

At December 31, 2022

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing borrowings	1,260,943	–	–	1,260,943
Financial liabilities included in trade and other payables	2,046,457	–	–	2,046,457
Lease liabilities	28,106	79,882	–	107,988
Total	<u>3,335,506</u>	<u>79,882</u>	<u>–</u>	<u>3,415,388</u>

At December 31, 2023

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in trade and other payables	2,114,929	–	–	2,114,929
Lease liabilities	40,270	40,720	–	80,990
Total	<u>2,155,199</u>	<u>40,720</u>	<u>–</u>	<u>2,195,919</u>

At December 31, 2024

	Less than 12 months or on demand	1 to 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in trade and other payables	2,982,240	–	–	2,982,240
Lease liabilities	42,857	70,665	5,199	118,721
Total	<u>3,025,097</u>	<u>70,665</u>	<u>5,199</u>	<u>3,100,961</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares, make borrowings or sell assets to reduce debt. No changes were made to the objectives, policies or processes for managing capital during the Relevant Periods.

	December 31,		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	3,957,967	2,751,421	4,045,393
Total assets	42,370,875	43,784,507	50,135,644
Gearing ratio	<u>9%</u>	<u>6%</u>	<u>8%</u>

38. EVENT AFTER DECEMBER 31, 2024

The Group had no significant events subsequent to December 31, 2024.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2024.

The following is the text of a report set out on pages IA-1 to IA-2, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out below is the unaudited interim condensed consolidated financial information of the Group for the three months ended March 31, 2025 and does not form part of the Accountants' Report from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purpose only.



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**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE DIRECTORS OF JIANGSU HENGRUI PHARMACEUTICALS CO., LTD.
(Incorporated in the People's Republic of China with limited liability)**

Introduction

We have reviewed the interim financial information set out on pages IA-3 to IA-22, which comprises the condensed consolidated statement of financial position of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at March 31, 2025 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes (the "Interim Financial Information"). The Interim Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the document of the Company dated May 15, 2025 (the "Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on the Interim Financial Information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2024. The comparative information for the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, and related explanatory notes, for the three months ended March 31, 2024 has not been audited or reviewed.

Ernst & Young

Certified Public Accountants

Hong Kong

May 15, 2025

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	For the three months ended March 31,	
		2025	2024
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
REVENUE	4	7,205,611	5,997,534
Cost of sales		<u>(1,068,663)</u>	<u>(942,849)</u>
Gross profit		6,136,948	5,054,685
Other income and gains	4	125,862	254,154
Selling and distribution expenses		(1,967,223)	(1,764,256)
Research and development expenses		(1,533,207)	(1,220,127)
Administrative expenses		(646,398)	(654,815)
Other expenses	5	(4,607)	(143,654)
Finance costs		(10,924)	(793)
Share of losses of associates		<u>(24,848)</u>	<u>(22,682)</u>
PROFIT BEFORE TAX	6	2,075,603	1,502,512
Income tax expenses	7	<u>(199,162)</u>	<u>(135,022)</u>
PROFIT FOR THE PERIOD		<u>1,876,441</u>	<u>1,367,490</u>
Attributable to:			
Owners of the parent		1,874,055	1,368,931
Non-controlling interests		<u>2,386</u>	<u>(1,441)</u>
		<u>1,876,441</u>	<u>1,367,490</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD			
Basic (RMB)		0.30	0.21
Diluted (RMB)		<u>0.30</u>	<u>0.21</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<i>Notes</i>		
PROFIT FOR THE PERIOD	<u>1,876,441</u>	<u>1,367,490</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>2,347</u>	<u>(5,925)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>2,347</u>	<u>(5,925)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,878,788</u>	<u>1,361,565</u>
Attributable to:		
Owners of the parent	1,876,502	1,362,789
Non-controlling interests	<u>2,286</u>	<u>(1,224)</u>
	<u>1,878,788</u>	<u>1,361,565</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		<u>March 31,</u>	<u>December 31,</u>
	<i>Notes</i>	<u>2025</u>	<u>2024</u>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	7,240,130	7,094,142
Intangible assets		4,752,755	4,556,283
Right-of-use assets		670,072	582,246
Investments in associates		641,506	666,354
Other non-current assets		537,907	479,107
Financial assets at fair value through profit or loss ("FVTPL")	<i>14</i>	1,065,208	1,065,411
Deferred tax assets		415,438	377,174
Total non-current assets		<u>15,323,016</u>	<u>14,820,717</u>
CURRENT ASSETS			
Inventories	<i>11</i>	2,400,980	2,417,118
Trade and bills receivables	<i>12</i>	7,298,492	6,159,470
Prepayments, other receivables and other assets . .	<i>13</i>	2,074,469	1,649,089
Financial assets at FVTPL	<i>14</i>	110,116	273,345
Pledged deposits and restricted cash		10,402	13,430
Cash and bank balances		24,075,306	24,802,475
Total current assets		<u>35,969,765</u>	<u>35,314,927</u>
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	2,937,716	3,230,864
Income tax payables		262,470	242,938
Contract liabilities		162,694	159,793
Total current liabilities		<u>3,362,880</u>	<u>3,633,595</u>
NET CURRENT ASSETS		<u>32,606,885</u>	<u>31,681,332</u>
TOTAL ASSETS LESS CURRENT LIABILITIES .		<u>47,929,901</u>	<u>46,502,049</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

		<u>March 31,</u>	<u>December 31,</u>
	<i>Notes</i>	2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT LIABILITIES			
Lease liabilities		62,714	69,036
Deferred income		216,370	225,650
Deferred tax liabilities		101,049	117,112
Total non-current liabilities		<u>380,133</u>	<u>411,798</u>
Net assets		<u>47,549,768</u>	<u>46,090,251</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>16</i>	6,379,002	6,379,002
Treasury shares	<i>16</i>	(1,303,731)	(1,228,624)
Reserves		41,911,788	40,369,484
		<u>46,987,059</u>	<u>45,519,862</u>
Non-controlling interests		562,709	570,389
Total equity		<u>47,549,768</u>	<u>46,090,251</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2025

	Attributable to owners of the parent								
	Share capital	Treasury shares	Share premium	Other reserves	Surplus reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000 (note 16)	RMB'000 (note 16)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025 (audited)	6,379,002	(1,228,624)	2,626,748	578,295	3,298,912	33,865,529	45,519,862	570,389	46,090,251
Profit for the period	-	-	-	-	-	1,874,055	1,874,055	2,386	1,876,441
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	2,447	-	-	2,447	(100)	2,347
Total comprehensive income for the period	-	-	-	2,447	-	1,874,055	1,876,502	2,286	1,878,788
Impact of change of interests in certain subsidiary	-	-	-	(400,618)	-	-	(400,618)	(10,243)	(410,861)
Repurchase of shares under A share stock ownership schemes	-	(75,107)	-	-	-	-	(75,107)	-	(75,107)
Recognition of equity-settled share-based payments	-	-	-	66,420	-	-	66,420	277	66,697
At March 31, 2025 (unaudited)	6,379,002	(1,303,731)	2,626,748	246,544	3,298,912	35,739,584	46,987,059	562,709	47,549,768

For the three months ended March 31, 2024

	Attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Share premium	Other reserves	Surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 16)	(note 16)							
At January 1, 2024 (audited)	6,379,002	(1,091,851)	2,638,761	438,201	3,298,912	28,802,770	40,465,795	567,291	41,033,086
Profit for the period	-	-	-	-	-	1,368,931	1,368,931	(1,441)	1,367,490
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	(6,142)	-	-	(6,142)	217	(5,925)
Total comprehensive income for the period	-	-	-	(6,142)	-	1,368,931	1,362,789	(1,224)	1,361,565
Repurchase of shares under A share stock ownership schemes	-	(10,004)	-	-	-	-	(10,004)	-	(10,004)
Recognition of equity-settled share-based payments.	-	-	-	54,926	-	-	54,926	(217)	54,709
At March 31, 2024 (unaudited)	6,379,002	(1,101,855)	2,638,761	486,985	3,298,912	30,171,701	41,873,506	565,850	42,439,356

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	For the three months ended March 31,	
		2025	2024
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		2,075,603	1,502,512
Adjustments for:			
Finance costs		10,924	793
Share of losses of associates		24,848	22,682
Dividends received from financial assets at			
FVTPL	4	(3,922)	(9,010)
Gain on disposal of property, plant and			
equipment	4/6	(97)	(750)
Depreciation of property, plant and equipment . .	6	192,113	179,036
Amortization of intangible assets	6	21,712	14,257
Equity-settled share-based payment expense . .	6	66,697	54,709
Impairment loss recognized/(reversed) on non-			
financial assets	5/6	1,396	(110)
Depreciation of right-of-use assets	6	12,610	7,448
Gain on financial assets at FVTPL	4	(1,751)	(7,338)
Impairment losses under expected credit loss			
model, net of reversal	5/6	(7,545)	12,976
Net foreign exchange (gain)/loss		(27,045)	13,048
		<u>2,365,543</u>	<u>1,790,253</u>
Increase in trade and bills receivables		(1,815,527)	(1,795,310)
Decrease/(increase) in pledged deposits		1	(960)
Increase in prepayments, other receivables and			
other assets		(306,061)	(446,522)
Decrease in inventories		14,741	40,888
Increase in trade and other payables		536,815	579,688
Increase in contract liabilities		2,901	1,253,397
Increase in deferred income		(9,281)	–
Cash generated from operations		789,132	1,421,434
Income tax paid		(233,957)	(166,835)
Net cash flows from operating activities		<u>555,175</u>	<u>1,254,599</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
	<i>Notes</i>	
Net cash flows from operating activities	555,175	1,254,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial assets at		
FVTPL	3,922	9,010
Proceeds from disposal of items of property, plant and equipment	1,569	1,622
Purchase of wealth management products	–	(200,000)
Purchases of items of property, plant and equipment	(386,097)	(237,754)
Purchase of land use right	(97,755)	–
Additions to other intangible assets	(218,180)	(323,268)
Proceeds from disposal of financial assets at		
FVTPL	164,864	–
Net cash flows used in investing activities	(531,677)	(750,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for repurchase of shares for A share incentive scheme	(75,107)	(10,004)
Repayment of lease liabilities	(4,974)	(8,131)
Repayment of borrowings from third parties	(170,118)	–
Payments for additional interests in certain subsidiary	(410,861)	–
Net cash flows used in financing activities	(661,060)	(18,135)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(637,562)	486,074
Cash and cash equivalents at beginning of period	24,239,102	20,271,524
Effect of foreign exchange rate changes, net	29,625	(18,208)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	23,631,165	20,739,390
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	23,631,165	20,739,390
Interest receivable	444,141	557,986
Cash and bank balances as stated in the consolidated statements of financial position	24,075,306	21,297,376

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

1.1 Corporate Information

Jiangsu Hengrui Pharmaceutical Co., Ltd. (the “Company”) is a joint stock company with limited liability established in Lianyungang, Jiangsu, People’s Republic of China (the “PRC”) on April 28, 1997, and subsequently listed on the Shanghai Stock Exchange (stock code: 600276) on October 18, 2000. The registered office address of the Company is No. 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang, Jiangsu, the Mainland China.

The Company and its subsidiaries (collectively referred to as the “Group”) was principally engaged in the research and development, manufacture and sale of pharmaceutical products.

1.2 Basis of Preparation

The interim condensed consolidated financial information for the three months ended March 31, 2025 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards, and should be read in conjunction with the Group’s consolidated financial statements as set out in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the Company’s documents dated May 15, 2025 (the “Documents”) in connection with the initial public offering of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s Accountants’ Report, except for the adoption of the following revised IFRS Accounting Standards for the first time for the current period’s financial information.

Amendments to IAS 21 *Lack of Exchangeability*

The adoption of the revised standards has had no significant financial effects on the Group’s interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is research and development, manufacture and sale of pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the three months ended March 31,	
	2025	2024
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers.	7,205,611	5,997,534

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the three months ended March 31,	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Types of goods or services		
Drug sales	6,623,122	5,939,438
Licensing revenue	552,700	2,946
Others	29,789	55,150
Total	7,205,611	5,997,534
Geographical markets		
Mainland China	6,646,001	5,846,131
Other countries/regions	559,610	151,403
Total	7,205,611	5,997,534
Timing of revenue recognition		
At a point in time	7,196,097	5,994,633
Over time	9,514	2,901
Total	7,205,611	5,997,534

	For the three months ended March 31,	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Other income		
Bank interest income	77,065	167,856
Government grants income*	22,958	49,787
Dividend income from equity investments at FVTPL	3,922	9,010
Total other income	103,945	226,653
Gains		
Foreign exchange gains, net	14,599	–
Gain on financial assets at FVTPL	1,751	7,338
Gain on disposal of items of property, plant and equipment	97	750
Others	5,470	19,413
Total gains	21,917	27,501
Total other income and Gains	125,862	254,154

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. OTHER EXPENSES

An analysis of other expenses is as follows:

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Donations	9,050	112,318
Foreign exchange losses, net	–	18,188
Impairment losses under expected credit loss model, net of reversal	(7,545)	12,976
Discount on derecognition of bills receivables	756	32
Impairment loss recognized on non-financial assets, net of reversal	1,396	(110)
Others	950	250
Total other expenses	<u>4,607</u>	<u>143,654</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	For the three months ended March 31,	
		2025	2024
		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Cost of inventories sold*		1,060,145	921,908
Depreciation of property, plant and equipment		192,113	179,036
Amortization of intangible assets		21,712	14,257
Depreciation of right-of-use assets		12,610	7,448
Gain on disposal of items of property, plant and equipment	4	(97)	(750)
Donations	5	9,050	112,318
Lease payments not included in the measurement of lease liabilities		38,029	–
Gain on financial assets at FVTPL	4	(1,751)	(7,338)
Bank interest income	4	(77,065)	(167,856)
Government grants income	4	(22,958)	(49,787)
Foreign exchange (gains)/losses, net	4/5	(14,599)	18,188
Dividend income from equity investments at FVTPL	4	(3,922)	(9,010)
Discount on derecognition of bills receivables	5	756	32
Impairment losses recognized on non-financial assets, net of reversal	5	1,396	(110)
Impairment losses under expected credit model, net of reversal	5	(7,545)	12,976
Employee benefit expenses			
– Salaries, bonuses, allowances and benefits in kind		2,055,953	1,744,495
– Pension scheme contributions		197,799	174,355
– Equity-settled share-based payments expenses		66,697	54,709
Total employee benefits expenses		<u>2,320,449</u>	<u>1,973,559</u>

* The “Cost of inventories sold” amount includes the following expenses which are also included in the respective total amounts of the items disclosed above

- Amortization of intangible assets
- Depreciation of property, plant and equipment
- Depreciation of right-of-use assets
- Employee benefit expenses

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

The Company, Suzhou Suncadia Biopharmaceuticals Co., Ltd. (“蘇州盛迪亞生物醫藥有限公司”), Shandong Suncadia Medicine Co., Ltd. (“山東盛迪醫藥有限公司”) and Jiangsu Original Drug Research and Development Co., Ltd. (“江蘇原創藥物研發有限公司”) were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2023 to 2025.

Chengdu Suncadia Medicine Co., Ltd. (“成都盛迪醫藥有限公司”), Shanghai Senhui Pharmaceutical Co., Ltd. (“上海森輝醫藥有限公司”) and Fujian Shengdi Pharmaceutical Co., Ltd. (“福建盛迪醫藥有限公司”) were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate of 15% from 2024 to 2026.

Shanghai Hengrui Pharmaceuticals Co., Ltd. (“上海恒瑞醫藥有限公司”), Shanghai Shengdi Pharmaceutical Co., Ltd. (“上海盛迪醫藥有限公司”), Tianjin Hengrui Pharmaceutical Co., Ltd. (“天津恒瑞醫藥有限公司”) and Chengdu Xinyue Pharmaceutical Co., Ltd. (“成都新越醫藥有限公司”) were qualified as High and New Technology Enterprises to enjoy a preferential income tax rate from 2022 to 2024. These qualifications are subject to review by the relevant tax authority in the Mainland China for every three years. The renewal of above qualifications for 2025 to 2027 is in process and the management of the Group expects the renewal will be completed before December 31, 2025.

In addition, pursuant to Caishui [2020] No. 31 “Notice of Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port (關於海南自由貿易港企業所得稅優惠政策的通知) and Caishui [2025] No. 3 “Notice on the Continuation of the Implementation of the Preferential Income tax Polices For Enterprises in Hainan Free Trade Port (關於延續實施海南自由貿易港企業所得稅優惠政策的通知), as for the subsidiary of the Company, Hainan Hengrui Pharmaceutical Co., Ltd. (“海南恒瑞醫藥有限公司”), which is incorporated in Hainan Free Trade Port and engaged in stipulated encouraged business, are permitted to enjoy a preferential enterprise income tax rate of 15% subject to certain qualification requirements until December 31, 2027.

United States

The subsidiaries incorporated in United States are subject to statutory federal corporate income tax at a rate of 21%. They are also subject to the state income tax which generally ranges from 1% to 10%.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at March 31, 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the three months ended March 31, 2025. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group should benefit from the transitional safe harbour for most of the jurisdictions in which the Group operates. As such, the Group does not expect to have any material Pillar Two exposure (including current tax) arising in these jurisdictions during the three months ended March 31, 2025.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The income tax expense of the Group for the period is analysed as follows:

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Current income tax	253,489	178,736
Deferred income tax	(54,327)	(43,714)
Total	<u>199,162</u>	<u>135,022</u>

8. DIVIDENDS

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Final dividends in respect of the previous period, declared or paid during the period (tax inclusive)	<u>—</u>	<u>—</u>

In March 2025, the Board proposed the cash dividend of RMB1,275,450,000 to holders of the Company’s A shares on the relevant record date, which was approved by shareholders of the Company on April 28, 2025.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, adjusted to reflect the cash dividends distributed to the expected vested shares under A share stock ownership schemes, and the weighted average number of ordinary shares outstanding (excluding treasury shares) during the period.

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares arising from A share stock ownership schemes into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>1,874,055</u>	<u>1,368,931</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

	For the three months ended March 31,	
	2025	2024
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Shares</u>		
Weighted average number of ordinary shares outstanding during the period, used in the basic earnings per share calculation	6,349,228,672	6,352,118,757
Effect of dilution – potential ordinary shares arising from A share stock ownership schemes	5,090,957	2,049,984
Total	<u>6,354,319,629</u>	<u>6,354,168,741</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2025, the Group acquired assets at a cost of RMB339,485,000 (the three months ended March 31, 2024: RMB97,629,000).

Assets with a net book value of RMB1,472,000 were disposed of by the Group during the three months ended March 31, 2025 (the three months ended March 31, 2024: RMB872,000), resulting in a net gain on disposal of RMB97,000 (the three months ended March 31, 2024: RMB750,000).

As at March 31, 2025, the Group has not obtained the certificates for certain of the buildings with an aggregate net carrying amount of approximately RMB870,590,000 (December 31, 2024: RMB1,024,689,000). The directors were of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at March 31, 2025.

11. INVENTORIES

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Raw materials	791,680	711,539
Work in progress	501,035	435,842
Finished goods	1,100,383	1,260,530
Contract costs	7,882	9,207
Total	<u>2,400,980</u>	<u>2,417,118</u>

12. TRADE AND BILLS RECEIVABLES

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Trade receivables	4,875,718	4,968,479
Bills receivables	2,468,925	1,244,598
Impairment	(46,151)	(53,607)
Total	<u>7,298,492</u>	<u>6,159,470</u>

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current	6,862,139	5,558,730
Past due within 1 year	435,724	599,744
Past due 1 year to 2 years	464	908
Past due 2 years to 3 years	165	88
Total	<u>7,298,492</u>	<u>6,159,470</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Prepayments and prepaid expenses.	1,605,472	1,188,417
Income tax recoverable.	235,607	239,543
Value-added tax recoverable.	222,154	195,893
Deposit	11,236	25,236
Total	<u>2,074,469</u>	<u>1,649,089</u>

14. FINANCIAL ASSETS AT FVTPL

Current portion

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Other unlisted investments, at fair value	95,065	93,161
Listed equity investments, at fair value.	15,051	15,274
Wealth management products	–	164,910
Total	<u>110,116</u>	<u>273,345</u>

Non-current portion

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Other unlisted investments, at fair value	<u>1,065,208</u>	<u>1,065,411</u>

15. TRADE AND OTHER PAYABLES

	<u>March 31,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade and bills payables	1,840,504	1,517,333
Considerations received from employees under A share stock ownership schemes	558,827	558,827
Other tax payables	176,729	184,056
Other payables	159,079	319,604
Payables relating to purchases of items of property, plant and equipment	156,621	449,926
Lease liabilities	45,956	41,126
Borrowings from third parties.	–	159,992
Total	<u>2,937,716</u>	<u>3,230,864</u>

An ageing analysis of the trade and bills payables of the Group at the end of the reporting period, based on the invoice date, is as follows:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year.	1,797,970	1,461,317
1 to 2 years.	22,558	38,284
2 to 3 years.	12,488	11,574
Over 3 years	7,488	6,158
Total	<u>1,840,504</u>	<u>1,517,333</u>

16. SHARE CAPITAL/TREASURY SHARES

Share Capital

	<u>March 31,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
	<i>Number of shares</i>	<i>Number of shares</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Issued and fully paid:		
6,379,002,274 ordinary shares of RMB1.00 each (December 31, 2024: 6,379,002,274 shares of RMB1.00 each)	<u>6,379,002,274</u>	<u>6,379,002,274</u>

A summary of movements in the share capital is as follows:

	<u>Number of shares</u>	<u>Share capital</u>
	<u>in issue</u>	<u>RMB'000</u>
At December 31, 2024 (audited) and March 31, 2025 (unaudited).	<u>6,379,002,274</u>	<u>6,379,002</u>

Treasury Shares

A summary of movements in the Company's treasury shares is as follows:

	Number of shares	Treasury Shares <i>RMB'000</i>
At January 1, 2024 (audited)	26,883,517	1,091,851
Repurchase of shares under A shares stock ownership schemes	239,555	10,004
At March 31, 2024 (unaudited).	27,123,072	1,101,855
At January 1, 2025 (audited)	29,541,002	1,228,624
Repurchase of shares under A shares stock ownership schemes	1,672,600	75,107
At March 31, 2025 (unaudited).	31,213,602	1,303,731

17. COMMITMENTS

As at March 31, 2025, the Group had contractual commitments for the purchase of items of property, plant and equipment with an aggregate amount of RMB313,526,000 (December 31, 2024: RMB372,609,000).

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
<i>Sales of products:</i>		
Associates.	13,739	14,936
Controlled by a close family member of a director.	614	–
Total	14,353	14,936
<i>Rendering of services:</i>		
Associates.	2,901	2,901
Controlled by a director	440	–
Controlled by a close family member of a director.	255	113
Total	3,596	3,014
	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
<i>Purchases of products:</i>		
Controlled by a close family member of a director.	–	1,737
<i>Purchases of services:</i>		
Associates.	6,235	2,485
Controlled by a close family member of a director.	353	3,599
Total	6,588	6,084

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(b) Outstanding balances with related parties:

	March 31,	December 31,
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Amounts due from related parties – trade in nature		
Associates	68,804	65,255
Controlled by a close family member of a director	5,029	5,097
Controlled by a director	–	1,740
Total	<u>73,833</u>	<u>72,092</u>
Amounts due to related parties – trade in nature		
Associates	2,959	13
Controlled by a close family member of a director	1,800	3,894
Total	<u>4,759</u>	<u>3,907</u>

The Group has assessed the expected loss rate for amounts due from the related parties by considering the financial position and credit history of the related party and assessed that the expected credit loss is minimal.

(c) Compensation of key management personnel of the Group

	For the three months ended March 31,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries, bonuses, allowances and benefits in kind	4,119	5,858
Pension scheme contributions	50	72
Equity-settled share-based payments	3,312	4,945
Total	<u>7,481</u>	<u>10,875</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, interest-bearing borrowings, and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the reporting period, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a period for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments designated at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

APPENDIX IA UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments which are measured at fair value as at March 31, 2025 and December 31, 2024:

Financial assets	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Sensitivity of fair value to the input
Investments in unlisted funds at fair value	Level 3	Net asset value of underlying investments value*	N/A	N/A
Unlisted equity investments at fair value	Level 3	Back-solve from recent transaction price	Initial public offering (“IPO”) or success probability	5% increase/decrease in probability would result in increase/decrease in fair value by RMB50,314,000 (December 31, 2024: RMB50,314,000)

* The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

At March 31, 2025

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>	<i>RMB’000</i> <i>(Unaudited)</i>	
Financial assets at FVTPL	110,116	–	1,065,208	1,175,324
Bills receivables	–	2,328,589	–	2,328,589
Total	<u>110,116</u>	<u>2,328,589</u>	<u>1,065,208</u>	<u>3,503,913</u>

At December 31, 2024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB’000</i> <i>(Audited)</i>	<i>RMB’000</i> <i>(Audited)</i>	<i>RMB’000</i> <i>(Audited)</i>	
Financial assets at FVTPL	108,435	164,910	1,065,411	1,338,756
Bills receivables	–	1,094,725	–	1,094,725
Total	<u>108,435</u>	<u>1,259,635</u>	<u>1,065,411</u>	<u>2,433,481</u>

Financial instruments in Level 3

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

20. EVENT AFTER MARCH 31, 2025

The Group had no significant events subsequent to March 31, 2025.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as at December 31, 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the parent had the Global Offering been completed as at December 31, 2024 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to owners of the parent as at December 31, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at December 31, 2024	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per share as at December 31, 2024	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$41.45 per H Share	41,013,600	8,600,897	49,614,497	7.51	8.01
Based on an Offer Price of HK\$44.05 per H Share	41,013,600	9,144,087	50,157,687	7.60	8.10

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the parent as at December 31, 2024 is equal to the audited net assets attributable to owners of the parent as at December 31, 2024 of RMB45,519,862,000 after deduction of intangible assets of RMB4,506,262,000 as at December 31, 2024 set out in the Accountants' Report in Appendix I to this prospectus.

- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$41.45 and HK\$44.05 per H Share, being the low end and high end of the Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the Over-Allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis of 6,603,522,074 Shares in issue, assuming that the Global Offering had been completed on December 31, 2024, but does not take into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of RMB1.00 to HK\$1.0660.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2024. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account a cash dividend of RMB1,275.5 million to holders of the Company's A shares on the relevant record date proposed by the Board in March 2025 and approved by the shareholders in April 2025. The unaudited pro forma net tangible assets would have been HK\$7.80 and HK\$7.89 per H Share based on the Offer Price of HK\$41.45 and HK\$44.05 respectively if the dividend had been accounted for as at December 31, 2024.

The following is the text of a report set out on pages II-3 to II-5, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



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To the Directors of Jiangsu Hengrui Pharmaceuticals Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at December 31, 2024, and related notes as set out on pages II-1 to II-2 of the prospectus dated May 15, 2025 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at December 31, 2024 as if the transaction had taken place at December 31, 2024. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the year ended December 31, 2024, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young*Certified Public Accountants*

Hong Kong

May 15, 2025

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, and has not taken into account the expected change or amendment to the relevant laws or policies and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC and other tax consequences of owning and disposing of the H shares.

Taxation in Mainland China*Tax on Dividends**Individual Investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), or the Individual Income Tax Law, amended by the SCNPC on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by PRC companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, if the holding period is within one month (inclusive), the dividend and bonus income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend and bonus income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), or the Fifth Protocol, issued by the State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, amended by the SCNPC and effective on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation Rules of the EIT Law, amended by the State Council and effective on 20 January 2025, a non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) promulgated by the State Administration of Taxation and effective 24 July 2009 further

provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《對所得避免雙重徵稅和防止偷漏稅的安排》), the PRC government may impose tax on dividends paid by a PRC company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

Tax Related to Equity Transfer Income

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the State Administration of Taxation and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The State Administration of Taxation does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

Enterprise Investors

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non-PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect shall be exempted from individual income tax to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. Pursuant to which, dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises investors. The tax payable shall be declared and paid by the enterprise itself.

Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 5 November 2016 and effective on 5 December 2016, transfer spread income derived by mainland enterprises from stock investment listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors to the H-share companies and the H-share companies shall withhold individual income tax at the rate of 20% on behalf of the investors.

Pursuant to the Announcement on Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on 4 December 2019 and effective on 5 December 2019 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds which promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividends derived by mainland enterprises investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. In particular, dividend and bonus income obtained by mainland resident enterprises from holding H shares for 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies shall not withhold income tax on dividends and bonus income for mainland enterprises. The tax payable shall be declared and paid by the enterprise itself.

Stamp Duty

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on 10 June 2021 and came into effect on 1 July 2022, the disposal of H Shares by non-mainland China investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate duty

According to PRC law, no estate duty is currently levied in the mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC**Enterprise Income Tax**

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), enterprises and other income-generating organizations (hereinafter collectively referred to as "enterprises") within the territory of the People's Republic of China are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for enterprise income tax.

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax on its income within the PRC and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to enterprise income tax and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the PRC.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) amended by the State Council and became effective on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) amended by the MOF on 28 October 2011 and effective on 1 November 2011, all entities and individuals in the PRC engaging in the sale of goods, the provision of processing, repairs and replacement services, and the importation of goods are required to pay value-added tax. For taxpayers selling or importing goods, the general tax rate shall be 17% unless otherwise specified in the aforesaid regulations.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and the State Administration of Taxation on 4 April 2018, and became effective as of 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (2019 No. 39 of MOF, State Administration of Taxation and General Administration of Customs), promulgated by the MOF, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Application of Low Value Added Tax Rates and Simplified Methods for Collecting Value Added Tax on Some Goods (《財政部國家稅務總局關於部分貨物適用增值稅低稅率和簡易辦法徵收增值稅政策的通知》) promulgated on 19 January 2009, and was revised on 25 May 2012 and 13 June 2014 respectively, general taxpayers who sell self-produced biological products made from microorganisms, microbial metabolites, animal toxins, human or animal blood or tissues may choose to calculate and pay value-added tax at a rate of 3% pursuant to the simplified method.

According to the Notice on VAT Policies for Anti-cancer Drugs (《關於抗癌藥品增值稅政策的通知》) promulgated on April 27, 2018 by the Ministry of Finance, General Administration of Customs, State Administration of Taxation and State Drug Administration, with effect from 1 May 2018, VAT general taxpayers engaging in manufacturing and sale, wholesale, and retail of anti-cancer drugs may opt to compute and pay VAT in accordance with the simple method and based on 3% levy rate. Upon computation and payment of VAT by the aforesaid taxpayers using the simple method, no change shall be made within 36 months.

FOREIGN EXCHANGE ADMINISTRATION IN THE PRC

The lawful currency of the PRC is the Renminbi. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

Pursuant to the Regulations of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and became effective on 5 August 2008, all international payments and transfers are classified into current account items and capital account items. The PRC does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of PRC enterprises may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996, the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (國務院關於取消和調整一批行政審批項目等事項的決定) promulgated by the State Council and effective on 23 October 2014, the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated by the SAFE and became effective on 26 December 2014, the relevant provisions on foreign exchange administration of domestic joint stock companies (hereinafter referred to as “domestic companies”) listed overseas are as follows:

- (i) The SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies.
- (ii) A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the Foreign Exchange Bureau at the place where it is registered with relevant material.
- (iii) After the overseas listing of a domestic company, its domestic shareholders who intend to increase or reduce their shareholding in an overseas listed company according to relevant regulations shall register the overseas shareholding with the local foreign exchange bureau at the place where the domestic shareholders are located within 20 working days prior to the proposed increase or reduction of shareholding with relevant materials.

- (iv) A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a “special foreign exchange account for overseas listing of domestic companies” with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) issued on 13 February 2015 and came into effect on 1 June 2015, the SAFE has canceled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III—Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this prospectus.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), or the Constitution, and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), or the Legislation Law, which was amended by the NPC on 13 March 2023 and became effective on 15 March 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions for approval before implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; the people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on 10 June 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific

application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) revised by SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final

judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法(2023年修訂)》), or the PRC Civil Procedure Law, adopted by the SCNPC on 1 September 2023 and effective on 1 January 2024 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant

foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC.

The PRC Company Law (《中華人民共和國公司法》), or the Company Law, was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on 29 December 1993 and came into effect on 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018 and 29 December 2023. The latest revised Company Law came into effect on 1 July 2024.

The Trial Measures and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas share subscription and listing of domestic companies.

According to the Trial Measures and its interpretative guidelines, where a domestic company directly offering and listing overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》), or the Guidelines for Articles of Association, in place of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas which ceased to apply from 31 March 2023. The Guidelines for Articles of Association were promulgated by the CSRC on 16 December 1997 and last amended on 15 December 2023.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures and the Guidelines for Articles of Association which are applicable to our Company.

General Provisions

“A joint stock limited company” means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights, land use rights, shareholding or claims.

The Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders, if any. If no par value stock is issued, the proceeds from the issuance of the new stocks shall be included into the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the prospectus.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (i) to prepare a balance sheet and a property list;
- (ii) a company makes a resolution at shareholders' meeting to reduce its registered capital;
- (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;
- (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

- (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

- (i) reducing the registered capital;
- (ii) merging with other company that holds the shares of the company;
- (iii) using the shares for employee stocks plan or equity incentives;
- (iv) with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;
- (v) using the shares for the conversion of convertible corporate bonds issued by the listed company;
- (vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should affect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of a company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;
- (iii) To supervise business operations of our Company, provide suggestions or submit queries;

- (iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- (v) To read and copy the Articles of Association, the register of Shareholders, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- (vi) Shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers as required by laws;
- (vii) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- (viii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the Company;
- (ix) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

The obligations of a shareholder of a company include:

- (i) To abide by laws, administrative regulations and the Articles of Association;
- (ii) To provide Share capital according to the Shares subscribed for and Share participation methods;
- (iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;
- (iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;
- (v) To perform other duties prescribed in laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers:

- (i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- (ii) to examine and approve reports of the board of directors;
- (iii) to examine and approve reports of the supervisory committee;
- (iv) to examine and approve a company's profit distribution plans and loss recovery plans;
- (v) to resolve on the increase or reduction of a company's registered capital;
- (vi) to resolve on the issuance of corporate bonds;
- (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;
- (viii) to amend the company's articles of association;
- (ix) other functions and powers specified in provision of the articles of association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the articles of association;
- (ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;
- (iii) shareholders individually or jointly holding 10% or more of the company's shares request;
- (iv) when deemed necessary by the Board;

- (v) the Supervisory Committee proposes to convene the meeting;
- (vi) other circumstances as stipulated in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the Deputy Chairman. In the event that the Deputy Chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the meeting of shareholders. The convener shall issue a supplementary notice of the meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Directors

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the articles of association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

- (i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;
- (ii) to implement the resolutions of the shareholder's general meeting;
- (iii) to decide on a company's business plans and investment plans;
- (iv) to formulate a company's profit distribution plan and loss recovery plan;
- (v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;
- (vi) to formulate plans for cake, division, dissolution or change of corporate form of a company;
- (vii) to decide on the internal management structure of a company;

- (viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;
- (ix) to formulate a company's basic management system;
- (x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is:

- (i) a person without capacity or with restricted capacity;
- (ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period;
- (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and

- (v) being listed as one of “dishonest persons subject to enforcement” by the people’s court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

- (i) to preside over shareholders’ meetings and convene and preside over board meetings;
- (ii) to examine the implementation of resolutions of the Board;
- (iii) to exercise other powers conferred by the Board.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company’s staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the articles of association. Employee representatives of the supervisory committee shall be democratically elected by the company’s employees at the employee representative assembly, employee meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

- (i) to examine the company’s financial affairs;
- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or resolutions of shareholders’ meetings;
- (iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company’s interest;
- (iv) to propose the convening of extraordinary meetings, and to convene and preside over shareholders’ meetings when the Board fails to perform the duty of convening and presiding over shareholders’ meetings under the Company Law;
- (v) to submit proposals to the shareholders’ meeting;

- (vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;
- (vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Under the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

- (i) embezzling the company's property or misappropriating of the company's capital;
- (ii) depositing the company's capital into accounts under his own name or the name of other individuals;
- (iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;
- (iv) accept and possess commissions paid by a third party for transactions conducted with the company;
- (v) unauthorized divulgence of confidential business information of the company; or
- (vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she should report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, subject to the approval of the board of directors or shareholders according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

Neither director, supervisor or senior management may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

- (i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the Articles of Association; or
- (ii) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the Articles of Association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the meeting or the shareholders' meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm.

The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the meeting of shareholders.

Profit Distribution

Where a company distributes profits to shareholders in violation of the provisions of the Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders, directors, supervisors, and senior management personnel who are responsible for causing losses to the company shall bear compensation liability.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

- (i) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;
- (ii) the meeting or the shareholders' meeting resolves to dissolve the company;
- (iii) dissolution is necessary due to a merger or division of the company;
- (iv) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;
- (v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. Where the company is dissolved pursuant to sub-paragraphs (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- (i) to liquidate the company's property and respectively prepare balance sheet and list of property;
- (ii) to notify creditors by notice or public announcement;
- (iii) to deal with the outstanding business of the company involved in the liquidation;
- (iv) to pay all outstanding taxes and taxes arising in the course of liquidation;
- (v) to liquidate claims and debts;
- (vi) distributing the remaining property of the company after paying off debts;
- (vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the

requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by Chinese companies in the mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On 29 March 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on 22 April 1993 provide the application and approval procedures for public offerings of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on 25 December 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》), or the PRC Securities Law, which was amended by the Standing Committee of the NPC on 28 December 2019 and came into effect on 1 March 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, amended by the Standing Committee of the NPC on September 1 2017 and effective on January 1 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an

award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of listing of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

ISSUANCE OF SHARES

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank *pari passu* with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE AND REPURCHASE OF SHARES

According to the operation and development needs of the Company, subject to the laws, regulations, and the listing rules of the place where the Company's shares are listed, the Company may increase the share capital in the following ways upon approval of resolutions at the shareholders' meeting:

- (i) Public issuance of shares;
- (ii) Non-public issuance of shares;
- (iii) Distribution of bonus shares to existing shareholders;
- (iv) Converting the reserve funds into share capital;
- (v) Other means approved by the laws, administrative regulations or approved by the securities regulatory authorities and stock exchange(s) where the Company's shares are listed.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in the PRC Company Law and the Articles of Association.

Our Company shall not repurchase its own shares, unless otherwise under the circumstances:

- (i) Reducing our Company's registered share capital;
- (ii) Merging with other companies which hold our shares;
- (iii) Using the shares for an employee stock ownership plan or equity incentive plan;

- (iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders' meeting upon their request;
- (v) Use of shares for conversion of convertible corporate bonds issued by the Company;
- (vi) Necessary for the Company to maintain its value and protect the interests of the Shareholders.

The repurchase of the Company's shares by the Company may be carried out through public centralized trading, or other methods recognized by laws, administrative regulations and securities regulatory authorities and stock exchange(s) in the place where the Company's shares are listed, and shall comply with the provisions of applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are listed. In the premise of complying with the applicable securities regulatory rules of the place where the Company's shares are listed, If the share repurchase is made under the circumstances stipulated in (iii), (v) or (vi) above, it shall be conducted through public centralized trading.

A resolution shall be passed at the shareholders' meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders' meeting, and on the premise of complying with the applicable securities regulatory rules of the place where the Company's shares are listed.

After the Company has repurchased its own shares in accordance with the circumstances above, the shares repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (i) above), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv) above). If the Company repurchases its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

TRANSFER OF SHARES

Shares issued prior to the public offering of A shares of the Company shall not be transferred within one year from the date on which the A shares of the Company are listed and traded on the Shanghai Stock Exchange.

The Directors, Supervisors and senior management of the Company shall declare the Company of their holdings of shares of the Company and the changes therein. The shares transferred by them during each year of their tenures shall not exceed 25% of their total holdings of shares of the Company. The shares of the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares of the Company held by them shall not be transferred within half a year from their

departure from the Company. Where the securities regulatory rules of the place where the Company's shares are listed provide otherwise with respect to the restrictions on the transfer, such rules shall also be applicable.

If the shares are pledged within the restricted transfer period stipulated by laws and administrative regulations, the pledgee shall not exercise the pledge within the restricted transfer period.

Any gains from sale of Company's shares by the Directors, Supervisors and senior management members or shareholders holding 5% or more of the Company's shares within six months after their purchase of the same, and any gains from the purchase of the shares by any of the aforesaid parties within six months after sale of the same shall be disgorged and paid to the Company, and the Board of Directors of the Company shall recover such gains from the abovementioned parties. However, a securities company which holds 5% or more of the Company's shares as a result of its undertaking of the untaken shares in an offer, or other circumstances stipulated by the CSRC and the securities regulatory rules of the place where the Company's shares are listed, sale those Company's shares shall not be subject to the six-month time limit as set out above. The above shareholders holding 5% or more of the Company's shares do not include recognized clearing houses and their nominees as defined in the relevant ordinances from time to time in force under the laws of Hong Kong.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior management and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board of Directors of the Company fails to comply with the provision set forth above, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court of the PRC in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth above, the responsible Directors shall bear joint and several liability in accordance with law.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN OUR COMPANY

The Company or its subsidiaries shall not offer any financial assistance by any means to purchasers or prospective purchasers who will or who intend to purchase the Company's Shares, except for the implementation of employee stock ownership plans by the Company.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS**Shareholders**

The Company shall establish a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. The original register of Shareholders of H shares listed in Hong Kong is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The rights of our shareholders are as follows:

- (i) To receive dividends and other forms of interest distribution according to the number of shares held;
- (ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders' meeting and exercise corresponding voting rights;
- (iii) To supervise business operations of our Company, provide suggestions or submit queries;
- (iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- (v) To read and copy the Articles of Association, the register of Shareholders, shareholders' meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- (vi) Shareholders who hold more than 3% of the Company's shares individually or collectively for more than 180 consecutive days may require to inspect the Company's accounting books and accounting vouchers as required by laws;
- (vii) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;
- (viii) To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the shareholders' meeting concerning the merger and division of the Company;

- (ix) Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

If a shareholder who holds more than 3% of the Company's shares individually or collectively for more than 180 consecutive days requests to inspect the Company's accounting books and accounting vouchers, he or she shall submit a written request to the Company stating the purpose. If the Company has a reasonable basis to believe that the shareholder's inspection of accounting books and accounting vouchers has an improper purpose and may harm the legitimate interests of the Company, it may refuse to provide such inspection, and shall reply to the shareholder in writing and explain the reasons within 15 days from the date of the shareholder's written request. If the Company refuses to provide inspection, the shareholder may file a lawsuit with the court of the PRC.

If the content of the resolution of the Company's shareholders' meeting or board of directors violates laws, administrative regulations or provisions of the Articles of Association, the shareholders have the right to request the court of the PRC to clarify it invalid. If the convening procedures or voting methods of the shareholders' meeting or the board of directors violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the shareholders have the right to request the court of the PRC to revoke the resolution within 60 days from the date on which the resolution is made. However, the resolution shall not be revoked if there are only minor flaws in the convening procedures or voting methods of the shareholders' meeting or the board meeting resulting in no substantial impact on the resolution.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the court of the PRC. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders holding more than 1% shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Directors to file an action with the court of the PRC.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court of the PRC for the interest of our Company.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the court of the PRC pursuant to the provisions of the preceding paragraphs.

If the directors, supervisors or senior managers of a wholly-owned subsidiary of the Company have any of the circumstances specified in the preceding paragraph, or if others infringe upon the legitimate rights and interests of the wholly-owned subsidiary of the Company and cause losses, the shareholders who hold more than 1% of the shares of the Company individually or collectively for more than 180 consecutive days may, in accordance with the Articles of Association, request the Board of Supervisors or the board of directors of the wholly-owned subsidiary to file a lawsuit in the court of the PRC in writing or directly file a lawsuit in their own name with the court of the PRC.

The obligations of Shareholders are as follows:

- (i) To abide by laws, administrative regulations and the Articles of Association;
- (ii) To provide Share capital according to the Shares subscribed and the subscription methods;
- (iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;
- (iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;
- (v) To perform other duties prescribed in laws, administrative regulations, departmental rules, normative documents, the listing rules of the place(s) where the Company's shares are listed and the Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

If a shareholder holding more than 5% of the voting shares of the Company pledges the shares he holds, he or she shall make a written report to the Company from the date of occurrence of such fact and make a declaration in accordance with applicable relevant laws and regulations.

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company; who violate Articles of Association and cause losses to the Company shall be liable for compensation.

Controlling Shareholders and actual controllers of the Company shall have a duty of good faith to the Company and public Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the legitimate rights and interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the capital occupation or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders. If the controlling Shareholders or actual controllers of the Company instructs the Directors or senior management personnel to engage in acts that harm the interests of the Company or Shareholders, the Directors or senior management personnel shall be jointly and severally liable.

GENERAL PROVISIONS FOR SHAREHOLDERS' MEETINGS

The shareholders' meeting is the organ of authority of the Company, which exercises its powers in accordance with the PRC Company Law:

- (i) To elect or replace the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;
- (ii) To examine and approve reports of the Board of Directors;
- (iii) To examine and approve reports of the Board of Supervisors;
- (iv) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;
- (v) To decide on any increase or decrease of the Company's registered capital;
- (vi) To decide on the issue of corporate bonds by the Company;
- (vii) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (viii) To amend the Articles of Association;
- (ix) Resolution on appointment and dismissal of an accounting firm by the Company;
- (x) To examine and approve the external guarantees stipulated in the Articles of Association that need to be examined and approved by the Shareholders' meeting;

- (xi) To examine matters relating to the purchases and sales of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;
- (xii) To examine and approve matters relating to changes in the use of proceeds;
- (xiii) To examine and approve the equity incentive plans and employee stock ownership plans;
- (xiv) To examine other matters as required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company, which shall be decided by the shareholders' meeting.

The following acts of external guarantee of the Company shall be submitted to the shareholders' meeting for deliberation and approval:

- (i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has exceeded 50% of the Company's net assets as audited in the latest period;
- (ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;
- (iii) Basis of the cumulative guarantee amount in the last one year, the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;
- (iv) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- (v) The single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;
- (vi) The guarantee to be provided to a Shareholder, or to an actual controller or related party thereof;
- (vii) Other guarantees required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company that shall be approved by the shareholders' meeting.

The shareholders' meetings are divided into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

The Company shall convene an extraordinary shareholders' meeting within two months from the date of the occurrence of any of the following circumstances:

- (i) The number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;
- (iii) A written request from shareholders who separately or jointly hold 10% or more shares in the Company;
- (iv) The Board of Directors considers it necessary;
- (v) The Board of Supervisors proposes that such a meeting shall be held;
- (vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

CONVENING OF SHAREHOLDERS' MEETINGS

The independent Directors shall have the right to propose to the Board to convene an extraordinary shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary shareholders' meeting, it shall give the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board in writing to convene an extraordinary shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Supervisory Committee. If the Board does not agree to convene an extraordinary shareholders'

meeting or fails to give a response within 10 days after the receipt of the proposal, the Board of Supervisors may convene and preside over such meeting on its own on the ground that the Board of Directors was unable or failed to perform its duty to convene a shareholders' meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary shareholders' meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' meeting within 10 days after receiving the request. Where the Board of Directors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary shareholders' meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary shareholders' meeting, and shall make a written request to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary shareholders' meeting, it shall issue a notice of convening the shareholders' meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Supervisors fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the shareholders' meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

PROPOSALS AND NOTICES OF SHAREHOLDERS' MEETINGS

The content of proposals shall fall within the functions and powers of the shareholders' meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors, the Board of Supervisors or Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company shall have the right to propose resolutions in shareholders' meeting.

Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit *ad hoc* proposals in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall give a supplemental notice of the shareholders' meeting within 2 days upon receipt of the proposals and announce the contents of the *ad hoc* proposals and submit the *ad hoc* proposals to the shareholders' meeting for consideration, except for the cases where temporary proposal violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the scope of

the authority of the shareholders' meeting. If the shareholders' meeting is postponed due to the issuance of a supplementary notice of the shareholders' meeting in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Except for the circumstances provided for in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the shareholders' meeting or add new proposals after issuing the notice of the shareholders' meeting. The shareholders' meeting shall not vote and make resolutions on proposals that are not specified in the notice of the shareholders' meeting or do not conform to the provisions of the Articles of Association.

The convener of an annual shareholders' meeting shall notify all Shareholders by means of an announcement 21 days before the meeting; the convener of an extraordinary shareholders' meeting shall notify all Shareholders by means of an announcement 15 days before the meeting. Where the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise in respect of the matter, such rules shall also be applicable.

A notice of a shareholders' meeting shall include the following:

- (i) the time, venue and duration of the meeting;
- (ii) matters and proposals submitted to the meeting for consideration;
- (iii) a prominent written statement that all Shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;
- (iv) the record date of registration of Shareholders entitled to attend the shareholders' meeting;
- (v) the name and telephone number of the regular contact person for the meeting;
- (vi) the time and procedure for voting online or through other means;
- (vii) Other requirements stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Notices or supplementary notices of shareholders' meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent Director are required on the matters to be discussed, such opinions and reasons thereof shall also be disclosed when the notices or supplementary notices of shareholders' meetings are served.

After the notice of the shareholders' meeting is issued, the shareholders' meeting shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of the shareholders' meeting shall not be canceled. Once there is a postponement or cancelation, the organizer shall make an announcement and explain the reasons at least 2 working days before the original date of the convening. If the securities regulatory rules of the place where the Company's shares are listed have special provisions on the procedures for postponing or canceling the shareholders' meeting, it shall comply with the relevant provisions on the premise of not violating the domestic regulatory requirements.

CONVENING OF SHAREHOLDERS' MEETINGS

Shareholders may attend the shareholders' meeting in person, or they may entrust proxies to attend, speak and vote on their behalf. Each shareholder has the right to appoint one or more proxies, but the proxies need not be shareholders of the Company. The shareholder's proxies may, in accordance with the shareholder's entrustment, exercise the following rights: (1) The shareholder's right to speak at the shareholders' meeting; (2) Requesting voting by means of ballot, either on their own or jointly with others; (3) Except as otherwise provided by relevant laws, administrative regulations, the listing rules of the stock exchange(s) where the Company's shares are listed or other securities laws and regulations, the right to vote shall be exercised by a show of hands or a vote.

All Directors, Supervisors and secretary of the Board shall attend shareholders' meetings of the Company, and the General Manager (President) and other senior management shall observe the meeting. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend or observe the meeting through the internet, video, telephone or other means with equivalent effect.

A shareholder's meeting shall be presided over by the Chairman of the Board. Where the Chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Deputy Chairman. Where the Deputy Chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A shareholders' meeting convened by the Board of Supervisors shall be presided over by the Chairman of the Board of Supervisors. Where the Chairman of the Board of Supervisors is unable or fails to perform his/her duties, the meeting shall be presided over by a Supervisor jointly elected by more than half of the Supervisors. A shareholders' meeting convened by Shareholders shall be presided over by a representative elected by convener(s). Where the host of the meeting violates the rules of procedure and makes it impossible to

continue the meeting, with the consent of more than half of the Shareholders present at the meeting with voting rights, the shareholders' meeting may elect a person to serve as the host of the meeting and continue the meeting.

The Company formulates the rules of procedure of the shareholders' meeting, which stipulate in detail the convening and voting procedures of the shareholders' meeting, including notice, registration, consideration of proposals, voting, counting, announcement of voting results, formation of meeting resolutions, meeting minutes and signings and announcements, etc., as well as the authorization principles of the shareholders' meeting to the Board of Directors, and the authorization content should be clear and specific. The rules of procedure of the shareholders' meeting shall be annexed to the Articles of Association, drawn up by the Board of Directors and approved by the shareholders' meeting.

VOTING AT THE SHAREHOLDERS' MEETING

The resolutions of the Shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' meeting (including proxies). A special resolution at a shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' meeting (including proxies).

The following matters shall be approved by the shareholders' meeting through ordinary resolutions:

- (i) Work reports of the Board of Directors and the Board of Supervisors;
- (ii) Plans of earnings distribution and recovery of losses schemes drafted by the Board of Directors;
- (iii) Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, their remunerations and the payment method;
- (iv) Annual report of the Company;
- (v) The Company's engagement and dismissal of the accounting firm and the decision on the audit fee of the accounting firm;
- (vi) Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The following matters shall be approved by special resolution at the shareholders' meeting:

- (i) The increase or reduction of the registered capital of the Company;
- (ii) The division, merger, dissolution and liquidation of the Company;
- (iii) Any amendment to the Articles of Association;
- (iv) The purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;
- (v) Share incentive plan;
- (vi) other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

Shareholders (including proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

Where material issues affecting the interests of minority shareholders are considered at the shareholders' meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' meeting. If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' meeting for thirty-six months after the purchase.

If any shareholder, under applicable laws and regulations and Hong Kong Listing Rules, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

The Board of Directors, independent Directors, shareholders holding more than 1% of the shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the securities regulatory authorities of the place

where the Company's shares are listed may publicly solicit shareholders' voting rights, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights other than the statutory conditions. Consideration or de facto consideration for soliciting Shareholders voting rights is prohibited.

When a connected transaction is considered at a shareholders' meeting, the connected shareholders shall refrain from voting and the number of voting shares that they represent shall not be counted the total number of valid voting shares. Announcement of resolutions of the shareholders' meeting shall fully disclose the voting of non-connected shareholders.

BOARD OF DIRECTORS

Directors

Directors may include executive Directors, non-executive Directors, and independent Directors. Independent Directors refer to individuals who meet the requirements stipulated in the Articles of Association. Directors of the Company shall be natural persons and shall be subject to the qualification required by the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the shares of the Company are listed. A person may not serve as a Director of the Company in case of any of the following circumstances:

- (i) the person without civil conduct capacity or with limited civil conduct capacity;
- (ii) the person who has committed an offense of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than 5 years have elapsed since the date of the completion of implementation of such punishment or deprivation; in the case of a suspended sentence, for a period not exceeding two years from the date of expiry of the probationary period;
- (iii) the person who is a former director, factory director or General Manager (President) of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;
- (iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than 3 years have elapsed since the date of such revocation of the business license;
- (v) the person listed as a judgment defaulter by the court of the PRC because the amount of debt he bears is relatively large and the debt is not paid off when it is due;

- (vi) the person has been banned by the CSRC or Hong Kong Stock Exchange from access to the securities market, and the term of prohibition has not expired;
- (vii) other contents stipulated by laws, administrative regulations or departmental rules or the securities regulatory rules of the place where the shares of the Company are listed.

Where a Director is elected or appointed in violation of the provisions above, the election, appointment or appointment shall be invalid. If a Director falls under the provisions above during his or her tenure, the Company shall dismiss him or her from office.

Directors shall be elected or replaced at the shareholder's meeting and may be dismissed (including executive Directors) by the shareholders' meeting prior to the expiry of the term of their office. The shareholders' meeting may depose any Director whose term has not expired by ordinary resolution (but claims that may be made under any contract will not be affected). A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

General manager (president) or other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as general manager (president) or other senior management personnel and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the Company:

- (i) Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and government economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;
- (ii) Shall treat all Shareholders fairly;
- (iii) Shall maintain a timely awareness of the operation and management of the Company;

- (iv) Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- (v) Shall truthfully provide information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;
- (vi) Other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days or the period required by the securities regulatory rules of the place where the Company's Shares are listed. In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, the resigned Directors shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

The fiduciary duty to the Company and Shareholders shall remain in effect after the resignation report has not yet taken effect or has taken effect, and for one year after the end of the term of office, and the obligation to keep the Company's trade secrets confidential shall remain in effect until the secret becomes public information after the end of his or her term of office.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

The qualifications, nomination and election procedures, powers and other related matters of Independent Directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations, departmental rules and securities rules of the place where the Company's shares are listed.

BOARD OF DIRECTORS

The Company has established a Board of directors which shall be accountable to the shareholders' meetings.

The Board shall comprise 9 to 13 Directors, with 1 Chairman and 1 Deputy Chairman if necessary.

The Board shall exercise the following duties and powers:

- (i) to convene shareholders' meetings and report its work to the shareholders' meetings;
- (ii) to implement the resolutions of the shareholders' meetings;
- (iii) to resolve business operation plans and investment plans of the Company;
- (iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;
- (v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vi) to draft plans for significant acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change of the form of the Company;
- (vii) to determine, to the extent authorized by the shareholders' meeting, on such matters as the external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, connected transactions of the Company;
- (viii) to determine the internal management structure of the Company;
- (ix) to determine the appointment or dismissal of the general manager (president) of the Company, the Board secretary; and based on the nomination of the general manager (president), to determine the appointment or dismissal of the senior management including Executive Vice President, Senior Vice President and chief financial officer of the Company and determine their remuneration, rewards and penalties;
- (x) to formulate the basic management system of the Company;
- (xi) to formulate proposals for any amendment of the Articles of Association;
- (xii) to manage the information disclosure of the Company;
- (xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;
- (xiv) to listen to work reports of the general manager (president) of the Company and review his/her work;
- (xv) to review and approve the Company's ESG strategy, vision and goals, and monitor the Company's ESG performance and progress towards related goals;

- (xvi) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors of the Company has established the Audit Committee, the Strategy Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The special committees are responsible to the Board of Directors and performs their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and the proposal shall be submitted to the Board of Directors for deliberation and decision. The members of the special committees are all composed of Directors, of which the independent Directors of the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee shall account for the majority and serve as the Chairman (convener), and the members of the Audit Committee shall be Directors who do not serve as senior management personnel of the Company, and the chairmen shall be accounting professionals. The Board of Directors is responsible for formulating the detailed rules for the implementation of the special committees and regulating the operation of the special committees. Matters beyond the scope of authorization of the shareholders' meeting shall be submitted to the shareholders' meeting for deliberation.

The Chairman and Deputy Chairman of the Board of Directors shall be elected by more than half of all Directors.

Where the Chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by the Deputy Chairman; Where the Deputy Chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

The Board shall convene at least one meeting per quarter by the Chairman, which shall be convened by the Chairman of the Board of Directors, and shall give written notice (including personal delivery, facsimile or e-mail) to all Directors and Supervisors 14 days prior to the convening of the meeting, while 7 days before convening the extraordinary meeting of the Board, and in exceptional circumstances, the Board may convene a meeting at any time, provided that it is ensured that the notice reaches all Directors in a timely and effective manner. Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the Directors or the Board of Supervisors may propose to convene an extraordinary meeting of the Board. The Chairman of the Board shall convene and preside over the extraordinary meeting of the Board within 10 days from the receipt of the proposal.

The quorum of a Board meeting shall be more than half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. Where the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise in respect of the matter, such rules shall also be applicable. Each Director has equal right of one vote.

Where a Director has any connected relationship with the enterprise involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing timely and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. The quorum of such a Board meeting shall be more than half of all the non-connected Directors, and the resolutions made at such a Board meeting shall require adoption by more than half of all the non-connected Directors. If the number of non-connected Directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for deliberation. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed on the participation of Directors in the Board meetings and voting, such provisions shall apply.

Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing Director. A Director appointed as the representative of another Director to attend the meeting shall exercise the rights of a Director within the scope of authorization. Where a Director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his/her voting right in such meetings.

GENERAL MANAGER (PRESIDENT) AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one General Manager (president) who shall be nominated by the Chairman of the Board and appointed or dismissed by the Board. The Company may have several deputy General Managers and senior deputy General Managers as necessary.

The senior management of the Company refers to the General Manager (president), executive vice president, senior vice president, secretary of the Board of Directors and chief financial officer appointed by the Board of Directors.

The circumstances of disqualification for Directors, the fiduciary duty and diligence duty of the Directors prescribed in the Articles of Association shall also be applicable to senior management.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The General Manager (president) shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The General Manager (president) of our Company is responsible to the Board of Directors and exercises the following powers:

- (i) To be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;
- (ii) To organize and implement the Company's annual business plan and investment proposals;
- (iii) To draft plans for the establishment of the Company's internal management organization;
- (iv) To draft the Company's basic management system;
- (v) To draft the Company's specific regulations;
- (vi) To propose to the Board of Directors on the appointment or dismissal of executive vice president, senior vice president and chief financial officer of the Company;
- (vii) To appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (viii) Other functions and powers conferred by the Articles of Association or the Board of Directors.

The Company shall have a Board secretary who is nominated by the Chairman and appointed or dismissed by the Board of Directors. The Board secretary is responsible for preparing for the shareholders' meetings and Board meetings, and maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

The senior management of the Company shall perform their duties faithfully and safeguard the best interests of the Company and all Shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their fiduciary duties, causing damage to the interests of the Company and public Shareholders, they shall be liable for compensation in accordance with the laws.

SUPERVISORY COMMITTEE

Supervisors

The circumstances of disqualification for Directors prescribed in the Articles of Association shall be applicable to Supervisors. Directors, the General Manager (president) and other senior management shall not concurrently serve as Supervisors.

A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Board of Supervisors falling below the statutory minimum requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Supervisor assumes the office.

Supervisors shall not use their affiliated (connected) relationships to damage the interests of the Company, and shall be liable for compensation if they cause losses to the Company.

If Supervisors of the Company violate the laws, administrative regulations, departmental rules and the Articles of Association when conducting their duties, causing damage to the interests of the Company, they shall be liable for compensation.

BOARD OF SUPERVISORS

The Company shall have a Board of Supervisors. The Board of Supervisors comprises 3 Supervisors with 1 chairman. The Chairman of the Board shall be elected by more than half of all the Supervisors. The Chairman of the Board shall convene and preside over supervisory board meetings. Where the Chairman of the Board is unable or fails to perform his/her duties, the supervisory board meetings shall be convened and presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Board of Supervisors shall include representatives of Shareholders and a proper proportion of employee representatives of the Company. The proportion of employee representatives shall be no less than one third of the Supervisors appointed. The employee representatives of the Board of Supervisors shall be elected by the Company's employees through the employee representatives meeting, employee meeting or otherwise democratically.

The Board of Supervisors shall exercise the following duties and powers:

- (i) to review the periodic reports of the Company prepared by the Board of Directors and express its written opinion;

- (ii) to check the financial condition of the Company;
- (iii) to supervise the performance of Directors and senior management in the performance of their duties, and propose the removal of Directors and senior management who violate laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' meetings;
- (iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;
- (v) to propose the convening of extraordinary shareholders' meetings and, in the event that the Board of Directors fails to perform the obligations to convene and preside over the shareholders' meetings in accordance with the PRC Company Law, to convene and preside over the shareholders' meetings;
- (vi) to propose proposals to the shareholders' meetings;
- (vii) to file lawsuit against Directors and senior management in accordance with Article 189 of the PRC Company Law;
- (viii) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;
- (ix) Other functions and powers granted by laws, administrative regulations, departmental rules, the listing rules of the stock exchange(s) where the Company's shares are listed or the Articles of Association.

The Board of Supervisors shall convene at least one regular meeting every six months. Supervisors may propose to convene an extraordinary supervisory board meeting. Resolutions of the Board of Supervisors shall be passed by more than half of the Supervisors with one vote for each Supervisor.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and regulations of relevant departments.

The Company's fiscal year is based on the calendar year system, i.e., the fiscal year begins on January 1 and ends on December 31 of each calendar year.

A Share Reports: The Company shall report and disclose its annual reports to the CSRC and the Shanghai Stock Exchange within 4 months from the ending date of each fiscal year, report and disclose its interim report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 2 months from the end of the first half of each fiscal year, report and disclose its quarterly report to the delegated authority of the CSRC and the Shanghai Stock Exchange within 1 month from the end of the first 3 months and 9 months of each accounting year.

H Share Reports: The Company shall disclose a preliminary announcement of the annual performance within 3 months from the end of each accounting year and prepare and disclose the annual report within 4 months from the end of each accounting year, with at least 21 days before the annual shareholders' meeting. The Company shall disclose a preliminary announcement of the interim performance within 2 months from the end of the first 6 months of each accounting year and prepare and disclose the interim report within 3 months from the end of the first 6 months of each accounting year.

The Company shall not establish the statutory account books accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit distribution

When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not to make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision.

Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund from its after-tax profits. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. If the Company distributes profits to shareholders in violation of the provisions of the Articles of Association, Shareholders must refund to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible Directors, Supervisors and senior management shall be liable for compensation. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. Where the Company's statutory reserve fund and discretionary reserve fund are not enough to make up losses of the Company, the capital reserve fund shall only be applied. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company's profit distribution policy maintains continuity and stability, while taking into account the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company. The Company may distribute profits in the form of cash, shares or a combination of both, or in any other manner permitted by laws and regulations. The Company shall prioritize the use of cash dividends for profit distribution if meeting the preconditions of the cash dividend.

Internal audit

The Company implements an internal audit system which is equipped with dedicated audit personnel to conduct internal audits for supervision of financial income and expenditure and economic activities of the Company.

The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board of Directors. The head of audit shall be accountable and report to the Board of Directors.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the PRC Securities Law, and the laws, regulations and securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of shareholders' meetings. The Board shall not appoint accounting firm before the approval of the shareholders' meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm or the method of determining audit fee shall be determined by the shareholders' meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the shareholders' meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state its opinions in the shareholders' meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company. In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly. Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days as of the date of such resolution. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously. Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

The registered capital of the Company after the reduction shall not be less than the statutory minimum amount. If the Company reduces its registered capital, it shall reduce the amount of capital contribution or shares in accordance with the proportion of capital contributed or shares held by shareholders, unless otherwise provided by law or otherwise provided in the Articles of Association.

In the event of a merger or division of a company, if there is a change in the registration items, the Company shall go through the change registration with the company registration authority in accordance with the law; If the Company is dissolved, it shall go through the deregistration of the procedures company in accordance with the law; If a new company is established, the company establishment registration shall be completed in accordance with the law. If the Company increases or decreases its registered capital, it shall go through the change registration with the company registration authority in accordance with the law.

DISSOLUTION AND LIQUIDATION

The Company shall be dissolved upon the occurrence of the following events:

- (i) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;
- (ii) a resolution on dissolution is passed by a shareholders' meeting;
- (iii) dissolution is required due to the merger or division of the Company;
- (iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;
- (v) the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to Shareholders' interests, and such issues cannot be resolved through other means, Shareholders representing 10% or above of the total voting rights of the Company may plead the court of the PRC to dissolve the Company.

In the event that the Company has the dissolution causes as prescribed in the preceding paragraph, it is obligated to disclose the causes of dissolution through the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 10 days.

If the Company is in the situation as described in Item (i) of Article 182 of the Articles of Association and has not yet distributed its properties to shareholders, it can continue to exist by amending the Articles of Association or through a resolution of the shareholders' meeting. The amendment of the Articles of Association or the resolution of the shareholders' meeting as per the preceding paragraph must be passed by more than two-thirds of the voting rights held by the shareholders attending the shareholders' meeting.

Where the Company is dissolved pursuant to the provisions of the Articles of Association, it shall be liquidated. The Directors are the liquidation obligators of the Company and shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be thereby started. The liquidation committee shall be composed of directors, unless otherwise stipulated in the Articles of Association or otherwise elected by the resolution of the shareholders' meeting. If a liquidation obligor fails to fulfill its liquidation obligations in a timely manner and causes losses to the Company or its creditors, it shall be liable for compensation.

The liquidation committee shall notify the creditors within 10 days since its establishment and make public announcement on the Shanghai Securities News (《上海證券報》) or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee. Where the securities regulatory rules at the place where the shares of the Company are listed have separate provisions, such provisions shall also be complied with simultaneously.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of claim declaration.

After clearing the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation of the shareholders' meeting or the court of the PRC. The remaining assets of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs and paying the taxes owed, settling the Company's debts, shall be distributed by the Company in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The properties of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding provisions.

If the liquidation committee, after clearing the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the court of the PRC for bankruptcy. After the court of the PRC accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by court of the PRC.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the shareholders' meeting or the court of the PRC for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company and announce the termination of the Company.

Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

Amendments to the Articles of Association

The Company shall amend the Articles of Association in any of the following circumstances:

- (i) after amendments are made to the PRC Company Law or other relevant laws, administrative regulations and regulatory rules at the place where the shares of the Company are listed, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and regulatory rules at the place where the shares of the Company are listed;
- (ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;
- (iii) the shareholders' meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders' meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved changes shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the shareholders' meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

Our Company was established as a joint stock limited company in the PRC on April 28, 1997, and completed the initial public offering and the listing of our A Shares on the Shanghai Stock Exchange (stock code: 600276) in October 2000. For further details on our incorporation and our listing of A Shares, see “History and Corporate Structure—Major Shareholding Changes of our Company” in this prospectus.

Our registered office is located at 38 Huanghe Road, Economic and Technological Development Zone, Lianyungang City, Jiangsu Province, PRC. We have established a place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 15, 2025 under the same address. Ms. Leung Wing Han Sharon has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V to this prospectus, respectively.

2. Changes in our share capital

The following sets out the changes in our Company’s share capital within the two years immediately preceding the issue of this prospectus:

- A repurchase mandate for the repurchase of A Shares for the purpose of our Company’s employee stock ownership schemes was approved by the sixteenth meeting of the eighth session of the Board on March 13, 2022. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of March 12, 2023, the repurchase of A Shares was completed under the repurchase mandate, with a total of 16,794,288 A Shares repurchased pursuant to transactions conducted between April 25, 2022 and March 12, 2023, at an average price of RMB35.76 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders’ rights, including but not limited to voting rights at the Shareholders’ meetings and dividend rights. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be canceled.

- On November 7, 2022, a total of 12,000,000 A Shares held under our Company stock repurchase account was transferred to the 2022 Employee Stock Ownership Scheme stock account at a price of RMB4.97 per A Share pursuant to the terms of the 2022 Employee Stock Ownership Scheme.
- A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee stock ownership schemes was approved by the third meeting of the ninth session of the Board on May 15, 2023. The repurchase mandate was valid for 12 months from the date of approval of the repurchase mandate by the Board. As of May 14, 2024, the repurchase of A Shares was completed under the repurchase mandate, with a total of 14,351,878 A Shares repurchased pursuant to transactions conducted between June 12, 2023 and May 14, 2024, at an average price of RMB44.22 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meetings and dividend rights. Any repurchased A Shares not granted or transferred within 36 months after the completion of the repurchase shall be canceled.
- On December 26, 2023, a total of 11,500,000 A Shares held under our Company stock repurchase account was transferred to the 2023 Employee Stock Ownership Scheme stock account, at a price of RMB23.85 per A Share pursuant to the terms of the 2023 Employee Stock Ownership Scheme.
- A repurchase mandate for the repurchase of A Shares for the purpose of our Company's employee stock ownership was approved by the eighth meeting of the ninth session of the Board on May 15, 2024. The repurchase mandate is valid for 12 months from the date of approval of the repurchase mandate by the Board. Pursuant to transactions conducted between June 20, 2024 and up until the Latest Practicable Date, a total of 8,584,144 A Shares have been repurchased, at an average price of RMB43.83 per A Share. Upon repurchase, the repurchased A Shares were held under our Company stock repurchase account, and do not carry any shareholders' rights, including but not limited to voting rights at the Shareholders' meetings and dividend rights.
- On December 27, 2024, a total of 12,200,000 A Shares held under our Company stock repurchase account was transferred to our Company 2024 Employee Stock Ownership Scheme stock account at a price of RMB21.20 per A Share pursuant to the terms of the 2024 Employee Stock Ownership Scheme.

Save as disclosed above, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

- On September 4, 2024, the share capital of Hengrui SG Pte. Ltd. was increased from nil to SGD1,000,000.
- On December 25, 2024, the registered capital of Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司) was increased from RMB10,000,000 to RMB35,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions of our Shareholders

Pursuant to the shareholders' meeting held on December 26, 2024, the following resolutions, among other things, were duly passed:

- (a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued shall not exceed 10% of the total issued share capital of our Company as enlarged by the Global Offering (before the exercise of the Over-allotment Option), and the grant of the Over-allotment Option of not more than 15% of the total number of H Shares to be offered initially under the Global Offering;
- (c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date; and
- (d) authorization of the Board and/or its authorized persons to handle relevant matters relating to the Global Offering, including but not limited to the issue and the listing of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, GIC Private Limited, Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$268 million;
- (b) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, Invesco Advisers, Inc. (in its capacity as the discretionary investment adviser to the IAI Investor (as defined in the agreement) (severally and not jointly)), Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$75 million;
- (c) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, UBS Asset Management (Singapore) Ltd. (in its capacity as the delegate of the investment manager for and on behalf of the investors listed in the agreement), Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$60 million;
- (d) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, Cordial Solar Limited, Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$40 million;
- (e) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, HHLR CF, L.P., Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$40 million;

- (f) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, Integrated Core Strategies (Asia) Pte. Ltd., Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$30 million;
- (g) a cornerstone investment agreement dated May 12, 2025 entered into among our Company, Oaktree Capital Management, L.P. (as the investment manager for and on behalf of the investors listed in the agreement), Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and UBS AG Hong Kong Branch, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$20 million; and
- (h) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of December 31, 2024, the following intellectual property rights are, in the opinion of our Directors, material to our Group's business.

(a) Trademarks

As of December 31, 2024, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class
1 . . .		the Company	China, European Union, Japan	5
2 . . .		the Company	China	5, 10, 35, 42, 44
3 . . .		the Company	China, United States, Japan, Australia, Switzerland	5, 42, 44
4 . . .		the Company	China	5

No.	Trademark	Registered Owner	Place of Registration	Class
5 . . .		the Company	China, Australia, European Union, United Kingdom, Israel, India, Japan, South Korea, Singapore, Russia	5
6 . . .	恒瑞	the Company	China	5, 35
7 . . .	恒瑞医药	the Company	China	5, 35
8 . . .	Hengrui Pharma	the Company	China	5
9 . . .	盛迪医药	the Company	China	35, 42
10 . . .		the Company	China	5
11 . . .	SUNCADIA	the Company	China	5
12 . . .		the Company	China	5
13 . . .		the Company	China	5
14 . . .		the Company	China	5
15 . . .		the Company	China	5
16 . . .	艾瑞卡	the Company, Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司)	China	5
17 . . .	KAMRUKA	the Company	China, United Kingdom, Germany	5
18 . . .	艾瑞颐	the Company	China	5
19 . . .	艾瑞妮	the Company	China	5
20 . . .	艾瑞康	the Company	China	5
21 . . .	艾坦	the Company	China, Australia, European Union, United Kingdom, Israel, India, Japan, South Korea, Singapore, Russia	5
22 . . .	艾瑞利	the Company	China	5
23 . . .	艾瑞恩	the Company	China	5
24 . . .	艾多	the Company	China	5
25 . . .	艾瑞吉	the Company	China	5
26 . . .	越优力	the Company	China	5
27 . . .	艾越	the Company	China	5
28 . . .	艾瑞	the Company	China	5
29 . . .	艾恒	the Company	China	5
30 . . .	艾滨	the Company	China	5
31 . . .	匹服平	the Company	China	5
32 . . .	艾瑞妥	the Company	China	5

No.	Trademark	Registered Owner	Place of Registration	Class
33 . . .	艾阳	the Company	China	5
34 . . .	瑞倍宁	the Company	China	5
35 . . .	艾倍美	the Company	China	5
36 . . .	艾贝宁	the Company	China	5
37 . . .	诺扬	the Company	China	5
38 . . .	艾顺	the Company	China	5
39 . . .	凯特力	the Company	China	5
40 . . .	凯立宁	the Company	China	5
41 . . .	艾司	the Company	China	5
42 . . .	艾苏特	the Company	China	5
43 . . .	优力影	the Company	China	5
44 . . .	艾迪显	the Company	China	5
45 . . .	佳迪显	the Company	China	5
46 . . .	艾苏显	the Company	China	5
47 . . .	瑞必康	the Company	China	5
48 . . .	恒扬	the Company	China	5
49 . . .	瑞沁	the Company	China	5
50 . . .	瑞泽唐	the Company	China	5
51 . . .	瑞沁达	the Company	China	5
52 . . .	瑞扬	the Company	China	5
53 . . .	吉加	the Company	China	5
54 . . .	瑞心安	the Company	China	5
55 . . .	乐加	the Company	China	5
56 . . .	恒曲	the Company	China	5
57 . . .	安达静	the Company	China	5
58 . . .	艾其速	the Company	China	5
59 . . .	吉畅	the Company	China	5
60 . . .	艾喆利	the Company	China	5
61 . . .	艾瑞扬	the Company	China	5
62 . . .	HRMAP	the Company	China	5
63 . . .	HengRAc	the Company	China	5

As of December 31, 2024, our Group had applied for registration of the following trademarks which are material to our business.

No.	Trademark	Applicant	Place of Registration	Class	Application Number	Application Date
1 . . .	恒舒乐	the Company	China	5	81764837	11/5/2024
2 . . .	艾卓瑞	the Company	China	5	82220433	11/27/2024
3 . . .	KAMRUKA	the Company	United States, France, Italy, Japan, Spain, Mexico, Canada, Brazil, India	5	1794474	3/4/2024
4 . . .	HART-IgG	the Company	China	5	82713204	12/23/2024
5 . . .	HART-IgG	the Company	China	42	82704245	12/23/2024
6 . . .	HABHLE	the Company	China	42	81466811	10/18/2024
7 . . .	HABHLE	the Company	China	5	81466622	10/18/2024

No.	Trademark	Applicant	Place of Registration	Class	Application Number	Application Date
8 . . .		the Company	Hong Kong, China	5, 16, 35, 41, 42	306761601	12/19/2024

(b) Patents

As of December 31, 2024, our Group had registered the following patents which are material to our business:

No.	Patent	Patent Owner	Type of Patent	Place of Registration
1	G-CSF conjugate modified by water-soluble polymer (水溶性聚合物修飾的G-CSF偶聯物)	the Company, Shanghai Hengrui Pharmaceuticals Co., Ltd. (上海恒瑞醫藥有限公司) (“ Shanghai Hengrui Pharmaceuticals ”)	Invention Patent	China
2	Pyrrolo-hexacyclic compound inhibitors and their use in medicine (吡咯並六元雜環化合物抑制劑及其在醫藥上的用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
3	Bicyclic substituted pyrazolone azo derivatives, their preparation methods and their use in medicine (雙環取代吡唑酮偶氮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Russia, Ukraine, Mexico, South Africa, Australia, Canada, Vietnam, India, Brazil
4	Type I crystal form of N-n-propyl-3-(4-methylphenyl)-4-(4-methylsulfonylphenyl)-2,5-dihydropyrrol-2-one and its preparation method (N-正丙基-3-(4-甲基苯基)-4-(4-甲磺酰基)-2,5-二氫吡咯-2-酮的I型結晶及其製造方法)	the Company	Invention Patent	China
5	Tetrahydroimidazo[1,5-a]pyrazine derivatives, their preparation methods and their use in medicine (四氫咪唑並[1,5-a]吡嗪類衍生物, 其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
6	Pharmaceutical composition for treating proliferative diseases (用於治療增生性疾病的藥物組合物)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
7	Salts of bicyclic substituted pyrazolone azo derivatives, preparation methods and applications thereof (雙環取代吡唑酮偶氮類衍生物的鹽, 及其製備方法和應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
8	Salts of N-[4-(1-cyanocyclopentyl)phenyl]-2-(4-pyridylmethyl)amino-3-pyridinecarboxamide (N-[4-(1-氰基環戊基)苯基]-2-(4-吡啶甲基)氨基-3-吡啶甲酰胺的鹽)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
9	Method for preparing imrecoxib (製備艾瑞昔布的方法)	the Company	Invention Patent	China
10 . . .	Salts of (R)-7-[3-amino-4-(2,4,5-trifluoro-phenyl)-butyryl]-3-trifluoromethyl-5,6,7,8-tetrahydroimidazo[1,5-a]pyrazine-1-carboxylic acid methyl ester ((R)-7-[3-氨基-4-(2,4,5-三氟-苯基)-丁酰]-3-三氟甲基-5,6,7,8-四氫-咪唑並[1,5-a]吡嗪-1-羧酸甲酯的鹽)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
11 . . .	C-aryl glucoside derivatives, preparation methods thereof and their applications in medicine (C-芳基葡萄糖苷衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
12 . . .	6-aminoquinazoline or 3-cyanoquinoline derivatives, preparation methods thereof and their applications in medicine (6-氨基喹啉或3-氰基喹啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Canada, Australia, Russia, Mexico, South Africa, India
13 . . .	Toxic acid salts of benzodiazepine derivatives and their polymorphs, their preparation methods and uses (苯並二氮雜草衍生物的托西酸鹽及其多晶型、它們的製備方法和用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
14 . . .	Type I crystal form of dimaleate of a tyrosine kinase inhibitor and its preparation method (一種酪氨酸激酶抑制劑的二馬來酸鹽的I型結晶及製備方法)	the Company	Invention Patent	China, South Korea, Russia, Brazil
15 . . .	Pyrrolo-hexacyclic heteroaromatic ring derivatives, their preparation methods and their applications in medicine (吡咯並六元雜芳環類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Japan, Russia, Australia, Europe, Mexico, Brazil, South Korea, Canada
16 . . .	Imidazoliny derivatives, preparation methods and their applications in medicine (咪唑啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, Australia, Russia, Mexico, Brazil, South Korea, Canada
17 . . .	Cycloalkyl carboxylic acid derivatives, preparation methods and their applications in medicine (環烷基甲酸類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals, Fujian Shengdi Pharmaceutical Co., Ltd. (福建盛迪醫藥有限公司) ("Fujian Shengdi Pharmaceutical")	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
18 . . .	Pyrazolopyrimidone or pyrrolotriazineone derivatives, preparation methods and their applications in medicine (吡唑並嘧啶酮類或吡咯並三嘧啶酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals, Chengdu Suncadia Medicine Co., Ltd. (成都盛迪醫藥有限公司) (“ Chengdu Suncadia Medicine ”)	Invention Patent	China
19 . . .	Pyridopyrimidine derivatives, preparation methods and their applications in medicine (吡啶並嘧啶酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
20 . . .	A preparation method of apatinib (一種阿帕替尼的製備方法)	the Company	Invention Patent	China
21 . . .	An intermediate of a DPP-IV inhibitor, a preparation method thereof, and a method for preparing a DPP-IV inhibitor by using the intermediate (一種DPP-IV抑制劑的中間體、其製備方法和通過其製備DPP-IV抑制劑的方法)	the Company, Shanghai Senhui Pharmaceutical Co., Ltd. (上海森輝醫藥有限公司) (“ Shanghai Senhui Pharmaceutical ”)	Invention Patent	China
22 . . .	PD-1 antibody, an antigen-binding fragment thereof, and medical use thereof (PD-1抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals Co., Ltd. (蘇州盛迪亞生物醫藥有限公司) (“ Suzhou Suncadia Biopharmaceuticals ”), Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
23 . . .	IL-17A conjugate and its use (IL-17A結合物及其用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
24 . . .	A pharmaceutical composition containing a quinoline derivative or a salt thereof (一種含有喹啉衍生物或其鹽的藥物組合物)	the Company	Invention Patent	China, United States, Japan, Canada, Russia, Mexico, Australia, South Korea
25 . . .	A crystal form of a cyclin-dependent protein kinase inhibitor and a preparation method thereof (一種周期素依賴性蛋白激酶抑制劑的結晶形式及其製備方法)	the Company	Invention Patent	China
26 . . .	Interleukin-15 protein complex and its use (白細胞介素15蛋白複合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, South Korea, Brazil, Canada, Russia, Australia
27 . . .	L-proline complex of a sodium-glucose cotransporter 2 inhibitor, its monohydrate and crystals (一種鈉-葡萄糖協同轉運蛋白2抑制劑的L-脯氨酸複合物、其一水合物及晶體)	the Company, Chengdu Xinyue Pharmaceutical Co., Ltd. (成都新越醫藥有限公司) (“ Chengdu Xinyue Pharmaceutical ”)	Invention Patent	China
28 . . .	Anti-c-Met antibody and anti-c-Met antibody-cytotoxic drug conjugate and its medical use (抗c-Met抗體和抗c-Met抗體-細胞毒性藥物偶聯物及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States

No.	Patent	Patent Owner	Type of Patent	Place of Registration
29 . . .	An intermediate of a DPP-IV inhibitor, a preparation method thereof, and a method for preparing a DPP-IV inhibitor by using the intermediate (一種 DPP-IV抑制劑的中間體、其製備方法和通過其製備DPP-IV抑制劑的方法)	the Company	Invention Patent	China
30 . . .	Oxaspiro derivatives, preparation methods and medical applications thereof (氧雜螺環類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Russia, Australia, Japan, South Korea, Brazil, Mexico, Canada
31 . . .	Use of a combination of an anti-PD-1 antibody and a VEGFR inhibitor in the preparation of a drug for treating cancer (一種抗PD-1抗體和VEGFR抑制劑聯合在製備治療癌症的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States
32 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical application thereof (PD-L1抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Shengdi Pharmaceutical Co., Ltd. (上海盛迪醫藥有限公司) (“ Shanghai Shengdi Pharmaceutical ”), Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
33 . . .	A preparation method of recombinant human granulocyte colony stimulating factor (一種重組人粒細胞集落刺激因子的製備方法)	the Company	Invention Patent	China
34 . . .	A purification method of PEGylated recombinant human granulocyte colony stimulating factor (一種聚乙二醇化重組人粒細胞刺激因子的純化方法)	the Company	Invention Patent	China
35 . . .	A preparation method of a pyridopyrimidine derivative and its intermediates (一種吡啶並嘧啶類衍生物的製備方法及其中間體)	the Company, Shanghai Shengdi Pharmaceutical	Invention Patent	China
36 . . .	Benzofuran derivatives, preparation methods and medical applications thereof (苯並呋喃類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States, Europe, Japan, Brazil, Mexico, Canada, Russia, Australia
37 . . .	A composition of anti-IL-17A antibodies (一種抗IL-17A抗體的組合物)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
38 . . .	A purification method of recombinant human granulocyte colony stimulating factor (一種重組人粒細胞集落刺激因子的純化方法)	the Company	Invention Patent	China
39 . . .	A pharmaceutical composition of remimazolam (一種瑞馬唑命的藥物組合物)	the Company, Fujian Shengdi Pharmaceutical	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
40 . . .	Use of tyrosine kinase inhibitors in the preparation of drugs for treating cancer (酪氨酸激酶抑制劑在製備治療癌症藥物中的用途)	the Company	Invention Patent	China
41 . . .	A pharmaceutical composition containing a sodium-glucose cotransporter 2 inhibitor (一種含有鈉-葡萄糖協同轉運蛋白2抑制劑的藥物組合物)	the Company	Invention Patent	China
42 . . .	A pharmaceutical composition containing a JAK kinase inhibitor or a pharmaceutically acceptable salt thereof (一種含有JAK激酶抑制劑或其可藥用鹽的藥物組合物)	the Company	Invention Patent	China
43 . . .	A method for preparing a benzodiazepine derivative (一種苯並二氮雜草衍生物的製備方法)	the Company, Fujian Shengdi Pharmaceutical	Invention Patent	China
44 . . .	A crystal form of an ethanolamine salt of a thrombopoietin mimetic and a preparation method thereof (一種血小板生成素模擬物的乙醇胺鹽的結晶形式及製備方法)	the Company	Invention Patent	China
45 . . .	A crystal form of a COX-2 selective inhibitor and a preparation method thereof (一種COX-2選擇性抑制劑的晶型及其製備方法)	the Company	Invention Patent	China
46 . . .	A pharmaceutical composition containing a bicyclic substituted pyrazolone azo derivative or a salt thereof and a preparation method thereof (一種含有雙環取代吡唑酮偶氮類衍生物或其鹽的藥物組合物及其製備方法)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
47 . . .	PCSK9 antibody, its antigen-binding fragment and its medical use (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
48 . . .	A preparation method of sodium-glucose co-transporter 2 inhibitor (一種鈉-葡萄糖協同轉運蛋白2抑制劑的製備方法)	the Company, Chengdu Xinyue Pharmaceutical	Invention Patent	China
49 . . .	A preparation method of imrecoxib and its intermediates (一種艾瑞昔布及其中間體的製備方法)	the Company	Invention Patent	China
50 . . .	PCSK9 antibody, antigen-binding fragment thereof and medical use thereof (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Guangdong Hengrui Pharmaceutical Co., Ltd. (廣東恒瑞醫藥有限公司) (“ Guangdong Hengrui Pharmaceutical ”), Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
51 . . .	An anti-PD-1 antibody preparation and its medical application (一種抗PD-1抗體制劑及其在醫藥上的應用)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, United States

No.	Patent	Patent Owner	Type of Patent	Place of Registration
52 . . .	A pharmaceutical composition containing imidazoline derivatives (一種含有咪唑啉類衍生物的藥物組合物)	the Company	Invention Patent	China, Russia
53 . . .	A crystal form of an androgen receptor inhibitor and its preparation method (一種雄性激素受體抑制劑的晶型及其製備方法)	the Company	Invention Patent	China
54 . . .	A pharmaceutical composition containing a bicyclic substituted pyrazolone azo derivative or its salt and its preparation method (一種含有雙環取代吡唑酮偶氮類衍生物或其鹽的藥物組合物及其製備方法)	the Company	Invention Patent	China
55 . . .	A imrecoxib tablet and its preparation method (一種艾瑞昔布片劑及其製備方法)	the Company	Invention Patent	China
56 . . .	A preparation method of a pharmaceutical composition containing a quinoline derivative or its salt (一種含有喹啉衍生物或其鹽的藥物組合物的製備方法)	the Company	Invention Patent	China
57 . . .	A pharmaceutical composition containing a pyridopyrimidine derivative or its pharmaceutically acceptable salt (一種含有吡啶並嘧啶類衍生物或其可藥用鹽的藥物組合物)	the Company	Invention Patent	China
58 . . .	Use of PD-1 antibody and apatinib in combination for the treatment of triple-negative breast cancer (PD-1 抗體和阿帕替尼聯合治療三陰性乳腺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
59 . . .	A method for preparing tyrosine kinase inhibitors and their derivatives (一種製備酪氨酸激酶抑制劑及其衍生物的方法)	the Company	Invention Patent	China
60 . . .	An acylated derivative of human insulin or its analogs (一種人胰島素或其類似物的酰化衍生物)	the Company	Invention Patent	China, United States, Japan
61 . . .	Crystal form of indolecarboxamide derivatives and preparation method thereof (吲哚甲酰胺類衍生物的晶型及其製備方法)	the Company, Chengdu Suncadia Medicine, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
62 . . .	A pharmaceutical composition containing quinoline derivatives (一種含有喹啉衍生物的藥物組合物)	the Company	Invention Patent	China
63 . . .	Use of PARP inhibitors for the treatment of chemotherapy-resistant ovarian cancer or breast cancer (PARP抑制劑用於治療化療耐藥的卵巢癌或乳腺癌的用途)	the Company	Invention Patent	China
64 . . .	Fusion protein containing TGF- β receptor and its medical use (含有 TGF- β 受體的融合蛋白及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
65 . . .	Use of an anti-PD-1 antibody in the preparation of a drug for the treatment of esophageal cancer (一種抗PD-1抗體在製備治療食管癌的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
66 . . .	Use of anti-PD-1 antibody, pemetrexed and platinum drugs in combination for the treatment of non-small cell lung cancer (抗PD-1抗體、培美曲塞和鉑類藥物聯合治療非小細胞肺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
67 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical use thereof (PD-L1抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
68 . . .	A pharmaceutical composition comprising PARP inhibitor (一種包含PARP抑制劑的藥物組合物)	the Company	Invention Patent	China, Japan, Russia, Ukraine, Mexico, Vietnam
69 . . .	A preparation method of PARP inhibitor and its intermediates (一種PARP抑制劑及其中間體的製備方法)	the Company	Invention Patent	China
70 . . .	Anti-Abeta antibody, antigen-binding fragment thereof and use thereof (抗Abeta抗體、其抗原結合片段及應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, Russia, Malaysia, Vietnam
71 . . .	A preparation method of tyrosine kinase inhibitor and its intermediates (一種酪氨酸激酶抑制劑及其中間體的製備方法)	the Company	Invention Patent	China
72 . . .	CD3 antibody and its medical use (CD3抗體及其藥物用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, South Africa, Russia, United States, Vietnam
73 . . .	Anti-Claudin 18.2 antibody and its use (抗Claudin18.2抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, South Africa, Russia, Japan, Vietnam, Indonesia
74 . . .	Use of PD-1 antibody in combination with VEGF ligand or VEGF receptor inhibitor in the preparation of drugs for treating tumors (PD-1抗體與VEGF配體或VEGF受體抑制劑聯合在製備治療腫瘤的藥物中的用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
75 . . .	Use of PD-1 antibody for treating tumors PD-1 (PD-1抗體用於治療腫瘤的用途)	the Company, Sun Yat-sen University Cancer Center (中山大學附屬腫瘤醫院)	Invention Patent	China
76 . . .	Antibodies binding to human IL-4R, antigen-binding fragments thereof and medical uses thereof (結合人IL-4R的抗體、其抗原結合片段及其醫藥用途)	the Company, Guangdong Hengrui Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
77 . . .	Use of PD-1 antibody and VEGFR inhibitor in the combined treatment of small cell lung cancer (PD-1抗體和VEGFR抑制劑聯合治療小細胞肺癌的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
78 . . .	A codon-optimized human insulin analog precursor gene and signal peptide gene (一種密碼子優化的人胰島素類似物前體基因和信號肽基因)	the Company	Invention Patent	China
79 . . .	An antibody capable of binding to thymic stromal lymphopoietin and its application (能結合胸腺基質淋巴細胞生成素的抗體及其應用)	the Company, Guangdong Hengrui Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
80 . . .	A PD-L1 antibody pharmaceutical composition and its use (一種PD-L1抗體藥物組合物及其用途)	Shanghai Shengdi Pharmaceutical, Suzhou Suncadia Biopharmaceuticals	Invention Patent	China
81 . . .	A new method for preparing imidazoline derivatives (一種新的咪唑啉類衍生物的製備方法)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
82 . . .	A method for preparing 3R-amino-substituted butanamide derivatives (3R-氨基取代丁酰胺衍生物的製備方法)	the Company	Invention Patent	China
83 . . .	A pharmaceutical composition of DPP-4 inhibitors (一種DPP-4抑制劑的藥物組合物)	the Company	Invention Patent	China
84 . . .	Tricyclic tetrahydroisoquinoline derivatives, their preparation methods and their medical applications (三環四氫異喹啉類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
85 . . .	An oral pharmaceutical composition of apatinib containing a sedimentation inhibitor (一種包含沉降抑制劑的阿帕替尼口服藥物組合物)	the Company	Invention Patent	China
86 . . .	A PCSK-9 antibody pharmaceutical composition and its use (一種PCSK-9抗體藥物組合物及其用途)	the Company, Guangdong Hengrui Pharmaceutical, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
87 . . .	A preparation method of a sodium-glucose cotransporter 2 inhibitor (一種鈉-葡萄糖協同轉運蛋白2抑制劑的製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China
88 . . .	Fused pyridine ring derivative, its preparation method and its application in medicine (稠合吡啶環衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
89 . . .	A pharmaceutical composition and its preparation method (一種藥物組合物以及其製備方法)	the Company	Invention Patent	China
90 . . .	Neurokinin-1 antagonist (神經激肽-1拮抗劑)	the Company, Fujian Shengdi Pharmaceutical, Shanghai Shengdi Pharmaceutical, Shanghai Senhui Pharmaceutical	Invention Patent	China

No.	Patent	Patent Owner	Type of Patent	Place of Registration
91 . . .	Anti-claudin antibody drug conjugate and its medical use (抗密蛋白抗體藥物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
92 . . .	Anti-TROP-2 antibody-exatecan analog conjugate and its medical use (抗TROP-2抗體-依喜替康類似物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
93 . . .	Drug conjugate of eribulin derivative, preparation method thereof and its application in medicine (艾日布林衍生物的藥物偶聯物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Russia
94 . . .	Ligand-drug conjugate of isotecan analog, preparation method thereof and its application in medicine (依喜替康類似物的配體-藥物偶聯物其製備方法和應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Japan, Russia, India, South Africa
95 . . .	Anti-PSMA antibody-isotecan analog conjugate and its medical use (抗PSMA抗體-依喜替康類似物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
96 . . .	A preparation method of PARP inhibitor (一種PARP抑制劑的製備方法)	the Company	Invention Patent	China
97 . . .	Novel polypeptide complex (新型多肽複合物)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
98 . . .	Triazinedione derivatives, preparation method thereof and its application in medicine (三嗪二酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China, Eurasia
99 . . .	Nitrogen-bridge containing heterocyclic compounds, preparation method thereof and its application in medicine (含氮橋雜環化合物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	China
100 . . .	Preparation method of tetrahydropyrazine fused ring derivatives (四氫吡嗪稠環衍生物的製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China
101 . . .	Sulfonylurea derivatives and their medical use (磺酰脲類衍生物及其藥物用途)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	China
102 . . .	PCSK9 antibody, antigen-binding fragment thereof and its medical use (PCSK9抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, Mexico, Russia, Australia, South Korea
103 . . .	Salts of N-[4-(1-cyanocyclopentyl)phenyl]-2-(4-pyridylmethyl)amino-3-pyridinecarboxamide (N-[4-(1-氰基環戊基)苯基]-2-(4-吡啶甲基)氨基-3-吡啶甲酰胺的鹽)	the Company	Invention Patent	United States, Europe, Japan, Russia, Australia, Mexico, South Africa, Vietnam, Canada, South Korea

No.	Patent	Patent Owner	Type of Patent	Place of Registration
104 . . .	Phthaloxizone derivatives, preparation methods and medical applications thereof (酞嗪酮類衍生物、其製備方法及其在醫藥上的應用)	the Company	Invention Patent	United States, Europe, South Korea, Canada, Australia, Russia, Japan, Ukraine, India, Brazil
105 . . .	Pharmaceutically acceptable salt of (E)-N-[4-[[3-chloro-4-(2-pyridylmethoxy)phenyl]amino]-3-cyano-7-ethoxy-6-quinolyl]-3-[(2R)-1-methylpyrrolidin-2-yl]prop-2-enamide, preparation method thereof and use thereof in medicine ((E)-N-[4-[[3-氯-4-(2-吡啶基甲氧基)苯基]氨基]-3-氰基-7-乙氧基-6-喹啉基]-3-[(2R)-1-甲基吡咯烷-2-基]丙-2-烯酰胺的可藥用的鹽、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Russia, South Korea
106 . . .	Cycloalkyl carboxylic acid derivatives, preparation methods thereof and their application in medicine (環烷基甲酸類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Europe, Japan, Australia, Mexico, Brazil, South Korea, Canada
107 . . .	A bisulfate salt of a JAK kinase inhibitor and a preparation method thereof (一種JAK激酶抑制劑的硫酸氫鹽及其製備方法)	the Company	Invention Patent	United States, Europe, Australia, Japan, Russia, Mexico, Brazil, South Korea, Canada
108 . . .	Pyrazolopyrimidone or pyrrolotriazineone derivatives, preparation method thereof and application thereof in medicine (吡唑並嘧啶酮類或吡咯並三嗪酮類衍生物、其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Mexico, Europe, Australia, Japan, Russia, Brazil, Canada
109 . . .	IL-17A conjugates and uses thereof (IL-17A結合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Mexico, Europe, Japan, Russia, Brazil, South Korea, Australia, Canada
110 . . .	PD-1 antibody, antigen-binding fragment thereof and medical use thereof (PD-1抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Europe, Japan, South Korea, Canada, Australia, Eurasia, Ukraine, Brazil, Mexico, Indonesia, Philippines, Peru, Vietnam, South Africa, Malaysia, New Zealand, Singapore, Chile, Costa Rica, Israel, Sri Lanka, India, Egypt

No.	Patent	Patent Owner	Type of Patent	Place of Registration
111 . . .	A crystal form of a bisulfate salt of a JAK kinase inhibitor and a preparation method thereof (一種 JAK 激酶抑制劑的硫酸氫鹽的結晶形式及其製備方法)	the Company	Invention Patent	United States, Europe, Japan, Russia, Brazil, South Korea, Australia, Canada
112 . . .	PD-L1 antibody, antigen-binding fragment thereof and medical use thereof (PD-L1 抗體、其抗原結合片段及其醫藥用途)	the Company, Suzhou Suncadia Biopharmaceuticals, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Mexico, Russia, Australia
113 . . .	Use of an anti-PD-1 antibody and a VEGFR inhibitor in combination in the preparation of a drug for treating cancer (一種抗 PD-1 抗體和 VEGFR 抑制劑聯合在製備治療癌症的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	Japan, South Korea, Mexico, Russia, Indonesia, Australia
114 . . .	Fusion protein containing TGF- β receptor and its medical use (含有 TGF- β 受體的融合蛋白及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Vietnam, Ukraine, Mexico, Russia, Malaysia, Indonesia, Australia
115 . . .	A PD-L1 antibody pharmaceutical composition and its use (一種 PD-L1 抗體藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, Mexico, Russia, Malaysia, Vietnam, Indonesia
116 . . .	A crystal form of PARP-1 inhibitor and preparation method thereof (一種 PARP-1 抑制劑的晶型及其製備方法)	the Company	Invention Patent	Russia, Malaysia, Indonesia
117 . . .	IL-5 antibody, antigen-binding fragment thereof and medical use (IL-5 抗體、其抗原結合片段及醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Japan, South Korea, South Africa, Russia, Malaysia
118 . . .	Antibodies binding to human IL-4R, antigen-binding fragments thereof, and medical uses thereof (結合人 IL-4R 的抗體、其抗原結合片段及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Japan, Russia, Indonesia, United States, Vietnam
119 . . .	Use of an anti-PD-1 antibody and famitinib in the preparation of a drug for treating tumors (一種抗 PD-1 抗體和法米替尼聯合在製備治療腫瘤的藥物中的用途)	the Company, Suzhou Suncadia Biopharmaceuticals	Invention Patent	Russia, United States
120 . . .	A TGF- β receptor fusion protein pharmaceutical composition and its use (一種 TGF- β 受體融合蛋白藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Japan, Ukraine, Russia, Vietnam
121 . . .	Pharmaceutical composition containing anti-IL-5 antibody and use thereof (包含抗 IL-5 抗體的藥物組合物及其用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	South Africa, Russia

No.	Patent	Patent Owner	Type of Patent	Place of Registration
122 . . .	Salt of bicyclic substituted pyrazolone azo derivatives, preparation method thereof and use thereof in medicine (雙環取代吡唑酮偶氮類衍生物的鹽,其製備方法及其在醫藥上的應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Europe, United States, Russia, Ukraine, Mexico, South Africa, Australia, South Korea, Canada, Brazil, Egypt
123 . . .	Antibodies capable of binding to thymic stromal lymphopoietin and their use (能結合胸腺基質淋巴細胞生成素的抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	United States, Russia, South Africa
124 . . .	Neurokinin-1 antagonists (神經激肽-1拮抗劑)	the Company, Shanghai Shengdi Pharmaceuticals, Shanghai Senhui Pharmaceutical	Invention Patent	Russia, Vietnam, Mexico
125 . . .	Echinocandin analogs and preparation methods thereof (棘白菌素類似物及其製備方法)	the Company, Shanghai Senhui Pharmaceutical, Shanghai Shengdi Pharmaceutical	Invention Patent	Russia
126 . . .	Anti-ANGPTL3 antibodies and their applications (抗ANGPTL3抗體及其應用)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Russia
127 . . .	A cephalosporin antibacterial compound and preparation method thereof (一種頭孢類抗菌化合物及其製備方法)	the Company, Shanghai Shengdi Pharmaceutical, Shanghai Senhui Pharmaceutical	Invention Patent	Russia
128 . . .	Anti-HER3 antibody and anti-HER3 antibody drug conjugate and medical use thereof (抗HER3抗體和抗HER3抗體藥物偶聯物及其醫藥用途)	the Company, Shanghai Hengrui Pharmaceuticals	Invention Patent	Eurasia

(c) *Domain Names*

As of December 31, 2024, our Group had registered the following domain name which is material to our business:

No.	Domain Name	Registered Owner
1. . .	hengrui.com	the Company

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the interests or short positions of our Directors, Supervisors or chief executive in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“Model Code”), once the H Shares are listed will be as follows:

(i) *Interest in Shares of our Company*

Name of Director, Supervisor or chief executive	Nature of interest	Description of Shares upon completion of the Global Offering	Number of Shares	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company upon completion of the Global Offering ⁽¹⁾
Mr. Sun Piaoyang (孫飄揚先生)	Interest held by controlled corporation ⁽²⁾	A Shares	1,538,184,187	24.11%	23.29%
Mr. Dai Hongbin (戴洪斌先生)	Beneficial owner	A Shares	1,708,842	0.03%	0.03%
Mr. Zhang Lianshan (張連山先生)	Beneficial owner	A Shares	497,152	0.01%	0.01%
Mr. Sun Jieping (孫杰平先生)	Beneficial owner	A Shares	1,907,032	0.03%	0.03%
Mr. Yuan Kaihong (袁開紅先生)	Beneficial owner	A Shares	1,292,000	0.02%	0.02%

Notes:

- (1) The calculation is based on the assumption that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (2) As of the Latest Practicable Date, (i) Hengrui Group directly held 1,538,184,187 A Shares; and (ii) Mr. Sun Piaoyang, our chairman of the Board and one of our executive Directors, held an 89.2% equity interest in Hengrui Group. Therefore by virtue of the SFO, Mr. Sun is deemed to be interested in the A Shares held by Hengrui Group.

(ii) Interest in shares of associated corporations of our Company

Name of Director, Supervisor or chief executive	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. Sun Piaoyang (孫飄揚先生).	Beneficial owner	Chengdu Suncadia Medicine	1.22%
	Beneficial owner	Ruilidi Biopharmaceuticals (Shanghai) Co., Ltd. (瑞利迪(上海)生物醫藥有限公司)	40.00%
	Interest in controlled corporation ⁽¹⁾	Shanghai Shengdi Biopharmaceuticals Private Investment Fund Partnership (Limited Partnership) (上海盛 迪生物醫藥私募投資基金合夥 企業(有限合夥))	48.54%
	Interest in controlled corporation ⁽¹⁾	Shanghai Regenelead Therapies Co., Ltd. (上海瑞宏迪醫藥有限公司)	28.00%
Mr. Dai Hongbin (戴洪斌先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%
Mr. Zhang Lianshan (張連山先生).	Beneficial owner	Chengdu Suncadia Medicine	0.11%
Mr. Sun Jieping (孫杰平先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%
	Interest in controlled corporation ⁽²⁾	Shanghai Shengdi Private Equity Management Co., Ltd. (上海盛迪私募基金管理有限公 司) (“Shanghai Shengdi Private Equity”)	40.00%
Mr. Yuan Kaihong (袁開紅先生).	Beneficial owner	Chengdu Suncadia Medicine	0.12%

Notes:

- (1) As of the Latest Practicable Date, (i) Hengrui Group held 48.5% equity interest in Shanghai Shengdi Biopharmaceuticals Private Investment Fund Partnership (Limited Partnership) (上海盛迪生物醫藥私募投資基金合夥企業(有限合夥)) and 28.0% equity interest in Shanghai Ruihongdi Pharmaceutical Co., Ltd. (上海瑞宏迪醫藥有限公司); and (ii) Mr. Sun, our chairman of the Board and one of our executive Directors, held an 89.2% equity interest in Hengrui Group. As such, Mr. Sun is deemed to be interested in the shares held by Hengrui Group.
- (2) As of the Latest Practicable Date, (i) Shanghai Yaorong Enterprise Management Center (Limited Partnership) (上海曜嶸企業管理中心(有限合夥)) (“Shanghai Yaorong”) held 40.0% equity interest in Shanghai Shengdi Private Equity Management Co., Ltd. (上海盛迪私募基金管理有限公司); and (ii) Mr. Sun Jieping, one of our executive Directors, held 50.0% interest in Shanghai Yaorong in the capacity as executive and general partner. As such, Mr. Sun is deemed to be interested in the shares held by Shanghai Yaorong.

(b) *Interests of the substantial shareholders in any member of our Group (other than our Company)*

Member of our Group	Name of substantial shareholder	Approximate percentage of shareholding interest held by the substantial shareholder
Shanghai Shengdi Private Equity	Shanghai Yaorong	40%
HR BIO Holdings Limited	ELV PCE Holdings Limited	30%
Atridia Pty Ltd.	Soaring Technology Limited	25%
Atridia Pty Ltd.	Nice Nature Limited	36%

Save as disclosed above, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), our Directors are not aware of any person, not being a Director, Supervisor or chief executive of our Company who will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company).

2. Particulars of Service Contracts

We have entered into a service contract with each of our Directors and Supervisors. The principal particulars of these service contracts comprise (a) the term of service; (b) compliance with relevant laws and regulations; and (c) provisions on termination of the appointment. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind, pension scheme contributions and share-based payment expenses) for our Directors in respect of the financial years ended December 31, 2022, 2023 and 2024 were RMB10.5 million, RMB20.4 million and RMB26.0 million, respectively.

The aggregate remuneration (including salaries, bonuses, allowances, benefits in kind, pension scheme contributions and share-based payment expenses) for our Supervisors in respect of the financial years ended December 31, 2022, 2023 and 2024 were RMB0.7 million, RMB3.0 million and RMB3.5 million, respectively.

Details of our Directors' and Supervisors' remuneration are also set out in note 9 of the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in the Accountants' Report, no other emoluments have been paid or are payable by our Company or any of our subsidiaries to our Directors or Supervisors during the Track Record Period.

For the financial years ended December 31, 2022, 2023 and 2024, there was/were one, three and three Directors among the five highest paid individuals, respectively. During the Track Record Period, the aggregate remuneration for the remaining four, two and two highest paid individuals amounted to RMB11.8 million, RMB7.5 million and RMB9.5 million for the years ended December 31, 2022, 2023 and 2024, respectively.

Under the arrangements currently in force, the aggregate remuneration (excluding share-based payment expenses) for our Directors and Supervisors for the financial year ending December 31, 2025 is estimated to be approximately RMB21 million.

None of the Directors, Supervisors or the five highest paid individuals has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us; or (ii) as compensation for loss of office in connection with the management of the affairs of any member of our Group.

Save as disclosed in note 9 of the Accountants' Report set out in Appendix I to this prospectus, there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration during the Track Record Period.

None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

4. Fees or commissions received

Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

- (a) Save as disclosed in the section headed “C. Further Information About our Directors, Supervisors and Substantial Shareholders—1. Disclosure of Interests” in this Appendix VI, none of our Directors, Supervisors or chief executive has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our H Shares are listed on the Stock Exchange.
- (b) None of our Directors, Supervisors or any of the parties listed in the paragraph headed “E. Other Information—6. Qualification of Experts” below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.
- (c) None of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.
- (d) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other Information—6. Qualification of Experts” below: (i) is interested, legally or beneficially, in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. A SHARE EMPLOYEE STOCK OWNERSHIP SCHEMES

Our Company adopted the 2022 Employee Stock Ownership Scheme, the 2023 Employee Stock Ownership Scheme and the 2024 Employee Stock Ownership Scheme (collectively, the “A Share Employee Stock Ownership Schemes”) during the period from September 8, 2022 to September 6, 2024, which were outstanding as of the Latest Practicable Date. The terms of the A Share Employee Stock Ownership Schemes are not subject to the provisions of Chapter 17 of the Listing Rules regarding share schemes involving issue of new shares. Save as otherwise disclosed, the terms of each of the A Share Employee Stock Ownership Schemes are substantially similar and are summarized below.

(i) Participants of the schemes

The participants of the A Share Employee Stock Ownership Schemes include directors, supervisors, senior management, core management and key personnel as set out in the schemes.

(ii) Source of shares and participants’ interest in the schemes

Our Company will repurchase A Shares from the open market, and transfer a prescribed number of such A Shares to the relevant employee stock ownership schemes at a certain purchase price, as set out under each scheme. The purchase of A Shares to be held for each scheme shall be funded by the legal income of the employees, self-raised funds or other sources permitted by laws and regulations. Each participant of the A Share Employee Stock Ownership Schemes holds a certain percentage of interest in the relevant A Share Employee Stock Ownership Scheme.

(iii) Term of the schemes

Each A Share Employee Stock Ownership Scheme is valid for a period of five years, commencing from the date of approval by the Shareholders and upon publication of an announcement by our Company regarding the transfer of relevant A Shares from our Company stock repurchase account to the relevant employee stock ownership scheme (the “Announcement Date”).

(iv) Administration of the schemes

The A Share Employee Stock Ownership Schemes are subject to the approval of the Shareholders. Each scheme is administered by a committee (the “Scheme Management Committee”), the members of which are elected by the participants of that scheme. The Scheme Management Committees oversee the day-to-day management of the A Share Employee Stock Ownership Schemes, and exercise shareholders’ rights in respect of the A Shares held under each scheme on behalf of its participants.

(v) Vesting of the shares

Each participants' entitlement to the corresponding portion of A Shares (together with any dividend) held by the A Share Employee Stock Ownership Schemes, shall be vested in three tranches in the proportion of 40%, 30% and 30%, upon expiry of a period of 12 months, 24 months and 36 months from the Announcement Date, respectively. The vesting of A Shares shall be subject to attainment of corporate performance targets and personal evaluation for each participant. The vested A Shares shall either be sold by the Scheme Management Committee, with the proceeds to be distributed to the participants proportionately, or transferred to the relevant participant.

(vi) Total number of shares held by the schemes

As of the Latest Practicable Date, the total number of A Shares held by the A Share Employee Stock Ownership Schemes was 24,753,255, representing approximately 0.37% of the issued Shares immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The table below sets forth the details of the A Shares held by the A Share Employee Stock Ownership Schemes:

<u>Employee Stock Ownership Scheme</u>	<u>Maximum number of grantees</u>	<u>A Shares held by the scheme as of the Latest Practicable Date</u>	<u>Approximate percentage of issued Shares as of the Latest Practicable Date</u>	<u>Approximate percentage of issued Shares immediately after completion of the Global Offering⁽¹⁾</u>
2022 Employee Stock Ownership Scheme . . .	1,158	5,213,722	0.08%	0.08%
2023 Employee Stock Ownership Scheme . . .	1,178	7,339,533	0.12%	0.11%
2024 Employee Stock Ownership Scheme . . .	1,203	12,200,000	0.19%	0.18%

Note:

- (1) The calculation is based on the assumption that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

As of the Latest Practicable Date, the aggregate number of A Shares underlying the outstanding awards granted under the A Share Employee Stock Ownership Schemes amounted to 1,049,100 A Shares to our Directors, Supervisors and other connected persons, representing approximately 0.013%, 0.001% and 0.002% interest in our Company, respectively. Apart from (i) Mr. Dai Hongbin, Mr. Zhang Lianshan, Mr. Jiang Frank Ningjun and Mr. Sun Jieping, each being a Director of our Company; (ii) Mr. Yuan Kaihong and Ms. Xu Yu, each being a Supervisor of our Company; and (iii) Mr. Wang Xiaoke, Mr. Han Xiuguang, Mr. Xi Ganlin and Mr. Wu Jiagang, each being a director of certain of our subsidiaries, none of the other grantees under the A Share Employee Stock Ownership Schemes are connected persons of our Company as of the Latest Practicable Date.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that currently no material liability for estate duty under PRC law is likely to fall upon our Company or any of our subsidiaries under the laws of Hong Kong and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as a sponsor for the Listing is HK\$2,000,000 per Joint Sponsor and payable by us.

4. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoters

Information of our promoters at the time of our Company's incorporation as a joint stock limited company in April 1997 is as follows:

No.	Name
1. . . .	Lianyungang Hengrui Group Co., Ltd. (連雲港恒瑞集團有限公司), formerly known as Lianyungang Pharmaceutical Industry Corporation (連雲港市醫藥工業公司)
2. . . .	Lianyungang Hengrui Group Co., Ltd. Labor Union (連雲港恒瑞集團有限公司工會) (formerly known as Lianyungang Pharmaceutical Industry Corporation Labor Union Working Committee (連雲港市醫藥工業公司工會工作委員會))
3. . . .	China National Pharmaceutical Investment Co., Ltd. (中國醫藥投資有限公司), formerly known as China National Pharmaceutical Industry Corporation (中國醫藥工業公司)
4. . . .	Lianyungang Pharmaceutical Purchasing and Supply Station of Jiangsu Province (江蘇省連雲港醫藥採購供應站)
5. . . .	Lianyungang Kangyuan Pharmaceutical Co., Ltd. (連雲港康緣製藥有限責任公司)

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Morgan Stanley Asia Limited	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO
Citigroup Global Markets Asia Limited	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 7 (Providing Automated Trading Services) regulated activities under the SFO
Huatai Financial Holdings (Hong Kong) Limited.	A corporation licensed to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 3 (Leveraged Foreign Exchange Trading), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance), Type 7 (Providing Automated Trading Services) and Type 9 (Asset Management) regulated activities under the SFO
Ernst & Young.	Certified Public Accountants and Registered Public Interest Entity Auditor
Commerce & Finance Law Offices.	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of Experts

Each of the persons named in “—6. Qualification of Experts” has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this prospectus.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Restrictions on Share Repurchases

For details, see the sections headed “Appendix IV—Summary of Principal Legal and Regulatory Provisions” and “Appendix V—Summary of the Articles of Association” in this prospectus.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in the sections headed “Share Capital” and “Structure of the Global Offering” in this prospectus and in this Appendix VI, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

- (ii) save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and
 - (iii) save in connection with the Underwriting Agreements, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share or debenture in our Company.
- (b) Our Group has not issued any debentures nor does it have any outstanding debentures or any convertible debt securities.
- (c) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (d) Save as disclosed in this prospectus, no founder or management or deferred shares of our Company have been issued or agreed to be issued.
- (e) Our Directors confirm that:
 - (i) up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (f) Save for the A Shares of our Company that are listed on the Shanghai Stock Exchange as set out in the sections headed “History and Corporate Structure” and “Share Capital” in this prospectus, no company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this prospectus; and
- (b) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—7. Consents of Experts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hengrui.com up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the years ended December 31, 2022, 2023 and 2024;
- (d) the report on review of the unaudited interim condensed consolidated financial information of our Group for the three months ended March 31, 2025 from Ernst & Young, the text of which is set out in the section headed “Unaudited Interim Condensed Consolidated Financial Information” in Appendix IA to this prospectus;
- (e) the report on the unaudited pro forma financial information received from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (f) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisor, in respect of certain aspects and property interests of our Group in the PRC;
- (g) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (h) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this prospectus;

- (i) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—7. Consents of Experts” in Appendix VI to this prospectus;
- (j) the service contracts referred to in the section headed “Statutory and General Information—C. Further Information About Our Directors, Supervisors and Substantial Shareholders—2. Particulars of Service Contracts” in Appendix VI to this prospectus; and
- (k) the PRC Company Law, the PRC Securities Law and the Overseas Listing Trial Measures, together with unofficial English translations thereof.

